

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action you should take, you should consult your Stockbroker, Bank Manager, Solicitor, Accountant or other professional adviser immediately.

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SHH RESOURCES HOLDINGS BERHAD

Registration No: 199401018548 (304227-U)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PART A

**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT
RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

PART B

**PROPOSED PURCHASE BY SHH RESOURCES HOLDINGS BERHAD OF ITS
OWN SHARES**

The notice of the Twenty-Eighth Annual General Meeting to be held entirely through live streaming from the broadcast venue at Level 12, Menara Symphony, No 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan on 29 November 2022 at 11.00 a.m. together with a Form of Proxy are enclosed with the 2022 Annual Report of the Company.

The Form of Proxy must be duly completed and deposited at the registered office of the Company at No. 2 (1st Floor), Jalan Marin, Taman Marin, Jalan Haji Abdullah, Sungai Abong, 84000 Muar, Johor Darul Takzim or submitted via email to agm2022@shh.com.my or lodged electronically via “Boardroom Smart Investor Portal” at <https://investor.boardroomlimited.com> not less than 24 hours before the time stipulated for holding the meeting or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from personally participating remotely and voting at the meeting should you subsequently wish to do so.

The last day and time for lodging the Form of Proxy is on 28 November 2022 at 11.00 a.m.

This Circular is dated 28 October 2022

DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Circular:-

“AGM”	:	Annual General Meeting
“Act”	:	The Companies Act, 2016 as amended from time to time and any re-enactment thereof
“Board”	:	The Board of Directors of the Company
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“Constitution”	:	Constitution of the Company
“DHSB”	:	Deseng Hardware (M) Sdn Bhd, an associate company of the Company
“Director”	:	Shall have the meaning given in Section 2 of the Act and includes any person who is or was within the preceding 6 months of the date on which the terms of the relevant transaction were agreed upon, a director of the Company (or any other company which is its subsidiary or holding company or a subsidiary of its holding company); and “Directors” shall be construed accordingly
“EPS”	:	Earnings per share
“Group”	:	SHH Resources Holdings Berhad and its subsidiaries
“KSSB”	:	Kurnia Sejati Sdn Bhd, a wholly-owned subsidiary of the Company
“Listing Requirements”	:	The Main Market Listing Requirements of Bursa Securities.
“Major Shareholders”	:	<p>Any person who is or was within the preceding 6 months of the date on which the terms of the relevant transaction were agreed upon who has an interest or interests in one or more voting shares in the Company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:-</p> <p>a) equal to or more than 10% of the aggregate of the nominal amounts of all the voting shares in the Company; or</p> <p>b) equal to or more than 5% of the aggregate of the nominal amounts of all the voting shares in the Company where such person is the largest shareholder of the Company.</p> <p>For the purpose of this definition, “interest in shares” shall have the meaning given in Section 8 of the Act.</p>
“NA”	:	Net Assets

“Proposed Shareholders’ Mandate”	:	Proposed shareholders’ mandate for the Group to enter into the classes of Recurrent Transactions in the ordinary course of business as set out in Part A Section 2.4 of this Circular with persons who are considered to be Related Parties
“Proposed Share Buy-Back”	:	Proposed purchase by the Company of its own Shares up to ten percent (10%) of its total number of issued shares
“RM” and “sen”	:	Ringgit Malaysia and sen respectively
“Recurrent Transactions”	:	Recurrent related party transactions of a revenue or trading nature which are entered into in the ordinary course of business and are necessary for the Group’s day-to-day operations, and are made at arms’ length, on the Company’s normal commercial terms and on terms not more favourable than those generally available to the public
“Related Party”	:	A Director, a Major Shareholder or a person connected with such Director or Major Shareholder of the Company; and “Related Parties” shall be construed accordingly
“SHH Furniture”	:	SHH Furniture Industries Sdn Bhd, a wholly-owned subsidiary of the Company
“SHH” or the “Company”	:	SHH Resources Holdings Berhad
“SHH Shares” or “Shares”	:	Ordinary shares in the Company
“Substantial Shareholder”	:	A person who has an interest or interests in one or more voting shares in the Company and the number or the aggregate number of those shares, is not less than five percent (5%) of the total number of all the voting shares of the Company. For the purpose of this definition, “interest in shares” shall have the meaning given in Section 8 of the Act
“Treasury Shares”	:	SHH Shares which have been bought back by the Company in accordance with the Act as authorised by the Constitution and retained as treasury shares

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PART A

**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT
RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

SHH RESOURCES HOLDINGS BERHAD

Registration No: 199401018548 (304227-U)

(Incorporated in Malaysia)

Registered Office

No. 2 (1st Floor)
Jalan Marin,
Taman Marin,
Jalan Haji Abdullah,
Sungai Abong, 84000 Muar,
Johor Darul Takzim.

Date: 28 October 2022

Board of Directors:

Dato' Haji Obet bin Tawil *(Independent Non-Executive Chairman)*

Dato' Teo Wee Cheng *(Managing Director)*

Datin Teo Chan Huat *(Deputy Managing Director)*

Mr. Lew Khim Khim *(Executive Director)*

Ms. Grace Khoo Ting Ting *(Executive Director)*

Mr. Tan Siong Sun *(Non-Independent Non-Executive Director)*

Ms. Ng Sai Goey *(Independent Non-Executive Director)*

Datuk Yong Teck Shing *(Independent Non-Executive Director)*

To: The Shareholders of SHH Resources Holdings Berhad

Dear Sir/Madam,

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

1. INTRODUCTION

At an AGM held on 30 November 2021, the Company had obtained a shareholders' mandate for the Company and its subsidiaries to enter into any of the category of Recurrent Transactions of a revenue or trading nature as set out in the circular to shareholders dated 29 October 2021 with the Related Parties. The shareholders' mandate covered all Recurrent Transactions from 30 November 2021 until the conclusion of the forthcoming AGM of the Company which is scheduled on 29 November 2022, unless it is renewed.

