

# MI EQUIPMENT HOLDINGS BERHAD (“MI EQUIPMENT HOLDINGS” OR “COMPANY”)

## PROPOSED SHARE BUY-BACK

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### 1. INTRODUCTION

On behalf of the Board of Directors of Mi Equipment Holdings (“**Board**”), Affin Hwang Investment Bank Berhad (“**Affin Hwang IB**”) wishes to announce that the Company proposes to seek the authority from its shareholders to purchase its own ordinary shares (“**Mi Equipment Holdings Shares**” or “**Shares**”) of up to five percent (5%) of its total number of issued shares (“**Proposed Share Buy-Back**”).

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

The Company is proposing to seek the shareholders’ approval to purchase up to five percent (5%) of its total number of issued shares. The purchase of Shares under the Proposed Share Buy-Back will be carried out through Bursa Malaysia Securities Berhad (“**Bursa Securities**”) via stockbroker(s) to be appointed by the Board at a later date.

The Proposed Share Buy-Back will be undertaken in accordance with Sections 112, 113 and 127 of the Companies Act 2016 (“**Act**”), Chapter 12 of the Main Market Listing Requirements of Bursa Securities (“**Listing Requirements**”) and any prevailing laws, guidelines, rules and regulations issued by the relevant authorities at the time of purchase.

The approval from the shareholders for the Proposed Share Buy-Back will be effective immediately upon the passing of the ordinary resolution relating to the Proposed Share Buy-Back at an extraordinary general meeting (“**EGM**”) of the Company to be convened and will continue to be in force until:

- (i) the conclusion of the next annual general meeting (“**AGM**”) of the Company following the EGM at which such resolution was passed, at which time the said authority shall lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.

The shareholders’ approval for the Proposed Share Buy-Back does not impose an obligation on the Company to purchase its own shares on Bursa Securities. 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 time period.

#### 2.1 Quantum

The maximum aggregate number of Mi Equipment Holdings Shares which may be purchased by the Company, shall not exceed five percent (5%) of its total number of issued Shares at any point in time.

As at 31 October 2018, being the latest practicable date prior to this announcement (“**LPD**”), the issued share capital of the Company is RM252,615,378 comprising 500,000,000 Shares. Pursuant thereto, assuming no additional Mi Equipment Holdings Shares are issued, a total of 25,000,000 Shares, representing five percent (5%) of the total number of issued Shares, may be purchased by the Company pursuant to the Proposed Share Buy-Back.

The actual number of Shares to be purchased and timing of such purchases will depend on, amongst others, market conditions and sentiments, as well as the retained profits and financial resources available to the Company at the time of the purchase.

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

Pursuant to Paragraph 12.10(1) of the Listing Requirements, the listed issuer must ensure that the Proposed Share Buy-Back is made wholly out of the retained profits of the Company.

Based on the latest audited financial statements of the Company for the financial year ended (“**FYE**”) 31 December 2017 and latest unaudited financial statements of the Company for the nine (9)-month financial period ended 30 September 2018, the accumulated losses/ retained profits of the Company are as set out below:

<b>Company Level*</b>	<b>Audited as at 31 December 2017 RM</b>	<b>Unaudited as at 30 September 2018 RM</b>
(Accumulated losses)/ Retained profits	(37,707)	2,192,984

Note:

\* *Mi Equipment Holdings was incorporated in 2017 for the purpose of being an investment holding company and listing vehicle for the Company and its subsidiary companies (“**Mi Equipment Holdings Group**” or “**Group**”) pursuant to its listing on the Main Market of Bursa Securities on 20 June 2018.*

The Company shall ensure that the maximum funds to be utilised for the Proposed Share Buy-Back shall not exceed the aggregate of the retained profits of the Company in accordance with Paragraph 12.10(2) of the Listing Requirements.

