

**THIS STATEMENT 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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STATEMENT TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

The resolution in respect of the above proposal will be tabled at the 20th Annual General Meeting of the Company. The Notice of the **20th Annual General Meeting** of Protasco Berhad to be conducted **fully virtual** from the Broadcast Venue at Conference Hall, 1st Floor, Corporate Building, Unipark Suria, Jalan Ikram-Uniten, 43000 Kajang, Selangor **on Tuesday, 29 June 2021 at 11.00 am** and the Form of Proxy are sent together with the Annual Report 2020. Shareholders are advised to refer to the Notice of the 20th Annual General Meeting and the Form of Proxy. The Form of Proxy must be deposited at the Registered Office of the Company at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS 7/26, 47301 Petaling Jaya, Selangor Darul Ehsan or by electronic means through the Share Registrar's website, Boardroom Smart Investor Online Portal not less than forty-eight (48) hours before the time for holding the 20th Annual General Meeting or at any adjournment thereof, otherwise, the instrument of proxy shall not be treated as valid. Kindly refer to the Administrative Guide for further details on proxy lodgement via electronic means.

Last date and time for lodging the Form of Proxy	: 27 June 2021 at 11.00 a.m
Date and time of the 20 th Annual General Meeting	: 29 June 2021 at 11.00 a.m

This Statement is dated 31 May 2021

PROPOSED RENEWAL OF AUTHORITY FOR PROTASCO BERHAD TO PURCHASE UP TO TEN (10) PER CENTUM OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY (“PROPOSED RENEWAL”)

1. INTRODUCTION

Protasco Berhad (“PB” or “Company”) had on 7 May 2021 announced its intention to seek shareholders’ approval of the Proposed Renewal at the forthcoming 20th Annual General Meeting (“20th AGM”) of the Company.

The purpose of this Statement is to provide you with the relevant information on the Proposed Renewal and to seek your approval for the ordinary resolution to be tabled at the forthcoming 20th AGM of the Company.

The authority from the shareholders for the proposed purchase would be effective immediately upon the passing of the ordinary resolution for the Proposed Renewal until :

- (i) the conclusion of the next Annual General Meeting (“AGM”), at which time the said authority will lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiry of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340 of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) the authority is revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first.

2. DETAILS OF THE PROPOSED RENEWAL

2.1 Rationale, potential advantages and disadvantages

The Board of Directors of PB (“Board”) is of the opinion that the Proposed Renewal is expected to potentially benefit the Company and shareholders as follows:-

- (a) If purchased shares are cancelled, the earning per share (“EPS”) of PB Group would be enhanced (all things being equal). This should have a positive impact on the market price of the Company’s shares which should benefit shareholders of PB.
- (b) If the shares bought are retained in treasury (“Treasury Shares”), it may provide the Company with an opportunity to sell the Treasury Shares at a higher price which should benefit the Company.
- (c) the Treasury Shares can be distributed as share dividends to the shareholders of the Company.

The Proposed Renewal, if implemented, will reduce the financial resources of PB and may reduce interest income that may be derived from depositing the funds in interest bearing instruments. It may also result in a lower amount of cash reserve available for dividends to be declared to shareholders as funds are utilised to purchase shares.

Save as disclosed above, the Proposed Renewal is not expected to have any potential material disadvantages to PB and its shareholders as it will be exercised only after due consideration of the financial resources of the Group and of the resultant impact on its shareholders. The Board in exercising any decision on the Proposed Renewal will be mindful of the interest of the Company and that of its shareholders.

2.2 The maximum number or percentage of shares to be acquired

The Board proposes to seek a renewal of the authorisation from its shareholders for the Company to be empowered to purchase its own shares on the Bursa Malaysia Securities Berhad (“Bursa Securities”) through its appointed stockbroker(s). The Board proposes to purchase and/or hold up to a maximum of 10% of the total number of issued share of the Company as at the time of purchase. The Main Market Listing Requirements of Bursa Securities (“Listing Requirements”) stipulate that a listed company must not purchase its own shares or hold any of its own shares as treasury shares if this result in the aggregate of the shares purchased or held exceeding 10% of its total number of issued share. As at 26 April 2021, being latest practicable date prior to printing of this Statement (“LPD”), the total number of issued share of the Company (inclusive of the 13,651,900 treasury shares) is 495,392,310 ordinary shares. The total number of shares purchased by the Company up to LPD is 13,651,900, all held as treasury shares.

2.3 The amount of retained profits and source of funds

The Listing Requirements stipulate that the proposed purchase by a company of its own shares must be made out of retained profits account of the listed company.

The Board therefore proposes to allocate the maximum funds which shall not exceed the amount of retained profits of the Company for the purchase of its own shares subject to compliance with Section 127 of the Companies Act 2016 and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities at the time of the purchase. The audited financial statement of the Company as at 31 December 2020 showed retained profits of RM1.99 million.