On 14 October 2022, the Company announced its intention to seek shareholders' approval to enter into the Recurrent Transactions as set out in Section 2.4 below, provided such transactions are of a revenue or trading nature which are entered into in the ordinary course of business and necessary for its day-to-day operations of the Group and on terms not more favourable to the Related Party than those generally available to the public or non-related parties and are not detrimental to the minority shareholders.

The purpose of this Circular is to provide you with information on the Proposed Shareholders' Mandate and to seek your approval on the relevant ordinary resolution to be tabled at the forthcoming AGM of the Company.

SHAREHOLDERS ARE ADVISED TO READ THE CONTENTS AND APPENDIX OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED SHAREHOLDERS' MANDATE.

2. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

2.1 Part E – Related Party Transactions, Paragraph 10.09 of the Listing Requirements

Under Paragraph 10.09 (2) Part E of Chapter 10 of the Listing Requirements, a listed issuer may seek a shareholders' mandate in respect of related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for its day-to-day operations subject to the following:-

- i) The transaction are in the ordinary course of business and are on terms not more favourable to the Related Party than those generally available to the public;
- ii) The Shareholders' Mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under paragraph 10.09 (1) of the Listing Requirements as stated below:-
 - (a) the consideration, value of the assets, capital outlay or costs of the Recurrent Related Party Transactions is RM1.0 million or more; or
 - (b) the percentage ratio of such Recurrent Related Party Transactions is 1% or more, whichever is the lower;
- iii) the listed company's circular to shareholders for the Shareholders' Mandate includes the information as may be prescribed by Bursa Securities;
- iv) in a meeting to obtain the Shareholders' Mandate, interested Director, interested Major Shareholder or interested person connected with a Director or Major Shareholder; and where it involves the interest of an interested person connected with a Director or Major Shareholder, such Director or Major Shareholder, must not vote on the resolution approving the transactions. An interested Director or interested Major Shareholder must also ensure that persons connected with him abstain from voting on the resolution approving the transactions; and
- v) the listed company immediately announces to the Bursa Securities when the actual value of a Recurrent Related Party Transaction entered into by the listed company, exceeds the estimated value of the Recurrent Related Party Transaction disclosed in the Circular by 10% or more and must include information as may be prescribed by Bursa Securities in its announcement.

Where the Company has procured the Shareholders' Mandate pursuant to the above, the provision of paragraph 10.08 of the Listing Requirement shall not apply during the period of validity of the Shareholders' Mandate.

2.2 The Recurrent Transactions

The principal activity of the Company is that of an investment holding company whereas its subsidiaries are involved in manufacturing of wooden furniture.

The Group is seeking approval of the shareholders in relation to the Proposed Shareholders' Mandate which will allow the Group to enter into the categories of recurrent related party transactions referred to in the ensuing section provided such transactions are necessary for its day-to-day operations of the Group and are made at arms' length in the ordinary course of business on normal commercial terms that are not more favourable to the Related Party than those generally available to the public or non-related parties and are not detrimental to the minority shareholders.

The Proposed Shareholders' Mandate will, if approved by the shareholders at the AGM, take effect immediately from the date of the AGM and is subject to annual renewal and shall only continue to be in force until:-

- a) the conclusion of the next AGM of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the said authority is renewed;
- b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act, (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier.

2.3 Nature of the Recurrent Transactions

The Recurrent Transactions are principally in respect of purchases of materials, furniture parts and rubberwood from the Related Party and the provision of workmanship labour services by the Related Party in the ordinary course of the Group's business. The details of the Recurrent Transactions are described in Table A below.

2.4 Class of Related Party

The Proposed Renewal of Shareholders' Mandate would apply to the Recurrent Transactions with a corporation connected with two directors of the Company and Chief Executive Officer of the Group. The related Parties and the estimated value of the transactions are disclosed in Table A below.

Table A – Recurrent Transactions with Related Party under the Proposed Shareholders' Mandate

Nature of Transaction	Relationships of the Related Parties	Estimated value as disclosed in preceding year Circular	#Actual Value of Transactions carried out	Estimated value from the forthcoming AGM to the next AGM
<p>(a) Purchase of materials, furniture parts and provision of workmanship labour services</p> <p>SHH Furniture purchases materials and furniture parts from DHSB.</p> <p>DHSB also provides workmanship labour services to SHH Furniture.</p>	<p>a) SHH Furniture is a wholly-owned subsidiary of the Company.</p> <p>b) The Company has a 49% equity interest in DHSB.</p> <p>c) Teo Bok Yu is the Chief Executive Officer of the Group.</p> <p>d) Teo Bok Yu and Teo Jin Yuan are directors in Gerak Teras Sdn Bhd and DHSB. They have a 100% equity interest in Gerak Teras Sdn Bhd which has a 51% shareholding in DHSB.</p> <p>e) Both Teo Bok Yu and Teo Jin Yuan are the sons of Dato' Teo Wee Cheng and Datin Teo Chan Huat, the substantial shareholders and directors of the Company.</p>	RM8,000,000	RM5,168,362	RM8,000,000

Table A – Recurrent Transactions with Related Party under the Proposed Shareholders' Mandate (cont'd)

(b) Purchase of materials, furniture parts and provision of workmanship labour services		RM6,000,000	RM213,728	RM6,000,000
KSSB purchases materials and furniture parts from DHSB.	a) KSSB is a wholly-owned subsidiary of the Company.			
DHSB also provides workmanship labour services to KSSB.	b) The Company has a 49% equity interest in DHSB.			
	c) Teo Bok Yu is the Chief Executive Officer of the Group.			
	d) Teo Bok Yu and Teo Jin Yuan are directors in Gerak Teras Sdn Bhd and DHSB. They have a 100% equity interest in Gerak Teras Sdn Bhd which has a 51% shareholding in DHSB.			
	e) Both Teo Bok Yu and Teo Jin Yuan are the sons of Dato' Teo Wee Cheng and Datin Teo Chan Huat, the substantial shareholders and directors of the Company.			