The Company proposes to utilise internally generated funds of Mi Equipment Holdings Group to finance the Proposed Share Buy-Back. The amount of internally generated funds to be utilised will only be determined later at the time of purchase, depending on, amongst others, the availability of internally generated funds, the actual number of Shares to be purchased and other relevant cost factors.

The Proposed Share Buy-Back is not expected to have a material impact on the cash flow position of the Company. In addition, the Board will ensure that the Company satisfies the solvency test as stated in Section 112(2) of the Act before implementing the Proposed Share Buy-Back.

## 2.3 Treatment of Shares Purchased

Pursuant to Section 127(4) of the Act, where the Company has purchased the Shares, the Board may, at their discretion, resolve:

- (i) to cancel the shares so purchased;
- (ii) to retain the shares so purchased in treasury, which is referred to as “treasury shares” in the Act; or
- (iii) to retain part of the shares so purchased as treasury shares and cancel the remainder of the shares.

Accordingly, based on Section 127(7) of the Act, where such Shares are held as treasury shares, the Board may, at their discretion:

- (i) distribute the shares as dividends to shareholders, such dividend to be known as “share dividends”;
- (ii) resell the shares or any of the shares in accordance with the relevant rules of Bursa Securities;
- (iii) transfer the shares, or any of the shares for the purposes of or under an employees’ share scheme;
- (iv) transfer the shares, or any of the shares as purchase consideration;
- (v) cancel the shares or any of the shares; or
- (vi) sell, transfer or otherwise use the shares for such other purposes as the Minister may by order prescribe.

Upon each purchase of the Shares pursuant to the Proposed Share Buy-Back, an immediate announcement will be made to Bursa Securities in respect of the intention of the Board to either retain the Shares purchased as treasury shares or cancel them or a combination of both. An immediate announcement will also be made to Bursa Securities of any resale, transfer or cancellation of Shares so purchased.

In the event the Mi Equipment Holdings Shares purchased pursuant to the Proposed Share Buy-Back are held as treasury shares, the rights attached to them as to voting, dividends and participation in other distributions 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 substantial shareholdings, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

Where the Board resolves to cancel the Shares purchased or cancel any treasury shares, the Company’s issued share capital shall be diminished by the cancellation of the Shares purchased and the costs of the shares shall be applied in the reduction of the profits otherwise available for distribution as dividends.

#### **2.4 Potential advantages and disadvantages**

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

##### **Potential advantages**

- (i) The Proposed Share Buy-Back allows the Company to take preventive measures against speculation particularly when the Shares are undervalued which would in turn, stabilise the market price of the Shares and hence, enhance investors’ confidence;
- (ii) If the shares purchased are retained as treasury shares, the Board may distribute the treasury shares as share dividends and/or issued under an employees’ share scheme to reward the shareholders of the Company and/or the eligible persons;
- (iii) The Company will have flexibility in attaining the desired capital structure, in terms of debt and equity composition and size of equity; and

- (iv) The resultant reduction of share capital base (in respect of Shares purchased which are then cancelled) is expected to enhance the earnings per share (“**EPS**”) and may improve the net assets (“**NA**”) per share of the Group (all things being equal), hence making the Shares more attractive to investors.

**Potential disadvantages**

- (i) The Proposed Share Buy-Back will reduce the financial resources of the Group and may result in the Group forgoing better investment opportunities that may emerge in the future; and
- (ii) The Proposed Share Buy-Back may result in the reduction of financial resources available for distribution of cash dividends to shareholders in the future as the Proposed Share Buy-Back can only be made out of the retained profits of the Company.

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

**2.5 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.

Based on the Record of Depositors of the Company as at the LPD, the public shareholding spread of the Company was approximately 31.48%.

The Board will be mindful in ensuring that the minimum public shareholding spread of 25% is met and maintained before making any purchases of its own Shares.

**2.6 Implication of Rules on Take-overs, Merger, and Compulsory Acquisitions (“Rules”)**

There is no implication with the regards to the Rules on the Company and the shareholders arising from the Proposed Share Buy-Back in the event the Proposed Share Buy-Back is implemented in full.

**2.7 Purchase price and resale or transfer price**

**(i) Purchase price**

Pursuant to Paragraph 12.17 of the Listing Requirements, the Company may only purchase its own Shares listed on Bursa Securities at a price which is not more than 15% above the five (5)-day weighted average market price (“**VWAP**”) of the Shares immediately preceding the date of any purchase(s).

**(ii) Resale or transfer price**

Pursuant to Paragraph 12.18 of the Listing Requirements, the Company may only resell or transfer the Shares purchased which are held as treasury shares on Bursa Securities at:

- (i) a price which is not less than the five (5)-day VWAP for the Shares immediately before the resale or transfer; or

- (ii) a discounted price of not more than five percent (5%) to the five (5)-day VWAP for the Shares immediately before the resale or transfer provided that:
  - (a) the resale or transfer takes place not earlier than 30 days from the date of purchase; and
  - (b) the resale or transfer price is not less than the cost of purchase of the Shares being resold or transferred.

The Company is required to make an immediate announcement to Bursa Securities of any purchase, resale, transfer or cancellation of the Shares pertaining to the Proposed Share Buy-Back.

## **2.8 Purchase, resale, transfer and cancellation of Shares made in the previous twelve (12) months**

Given that this is the first time the Company is seeking authority from the shareholders for the Proposed Share Buy-Back, the Company does not currently hold any treasury shares and has not purchased, resold, transferred or cancelled any Shares during the last twelve (12) months preceding the LPD.

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

The rationale for the Proposed Share Buy-Back is as follows:

- (i) allows the Company to take preventive measures against speculation to preserve the fundamental value of the Company which may in turn have a favourable impact on the share price of the Company. It is to be carried out when the share price is transacted at levels which do not reflect the potential earnings capabilities and/or underlying asset value of the Group;
- (ii) should any treasury shares be distributed as share dividends and/or issued under an employees' share scheme, this would also serve to reward the shareholders of the Company and/or the eligible persons;
- (iii) enable the Company to utilise its 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 as favourable; and
- (iv) if the Shares purchased 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 and the NA per Share of the Group may improve (all things being equal).

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

### 4.1 Issued share capital

The pro forma effects of the Proposed Share Buy-Back on the number of issued Shares of the Company are as follows:

	No. of Shares
Issued Shares as at the LPD	500,000,000
Maximum number of Shares that may be purchased and cancelled pursuant to the Proposed Share Buy-Back <sup>(1)</sup>	(25,000,000)
<b>Total number of issued Shares after the Proposed Share Buy-Back</b>	<b>475,000,000</b>

*Note:*

(i) *Assuming all Shares purchased are cancelled.*

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

### 4.2 NA, NA per Share and gearing

The effects of the Proposed Share Buy-Back on the NA of the Group will depend on the actual number of Shares to be purchased, the purchase price of the Shares, the effective funding cost to the Group to finance the share buy-back, if any, or any loss in interest income to the Company.

The NA would decrease if the Shares purchased are retained as treasury shares due to the requirement for treasury shares to be carried at cost and be offset against equity, resulting in a decrease in the NA by the cost of the treasury shares.

If the Shares purchased are resold on Bursa Securities, the NA per Share would increase if the Company realises a gain from the resale, and vice-versa. If the Shares purchased are subsequently distributed as share dividends, there will be no effect on the NA per Share of the Group.

If the Shares purchased are cancelled, the Proposed Share Buy-Back will reduce the NA per Share if the purchase price per Share exceeds the NA per Share at the time of purchase, and vice-versa.

The Company does not intend to fund the Proposed Share Buy-Back via external bank borrowings. Nevertheless, all else being equal, assuming that the treasury shares are being retained by the Company and no borrowings are being utilised to fund the purchase of the Shares, the Proposed Share Buy-Back may increase the gearing of the Group as the equity will be reduced by the cost of the shares acquired.