Actual value transacted since the last AGM up to 7 October 2022 (being the latest practicable date prior to printing of this Circular).

KSSB and SHH Furniture are wholly-owned subsidiaries of the Company.

The estimated value is based on the aggregate annual value of transactions between the Group and the Related Party for the previous financial year ended 30 June 2022 and the anticipated increase in the level of business dealings with the Related Party. The actual amount transacted may vary and subject to changes.

The interests of Deemed Interested Parties, namely Dato' Teo Wee Cheng, Datin Teo Chan Huat, Teo Bok Yu and Teo Jin Yuan in shares of the Company as at 7 October 2022 are as follows:

	Direct		Indirect	
Dato' Teo Wee Cheng	10,617,544	10.62%	6,542,230 (a)	6.54%
Datin Teo Chan Huat	6,542,230	6.54%	10,617,544 (b)	10.62%
Teo Bok Yu	-	-	17,159,774 (c)	17.16%
Teo Jin Yuan	-	-	17,159,774 (c)	17.16%

Note:-

- a) Deemed interested by virtue of the shareholding of his spouse, Datin Teo Chan Huat.
- b) Deemed interested by virtue of the shareholding of her spouse, Dato' Teo Wee Cheng.
- c) Deemed interested by virtue of the shareholding of their parents, Dato' Teo Wee Cheng and Datin Teo Chan Huat.

2.5 Terms of the Recurrent Transactions

The principal activity of SHH Furniture and KSSB is manufacturing of wooden furniture. DHSB is mainly involved in the manufacturing of moulded materials and furniture parts such as moulded rubberwood, laminated boards, finger joint wood and cap-rails, and supply of workmanship labour services.

SHH Furniture and KSSB purchase materials and furniture parts from DHSB on prices, terms and conditions which are not more favourable than those generally available to the public.

In addition DHSB provides to SHH Furniture and KSSB, workmanship labour services on prices, terms and conditions similar to those generally available to the public.

2.6 Rationale for the Recurrent Transactions

The Recurrent Transactions to be entered into by the Group are of a revenue or trading nature and are necessary for day-to-day operations of the Group. These transactions are made in the ordinary course of business on normal commercial terms that are not more favourable to the Related Party than those generally available to the public or non-related parties. They are recurring related party transactions which are likely to occur with some degree of frequency and may arise at any time and from time to time. These transactions may be constrained by the time-sensitive nature and confidentiality of such transactions, and it may be impractical to seek shareholders' approval on a case-to-case basis before entering into such related party transactions.

As such, the Board is seeking a shareholders' mandate pursuant to Paragraph 10.09 of the Listing Requirements for the Recurrent Transactions to authorise the Group to enter into such transactions which are made on arm's length basis and on normal commercial terms and which are not prejudicial to the interests of the minority shareholders.

By obtaining the Proposed Shareholders' Mandate, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such Recurrent Transactions occur would not arise. This would reduce substantial administrative time, inconvenience and expenses involved in the convening of such meeting, without compromising the corporate objectives of the Group or adversely affect the business operations of and opportunities available to the Group.

2.7 Benefits of the Recurrent Transactions

To accommodate the Group's extensive manufacturing processes, the Group purchases furniture parts and materials from various vendors which include purchases from DHSB. Regular purchases of materials and furniture parts from DHSB allow the Group to have a better control on the quality as well as the delivery schedules of its manufactured products. Various furniture parts and materials may be purchased at various times due to shortfalls in inventory or because production of certain furniture parts are not undertaken by the subsidiaries of the Company or inability to be sourced elsewhere.

Workmanship labour services fees paid to DHSB ensure reliable, prompt and skilled services provided by DHSB and is common in such industry. The subcontract of such workmanship labour services will also enable the Group to concentrate in its main activities and at the same time, dispense with the need to maintain a massive workforce given that furniture manufacturing operations is labour intensive.

2.7 Benefits of the Recurrent Transactions (cont'd)

Close working relationships with DHSB via reciprocal services engaged and provided allow the Group to forge a long standing, mutually beneficial business relationship with DHSB. The Group also benefits from better utilisation and allocation of resources through the close collaboration with DHSB.

2.8 Amount Due and Owing By Related Parties

None of the related parties has any amount due and owing to the Group pursuant to the Recurrent Related Party Transactions for the financial year ended 30 June 2022.

2.9 Disclosure and Review Procedures for the Recurrent Transactions

Disclosure on the aggregate value of transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year will be made in the annual report of the Company. The review procedures for the Recurrent Transactions are as follows:

- (1) the Recurrent Transactions are conducted at arm's length and based on normal commercial terms consistent with the Group's usual business practices and policies and will not be prejudicial to shareholders;
- (2) the management will ensure that pricing for materials, furniture parts and provision of workmanship labour services to be provided or supplied and/or received or purchased is determined in accordance with the Group's usual business practices and policies, consistent with the usual margin of the Group for the same or substantially similar type made by the Group with the public. Where practical and feasible, quotations will be obtained from at least two (2) unrelated parties to ascertain appropriate prices. In the event that quotation or comparative pricing from unrelated parties cannot be obtained, the price, terms and conditions of the transactions will be in accordance with applicable industry norms prevailing commercial rates;
- (3) the management to review the terms of Recurrent Transactions; and
- (4) Audit Committee shall review the terms of the Recurrent Transactions on a quarterly basis and to provide a statement that it has reviewed and is satisfied with the review procedures to the extent that the procedures are relevant and sufficient to ensure that such Recurrent Transactions will be carried out on normal commercial terms which are not prejudicial to the interests of minority shareholders.

2.10 The Threshold of Approval of Recurrent Transactions

The recurrent related party transactions covered under this Circular regardless of the amount are to be approved by the Purchasing Manager. In the event where the Purchasing Manager is unable to approve the recurrent related party transactions, these transactions will be subject to the review by and approval of the Audit Committee.

2.11 Audit Committee Statement

The members of the Audit Committee are as follows:-

- | | | | |
|----|--|---|--|
| 1. | Ng Sai Goey
(Chairman of the Audit Committee) | - | Independent Non-Executive Director |
| 2. | Dato' Haji Obet bin Tawil | - | Independent Non-Executive Director |
| 3. | Tan Siong Sun | - | Non-Independent and Non-Executive Director |

The Audit Committee has reviewed the procedures stated in Section 2.9 above and is of the view that:

- (i) the review procedures are sufficient and satisfactory to ensure that the Recurrent Transactions are carried out on terms not more favourable to the Related Party than to the public and are not detrimental to the minority shareholders and disadvantageous to the Group.
- (ii) the Group has in place adequate procedures and processes to monitor, track and identify Recurrent Transaction in a timely and orderly manner, and such procedures and processes are reviewed on a yearly basis or whenever the need arises.

For purposes of avoidance of conflict of interests, any member of the Audit Committee having interests, direct or indirect in the Recurrent Transactions, will not be involved in the review of the Recurrent Transactions.

2.12 Approval of Shareholders of the Company

The Proposed Shareholders' Mandate is subject to the approval of shareholders of the Company at the forthcoming AGM of the Company.

3. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

Save as disclosed below, none of the directors, major shareholders and person connected to the directors or major shareholders of the Company have any interest, direct or indirect, in the Proposed Shareholders' Mandate.

Dato' Teo Wee Cheng, a deemed interested party and a director of the Company, SHH Furniture and KSSB has abstained and will abstain from board deliberation and voting on the relevant Recurrent Transactions at the board meeting of the Company, SHH Furniture and KSSB.

Datin Teo Chan Huat, a deemed interested party and a director of the Company, SHH Furniture and KSSB has abstained and will abstain from board deliberation and voting on the relevant Recurrent Transactions at the board meeting of the Company, SHH Furniture and KSSB.

The aforesaid directors, namely Dato' Teo Wee Cheng and Datin Teo Chan Huat will also abstain from voting at the forthcoming AGM in respect of their direct and indirect shareholdings in the Company on the Proposed Shareholders' Mandate.

The aforesaid deemed interested directors, namely Dato' Teo Wee Cheng and Datin Teo Chan Huat have also undertaken that they and persons connected with them will abstain from voting on the resolution approving the Proposed Shareholders' Mandate at the AGM.

4. BOARD OF DIRECTORS' RECOMMENDATION

The Board (except for Dato' Teo Wee Cheng and Datin Teo Chan Huat who are an interested parties pursuant to the Proposed Shareholders' Mandate have abstained from giving their opinion and recommendation on the Proposed Shareholders' Mandate) is of the opinion that the Proposed Shareholders' Mandate is in the best interest of the Company and therefore recommend that you vote in favour of the resolution in relation to the Proposed Shareholders' Mandate to be tabled at the forthcoming AGM.

5. ANNUAL GENERAL MEETING

The AGM will be held entirely through live streaming from the broadcast venue at Level 12, Menara Symphony, No 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan on 29 November 2022 at 11.00 a.m. or at any adjournment thereof.

A Form of Proxy for the AGM is enclosed in the 2022 Annual Report of the Company. If you are unable to attend and vote in person at the AGM, you are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon to the Company's registered office at No. 2 (1st Floor), Jalan Marin, Taman Marin, Jalan Haji Abdullah, Sungai Abong, 84000 Muar, Johor Darul Takzim or submit via email to agm2022@shh.com.my or lodge electronically via "Boardroom Smart Investor Portal" at <https://investor.boardroomlimited.com> not less than 24 hours before the time set for holding the AGM. The lodging of the Form of Proxy will not preclude you from personally participating remotely and voting at the meeting should you subsequently wish to do so.

6. FURTHER INFORMATION

Shareholders are requested to refer to Appendix I for further information.

Yours faithfully,
For and on behalf of the Board of Directors of
SHH RESOURCES HOLDINGS BERHAD

Dato' Haji Obet bin Tawil
Chairman

PART B

**PROPOSED PURCHASE BY SHH RESOURCES HOLDINGS BERHAD OF ITS
OWN SHARES**

SHH RESOURCES HOLDINGS BERHAD

Registration No: 199401018548 (304227-U)
(Incorporated in Malaysia)

Registered Office

No. 2 (1st Floor)
Jalan Marin,
Taman Marin,
Jalan Haji Abdullah,
Sungai Abong, 84000 Muar,
Johor Darul Takzim.