### **4.3 Earnings and EPS**

The effects of the Proposed Share Buy-Back on the earnings and EPS of the Group will depend on the actual number of Shares to be purchased, the purchase price for such Shares, the effective funding cost to the Group to finance the purchase of such Shares, if any, or any loss in interest income to the Group. Nevertheless, all things being equal, assuming that the treasury shares are retained, the Proposed Share Buy-Back is expected to increase the EPS of the Group as the treasury shares held will not be taken into account in calculating the total number of issued Shares.

If the Shares purchased are cancelled, the number of Shares applied in the computation of EPS will reduce and accordingly, all things being equal, the Proposed Share Buy-Back will increase the EPS of the Group.

If the Shares purchased are resold, the extent of the impact to the EPS of the Group will depend on the actual selling price, the number of treasury shares resold and the effective gain on resale and any funding cost arising from the Proposed Share Buy-Back.

### **4.4 Working capital**

The Proposed Share Buy-Back will reduce the working capital and cash flow of the Group, the quantum of which depends on, amongst others, the number of Shares purchased, the purchase price of the Shares and funding cost, if any.

For Shares purchased which are kept as treasury shares, upon its resale, the working capital and cash flow of the Group will increase assuming that a gain has been realised. The quantum of the increase in the working capital will depend on the actual selling price of the treasury shares and the number of treasury shares resold.

### **4.5 Dividends**

The Proposed Share Buy-Back is not expected to have any impact on the policy of the Board in recommending dividends, if any, to the shareholders. Nonetheless, if the Shares purchased are retained as treasury shares, the treasury shares may be distributed as dividends to the shareholders, if the Company so decides.

If the Shares purchased are cancelled, the Proposed Share Buy-Back will have the effect of increasing the dividend rate of the Company as a result of the reduction in the number of issued Shares.

#### 4.6 Shareholdings of the substantial shareholder and Directors

For illustration purposes, based on the Company's Record of Depositors as at LPD, and assuming the Company acquires the maximum number of Shares authorised under the Proposed Share Buy-back, the effect of the Proposed Share Buy-back on the shareholdings of the Directors and substantial shareholder of the Company are as follows:

	As at the LPD				Pro forma I			
	Direct		Indirect		After the Proposed Share Buy-Back		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<b><u>Director / Substantial Shareholder</u></b>								
Oh Kuang Eng	340,000,394	68.00	-	-	340,000,394	71.58	-	-
<b><u>Directors</u></b>								
Koay Huck Khim	500,000	0.10	-	-	500,000	0.11	-	-
Ong Tee Ni	1,486,228	0.30	-	-	1,486,228	0.31	-	-
Foo Hee Chaik	300,000	0.06	-	-	300,000	0.06	-	-
Lee Boon Leng	65,000	0.01	-	-	65,000	0.01	-	-
Tan Boon Hoe	200,000	0.04	-	-	200,000	0.04	-	-

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#### **4.7 Convertible securities**

As at the LPD, the Company does not have any convertible securities.

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

The Proposed Share Buy-Back is subject to the following approvals being obtained from:

- (i) the shareholders of the Company at an EGM to be convened; and
- (ii) any other relevant authorities and/or parties, if required.

The Proposed Share Buy-Back is not conditional upon any other proposal undertaken or to be undertaken by the Company.

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

Save for the consequential increase in the percentage of shareholdings of the Directors and major shareholder of the Company as a result of the Proposed Share Buy-Back, none of the Directors and/or major shareholder of the Company and/or persons connected with them, if any, has any interest, direct or indirect, in the Proposed Share Buy-Back.

#### **7. DIRECTORS' STATEMENT**

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 the Company.

#### **8. ADVISER**

Affin Hwang IB has been appointed as the Principal Adviser to the Company in relation to the Proposed Share Buy-Back.

This announcement is dated 14 November 2018.