Date: 28 October 2022

Board of Directors:

Dato' Haji Obet bin Tawil (*Independent Non-Executive Chairman*)
Dato' Teo Wee Cheng (*Managing Director*)
Datin Teo Chan Huat (*Deputy Managing Director*)
Mr. Lew Khim Khim (*Executive Director*)
Ms. Grace Khoo Ting Ting (*Executive Director*)
Mr. Tan Siong Sun (*Non-Independent Non-Executive Director*)
Ms. Ng Sai Goey (*Independent Non-Executive Director*)
Datuk Yong Teck Shing (*Independent Non-Executive Director*)

To: The Shareholders of SHH Resources Holdings Berhad

Dear Sir/Madam,

PROPOSED PURCHASE BY SHH RESOURCES HOLDINGS BERHAD OF ITS OWN SHARES

1. INTRODUCTION

On 14 October 2022, the Company announced its intention to seek shareholders' approval for the authority to purchase its own shares of an aggregate amount of up to ten percent (10%) of its prevailing total number of issued shares (excluding treasury shares) at any time.

The purpose of this Circular is to provide you with information on the Proposed Share Buy-Back and to seek your approval on the relevant ordinary resolution to be tabled at the forthcoming AGM of the Company.

SHAREHOLDERS ARE ADVISED TO READ THE CONTENTS AND APPENDIX OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED SHARE BUY-BACK.

2. DETAILS OF THE PROPOSED SHARE BUY-BACK

The Board seek your approval for authority to be given to the Company to purchase its own shares of an amount which, when aggregated with treasury shares, does not exceed ten percent (10%) of the issued and paid-up share capital of the Company at any point in time, subject to compliance with Section 127 of the Act and all other applicable and prevailing laws, rules, regulations, orders, guidelines and requirements.

The purchase of own shares will be carried out through the Bursa Securities through one or more appointed stockbrokers.

The Directors may deal with the Shares purchased by the Company in accordance with Section 127 of the Act, in the following manner:-

- (i) cancel the Shares so purchased; or
- (ii) retain the Shares so purchased as treasury shares; or
- (iii) retain part of the Shares so purchased as treasury shares and cancel the remainder; or
- (iv) distribute the treasury shares as dividends to the shareholders of the Company and/or resale on the Bursa Securities in accordance with the relevant rules of the Bursa Securities.

The Directors may resolve to cancel the Shares so purchased and/or retain them to be held as Treasury Shares and/or resell them. The rationale for the decision to retain and/or resell the treasury shares will be based on the performance of the Shares on the stock market. Should the price of the Shares reach a level which will result in a gain to the Company, a decision to sell and/or distribute the Shares as share dividends will be considered. A decision to cancel any of the Treasury Shares would be taken if circumstance requires that the share capital of the Company should be reduced.

An announcement will be made to Bursa Securities in respect of the intention of the Directors on the proposed treatment of Shares bought back and the rationale of the alternatives chosen and if available, information as to the percentage or number of Shares purchased which are to be retained and/or cancelled.

Where the Directors resolve to cancel the Shares so purchased, the Company's total number of issued shares shall be diminished by the Shares so cancelled. We wish to highlight that the cancellation of Shares made pursuant to Section 127 of the Companies Act 2016, shall not be deemed to be a reduction of share capital.

Where the Directors resolve to retain the Shares so purchased as Treasury Shares, the Directors may:

- (a) distribute the Treasury Shares to shareholders as share dividends;
- (b) resell the Treasury Shares in accordance with the relevant rules of the stock exchange;
- (c) transfer the Treasury Shares for the purposes of or under an employees' share scheme;
- (d) transfer the Treasury Shares as purchase consideration;
- (e) cancel the Treasury Shares; or
- (f) sell, transfer or otherwise use the Treasury Shares for such other purposes as the Minister may by order prescribe.

2. DETAILS OF THE PROPOSED SHARE BUY-BACK (CONT'D)

While the purchased Shares are held as treasury shares, the rights attached to them as to voting, dividends and participation in other distributions or 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 calculation of substantial shareholdings, take-overs, notices, the requisitioning of meetings, calculation of quorum for meetings and the result of a vote on a resolution at meeting.

The authority for the Proposed Share Buy-Back shall commence upon passing of the Ordinary Resolution at the AGM and shall expire at the conclusion of the next AGM of the Company unless renewed by Ordinary Resolution passed at that meeting or earlier revoked or varied by Ordinary Resolution of the shareholders of the Company in a general meeting or the expiration of the period within which the next AGM after that date is required by law to be held, whichever occurs first.

The Proposed Share Buy-Back will allow the Directors to purchase SHH Shares at any time within the above-mentioned time period.

Pursuant to the Listing Requirements, the Company may only purchase its own shares at a price which is not more than fifteen percent (15%) above the weighted average market price of SHH Shares for the past five (5) Market Days immediately preceding the date of the purchase(s).

In the case of a resale of Treasury Shares or transfer the treasury shares pursuant to Section 127(7) of the Companies Act 2016, if any, the Company may only resell or transfer Treasury Shares on Bursa Securities at:

- (a) a price which is not less than the weighted average market price for the Shares for the five (5) market days immediately prior to the resale or transfer; or
- (b) a discounted price of not more than five percent (5%) to the weighted average market price for the shares for the five (5) market days immediately prior to the resale or transfer provided that:
 - (i) the resale or transfer takes place no earlier than thirty (30) days from the date of purchase; and
 - (ii) the resale or transfer price is not less than the cost of purchase of the shares being resold or transfer.

The Company will make the relevant announcement in the event of each purchase or resale of such Shares.

The funding of the Proposed Share Buy-back 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 the Shares and the availability of funds of the Group at the time of purchase. In the event that borrowings are used for the Proposed Share Buy-Back, the amount of borrowings will depend on the amount of Shares to be purchased by the Company and the appropriate borrowing capacity for the Company. The Company's net cash flow may be affected to the extent of the interest costs associated with such borrowings. Your Directors will ensure that the Company is able to meet the repayment of such borrowings, if any. The maximum fund to be allocated by the Company for the Proposed Share Buy-back shall not exceed the total retained profits and share premium, if any of the Company. The audited retained profits of the Company as of 30 June 2022 is RM16,595,488.

2. DETAILS OF THE PROPOSED SHARE BUY-BACK (CONT'D)

The actual number of Shares to be purchased, the total amount of funds involved for each purchase and the timing of each purchase will depend on the market conditions and sentiments of the stock market and the financial resources available to the Company.

3. RATIONALE FOR THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-back has the following potential benefits for the Company and its shareholders:

- (i) the Company may be able stabilise the supply and demand of the Company Shares traded on the Bursa Securities and thereby supports its fundamental value;
- (ii) if the Shares bought back by the Company are cancelled, shareholders are likely to enjoy an increase in the value of their investment in the Company as the net earnings per share of SHH will increase; and
- (iii) if the Shares bought back are kept as treasury shares, it will give the Directors an option to sell the Shares so purchased at a higher price and therefore make an exceptional gain for the Company. Alternatively, the Shares so purchased can be distributed to shareholders as dividends and serve as a reward to the shareholders of the Company.

The Proposed Share Buy-Back will, however, utilise the financial resources of the Company and may need to be balanced against investment opportunities in its core business and other shareholders' value proposals. The Proposed Share Buy-Back may also result in the reduction of financial resources available for distribution in the form of cash dividends to the shareholders. The Directors in exercising any decision on the Proposed Share Buy-Back will be mindful of the interest of the Company and its shareholders.

4. FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK

The financial effects of the Proposed Share Buy-Back are as follow:-

(i) Share Capital

In the event that the Company acquires the full ten percent (10%) of the total number of issued shares of the Company authorised under the Proposed Share Buy-Back and all the SHH Shares so acquired are cancelled, the total number of issued shares of the Company will be as follows:

	No. of Shares
Total Number of Issued Shares as at 30 June 2022	99,995,000
Less: Number of shares to be cancelled pursuant to the Proposed Share Buy-Back	(9,999,500)
Total Number of Issued Shares upon completion of the Proposed Share Buy-Back	<hr/> 89,995,500 <hr/>

4. FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK (CONT'D)

(i) Share Capital (cont'd)

On the other hand, if the Shares purchased are retained as treasury shares, the Proposed Share Buy-Back will not affect the total number of issued shares of the Company but the rights attached to them in relation to voting, dividends and participation in any other distributions or 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 calculation of substantial shareholdings, take-overs, notices, the requisitioning of meetings, calculation of quorum for meetings and the result of a vote on a resolution at meeting.

If the Shares so purchased pursuant to the Proposed Share Buy-Back are resold in the open market, the Proposed Share Buy-Back will have no effect on the Share Capital.

(ii) Net Assets per Share

- a) The effect of the share repurchase on the net assets per share of the Company is dependent on the number of SHH Shares which the Company will buy back, purchase price of the SHH Shares at the time of buy-back, the treatment of the shares so purchased and the funding cost, if any.
- b) If the maximum number of SHH Shares purchased is cancelled, the share repurchase would reduce the net assets per share of the Group if the purchase price exceeds the net assets per share at the relevant point in time. Conversely, the net assets per share of the Group would increase if the purchase price is less than the net assets per share at the relevant point in time.
- c) If the SHH Shares are retained as treasury shares, the net assets per share would increase/decrease depending on the purchase price of the SHH Shares. The net assets per share of the Group would reduce if the purchase price exceeds the net assets per share and vice versa.
- d) If the treasury shares are resold on the Bursa Securities, the net assets per share will increase if the Company realises a gain from the resale, and vice versa. If the treasury shares are distributed to shareholders as share dividends, the net assets per share will decrease by the cost of the treasury shares.

(iii) Earnings

- a) The effects of the Proposed Share Buy-Back on the earnings of the Group are dependent on the purchase prices of SHH Shares and the effective funding cost to finance such purchases and/or loss in interest income to the Group, if internally generated funds are utilised.
- b) For instance, the share repurchase will increase the EPS of the SHH Group if the effective funding cost and/or loss in income to the Company which is attributable to every repurchased share is lower than the EPS of the SHH Group and vice versa.
- c) If the SHH Shares so purchased are cancelled, the consolidated EPS of the Group will increase provided the income foregone and interest expense incurred on these shares is less than the consolidated EPS prior to such purchase.

4. FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK (CONT'D)

(iv) Working Capital

The Proposed Renewal of Authority for Share Buy-Back, if carried out, will reduce the working capital of the SHH Group. The quantum of the reduction of the working capital of the SHH Group would depend on the purchase price and number of shares purchased.

However, for the Shares purchased and kept as Treasury Shares, upon resale at a higher selling price than the initial purchase price, the working capital of the SHH Group will increase. Again the quantum of the increase in the working capital will depend on the number of Treasury Shares resold and the selling price.

(v) Cash Flow

The Proposed Share Buy-Back is not expected to adversely affect the cash requirements of the Company as the cash outflow is not substantial.

(vi) Dividends

The Proposed Share Buy-Back is not expected to adversely affect the payment of dividends as the amount of dividends to be paid will be reduced, as there will be less Shares qualifying for dividends whether the Shares so purchased are retained as Treasury Shares or are cancelled.

However, if the Shares so purchased are retained as Treasury Shares, they can be used for subsequent payment of dividends in the form of share dividends.

(vii) Public Shareholding Spread

The pro-forma public shareholding spread of the Company as at 7 October 2022, being the latest practicable date prior to the printing of this Circular, will be reduced from 32.08% to 24.53% in the event the Proposed Share Buy-Back is implemented in full and the Shares purchased are from shareholders other than the Substantial Shareholders and Directors.

The Company will ensure that it will not purchase its own Shares if that purchase will result in the Company's public shareholding spread falling below the minimum threshold of 25%.

5. SUBSTANTIAL SHAREHOLDERS' AND DIRECTORS' SHAREHOLDINGS

Save for the proportionate increase in the percentage of shareholdings and / or voting rights of the shareholders of the Company as a result of the Proposed Share Buy-Back, none of the Directors and Substantial Shareholders of the Company and persons connected with them have any interest, direct or indirect, in the Proposed Share Buy-Back and in the resale of the Treasury Shares, if any.

The effect of the Proposed Share Buy-Back on the shareholdings of the Directors and Substantial Shareholders of the Company, based on the Record of Depositors as at 7 October 2022, being the latest practicable date prior to the printing of this Circular, assuming the Proposed Share Buy-Back is carried out in full by the Company is shown below:

Directors	No. of Shares Held		% of Issued Share Capital			
	Before and After the Proposed Share Buy-Back		Before Proposed Share Buy-Back		After Proposed Share Buy-Back	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Dato' Teo Wee Cheng	10,617,544	6,542,230 (a)	10.62	6.54	11.80	7.27
Datin Teo Chan Huat	6,542,230	10,617,544 (b)	6.54	10.62	7.27	11.80
Lew Khim Khim	-	30,000,400 (c)	-	30.00	-	33.34
Tan Siong Sun	3,024,000	-	3.02	-	3.36	-
Ng Sai Goey	155,200	-	0.15	-	0.17	-
Dato' Haji Obet bin Tawil	-	-	-	-	-	-
Grace Khoo Ting Ting	-	-	-	-	-	-
Datuk Yong Teck Shing	-	-	-	-	-	-

Substantial Shareholders	No. of Shares Held		% of Issued Share Capital			
	Before and After the Proposed Share Buy-Back		Before Proposed Share Buy-Back		After Proposed Share Buy-Back	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Dato' Teo Wee Cheng	10,617,544	6,542,230 (a)	10.62	6.54	11.80	7.27
Datin Teo Chan Huat	6,542,230	10,617,544 (b)	6.54	10.62	7.27	11.80
Lew Khim Khim	-	30,000,400(c)	-	30.00	-	33.34
Harry Lee Vui Khiun	7,912,800	-	7.91	-	8.79	-
Puncak Intan Sdn Bhd	9,663,750	-	9.66	-	10.74	-
SX Capital Sdn Bhd	30,000,400	-	30.00	-	33.34	-

Note:-

- a) Deemed interested by virtue of the shareholding of his spouse, Datin Teo Chan Huat.
- b) Deemed interested by virtue of the shareholding of her spouse, Dato' Teo Wee Cheng.
- c) Deemed interested by virtue of his substantial shareholding in SX Capital Sdn Bhd.

6. IMPLICATIONS OF THE CODE

Under the Malaysian Code on Take-Over and Mergers, 2016 ("Code"), a Director and any person acting in concert with him/her or a relevant shareholder will be required to make a mandatory general offer if his/her stake in the Company is increased to beyond thirty-three percent (33%) or if his/her existing shareholdings is between thirty-three and fifty percent (33% and 50%) and it increases by another two percent (2%) in any six (6) month period.

6. IMPLICATIONS OF THE CODE (CONT'D)

As at 7 October 2022, being the latest practicable date prior to the printing of this Circular, the largest shareholder of the Company, namely SX Capital Sdn Bhd hold approximately 30.00% of the voting shares of SHH. In the event that SHH implements the Proposed Share Buy-Back in full and on the assumption the Shares purchased are from shareholders other than the largest shareholder together with persons connected with him, the shareholding of the largest shareholder, together with persons connected with him, will increase to 33.34%.

The Company intends to implement the Proposed Share Buy-Back in the manner that will not result in any shareholder having to undertake a mandatory general offer under the Code.

In the event that the Proposed Share Buy-Back results in the shareholdings of any of the above parties being affected, the affected person will be obliged to make a mandatory offer for the remaining SHH Shares not held by him/her.

However, under Practice Note 9 of the Code, the affected party may apply for an exemption from making a mandatory offer arising from the circumstances mentioned above.

7. PURCHASE, RESALE OR CANCELLATION OF OWN SHARES IN THE PRECEDING TWELVE (12) MONTHS

The Company has not made any purchase or resale or cancellation of treasury shares in the preceding twelve (12) months and the Company does not hold any treasury shares.

8. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of the Share traded on Bursa Securities for the preceding twelve (12) months are as follows:

	High (RM)	Low (RM)
2021		
October	0.650	0.560
November	0.600	0.520
December	0.545	0.330
2022		
January	0.745	0.430
February	0.690	0.530
March	0.600	0.530
April	0.550	0.540
May	0.560	0.500
June	0.535	0.480
July	0.630	0.480
August	0.650	0.570
September	0.790	0.560

(Source: <http://finance.yahoo.com>)

The last transacted price of SHH Shares on 14 October 2022 being the last practicable date prior to the printing of this statement, was RM 0.695.

9. CONDITIONS OF THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back is subject to the approval of the shareholders of the Company.

10. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST

None of the Directors, Substantial shareholders and/or persons connected to the Directors and/or Substantial shareholders of SHH, has any interest, direct or indirect, in the Proposed Share Buy-Back.

11. BOARD OF DIRECTORS' RECOMMENDATION

Your Directors, having considered all aspects of the Proposed Share Buy-Back, are of the opinion that the Proposed Share Buy-Back is in the best interest of the SHH Group. Accordingly, they recommend that you vote in favour of the Proposed Share Buy-Back at the forthcoming AGM of the Company.

12. ANNUAL GENERAL MEETING

The AGM will be held entirely through live streaming from the broadcast venue at Level 12, Menara Symphony, No 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan on 29 November 2022 at 11.00 a.m. or at any adjournment thereof.

A Form of Proxy for the AGM is enclosed in the 2022 Annual Report of the Company. If you are unable to attend and vote in person at the AGM, you are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon to the Company's registered office at No. 2 (1st Floor), Jalan Marin, Taman Marin, Jalan Haji Abdullah, Sungai Abong, 84000 Muar, Johor Darul Takzim or submit via email to agm2022@shh.com.my or lodge electronically via "Boardroom Smart Investor Portal" at <https://investor.boardroomlimited.com> not less than 24 hours before the time set for holding the AGM. The lodging of the Form of Proxy will not preclude you from personally participating remotely and voting at the meeting should you subsequently wish to do so.

13. FURTHER INFORMATION

Shareholders are requested to refer to Appendix I for further information.

Yours faithfully,
For and on behalf of the Board of Directors of
SHH RESOURCES HOLDINGS BERHAD

Dato' Haji Obet bin Tawil
Chairman

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY

This Circular has been seen and approved by the Board who collectively and individually accept full responsibility for the accuracy of the information given 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.

2. MATERIAL CONTRACTS

There are no material contracts which have been entered into by the Company and/or its subsidiaries during the two (2) years immediately preceding the date of this Circular, other than contract entered into in the ordinary course of business.

3. MATERIAL LITIGATIONS

Neither the Company nor any of its subsidiaries are engaged in any material litigation, claim or arbitration, either as a plaintiff or defendant which has a material effect on the financial position of the Company or its subsidiaries.

As at the date of this Circular, the Board does not have any knowledge of any proceedings, pending or threatened, against the Company or its subsidiaries or any facts likely to give rise to any proceedings which may materially affect the position or business of the Company or its subsidiaries, financially or otherwise.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal office hours (except public holidays) at the registered office of the Company at No. 2 (1st Floor), Jalan Marin, Taman Marin, Jalan Haji Abdullah, Sungai Abong, 84000 Muar, Johor Darul Takzim from the date of this Circular up to and including the date of the AGM:

- (a) Constitution of the Company.
- (b) Audited accounts of the Company for the past two (2) financial years ended 30 June 2021 and 30 June 2022.

EXTRACT OF NOTICE OF ANNUAL GENERAL MEETING

ORDINARY RESOLUTION

7. Proposed Shareholders' Mandate for Recurrent Related Party Transactions

“THAT, subject to the Companies Act 2016 (“the Act”), the Constitution of the Company and Bursa Malaysia Securities Berhad’s Main Market Listing Requirements, approval be hereby given to the Company and/or its subsidiaries to enter into all arrangements and/or transactions involving interests of Directors, major shareholders or persons connected with Directors and/or major shareholders of the Company and/or its subsidiaries (“Related Parties”), details of which are more particularly set out in Part A of Section 2 of the Circular to Shareholders dated 28 October 2022 (“the Shareholders’ Mandate”);

PROVIDED THAT such arrangements and/or transactions are:-

- a. recurrent transactions of a revenue or trading nature;
- b. necessary for the day-to-day operations;
- c. carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
- d. not to the detriment of minority shareholders of the Company.

THAT the Shareholders’ Mandate, unless earlier revoked or varied by the Company in a general meeting, shall continue to be in force until the next Annual General Meeting (“AGM”) of the Company or the expiration of the period within which the next AGM is required to be held pursuant to Section 340 (2) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 340 (4) of the Act);

AND THAT disclosure will be made in the annual report of the Company of the aggregate value of transactions conducted pursuant to the Shareholders’ Mandate during the financial year;

FURTHER THAT the Directors of the Company be hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders’ Mandate.”

[Resolution 9]

8. Proposed Share Buy-Back

“THAT subject always to the Companies Act 2016 (“the Act”), the Constitution of the Company, the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and all other applicable laws, regulations and guidelines, the Directors of the Company be hereby given full authority, to allocate an amount not exceeding the total available retained profits of the Company based on its latest audited financial statements available up to the date of the transaction for the purpose of and to purchase such amount of ordinary shares in the Company (“Shares”) as may be determined by the Directors from time to time through Bursa Securities as the Directors may deem fit and in the best interest of the Company provided that the aggregate number of Shares to be purchased and/or held as treasury shares pursuant to this resolution does not exceed ten percent (10%) of the total number of issued shares of the Company (excluding treasury shares) at any point in time;

EXTRACT OF NOTICE OF ANNUAL GENERAL MEETING (cont'd)

ORDINARY RESOLUTION (cont'd)

8. Proposed Share Buy-Back (cont'd)

THAT upon the purchase by the Company of its own Shares, the Directors of the Company be hereby authorised to retain such Shares so purchased as treasury shares and cancel the remainder.

AND THAT the Directors of the Company be hereby authorised to distribute the treasury shares as dividends to the shareholders of the Company and/or resell the treasury shares on Bursa Securities in accordance with the relevant rules of Bursa Securities or subsequently cancel the treasury shares or any combination thereof;

AND THAT such approval and authorisation shall be effective immediately upon the passing of this resolution and continue to be in force until:-

- a. the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
 - b. the expiration of the period within which the next Annual General Meeting is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
 - c. revoked or varied by resolution passed by the shareholders in a general meeting;
- whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities;

FURTHER THAT the Directors of the Company be hereby authorised to do all such acts and things (including, without limitation executing all such documents as may be required) as they may consider expedient or necessary to give effect to this mandate.”

[Resolution 10]