The funding of the proposed purchase is expected to be financed by internally generated funds of the Group.

2.4 Shareholdings of Directors, Major/Substantial Shareholders and Persons Connected to the Directors and/or Major/Substantial Shareholders

2.4.1 Major/Substantial Shareholders

	As at LPD				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dato' Sri Ir. Chong Ket Pen	93,626,376	19.44	45,597,197 ^(a)	9.47	93,626,376	21.00	45,597,197 ^(a)	10.23
Penmacorp Sdn Bhd	45,597,197	9.47	-	-	45,597,197	10.23	-	-
Gan Chun Hui	35,814,100	7.43	-	-	35,814,100	8.03	-	-

Notes: (a) Deemed interested by virtue of his interest in Penmacorp Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

2.4.2 Directors

	As at LPD				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dato' Sri Ir. Chong Ket Pen	93,626,376	19.44	49,564,861 ^(a)	10.29	93,626,376	21.00	49,564,861 ^(a)	11.12
Dato' Ir. Chong Ther Nen	2,866,458	0.60	2,095,800 ^(b)	0.44	2,866,458	0.64	2,095,800 ^(b)	0.47
Dato' Sri Su-Azian @ Muzaffar Syah Bin Abd Rahman	875,000	0.18	3,645,833 ^(c)	0.76	875,000	0.20	3,645,833 ^(c)	0.82
Dato' Tan Yee Boon	-	-	-	-	-	-	-	-
Ir. Tan Heng Kui	8,912,770	1.85	-	-	8,912,770	2.00	-	-
Suhaimi Bin Badrul Jamil	105,832	0.02	-	-	105,832	0.02	-	-
Tham Wei Mei	-	-	-	-	-	-	-	-
Celine Chan Hooi Li	-	-	-	-	-	-	-	-

Notes: (a) Deemed interested by virtue of his interests via his spouse, children and Penmacorp Sdn Bhd.

(b) Deemed interested by virtue of his interest via his spouse.

(c) Deemed interested by virtue of his interest in Rencana Berkas Sdn Bhd.

2.4.3 Persons Connected

	As at LPD				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Datin Sri Hoo Chit Neo ¹	1,869,749	0.39	-	-	1,869,749	0.42	-	-
Chong Ther Vern ²	1,108,333	0.23	-	-	1,108,333	0.25	-	-
Chong Ther Shern ³	947,916	0.20	-	-	947,916	0.21	-	-
Chong Ther Zern ⁴	41,666	0.01	-	-	41,666	0.01	-	-
Datin Rosemary Khoo Mong San ⁵	2,095,800	0.44	-	-	2,095,800	0.47	-	-
Lai See Cheh ⁶	2,013,520	0.42	-	-	2,013,520	0.45	-	-
Lim Ying Zhen ⁷	2,001,599	0.42	-	-	2,001,599	0.45	-	-

Notes: 1. Datin Sri Hoo Chit Neo is the spouse of Dato' Sri Chong Ket Pen, mother of Dato' Chong Ther Nen

2. Chong Ther Vern is the son of Dato' Sri Chong Ket Pen, sibling of Dato' Chong Ther Nen

3. Chong Ther Shern is the son of Dato' Sri Chong Ket Pen, sibling of Dato' Chong Ther Nen

4. Chong Ther Zern is the son of Dato' Sri Chong Ket Pen, sibling of Dato' Chong Ther Nen

5. Datin Rosemary Khoo Mong San is the spouse of Dato' Chong Ther Nen

6. Lai See Cheh is the spouse of Chong Ther Vern

7. Lim Ying Zhen is the spouse of Chong Ther Shern

3. FINANCIAL EFFECTS OF THE PROPOSED RENEWAL

Based on the assumption that the proposed purchase is carried out in full, the effects of the proposed purchase on the share capital, net assets ("NA"), earnings and working capital of PB are as set out below: -

3.1 Share Capital

As at LPD, the total issued share capital of the Company was RM249,436,954.00 comprising 495,392,310 shares.

The effect of the proposed purchase on the share capital of the Company assuming PB buys and subsequently cancels up to 49,539,231 ordinary shares representing 10% of the total number of issued share as at LPD is as follows:-

	No. of Ordinary Shares
Existing as at LPD	495,392,310
Less: Number of PB shares to be cancelled pursuant to the proposed purchase of up to 10% of the existing share capital as at LPD	49,539,231
Upon completion of the cancellation of the 49,539,231 ordinary shares bought back	445,853,079

However, there will be no effect on the share capital of PB if the shares so purchased are retained as treasury shares.

3.2 Net Assets (“NA”) and Working Capital

The Proposed Renewal may increase or decrease the NA per share of PB Group depending on the acquisition cost in comparison to the NA per share of PB Group at the time that the purchase is made. Assuming the purchased shares are cancelled, the NA per share will be reduced if the acquisition cost exceeds the NA per share at the time of purchase and conversely would increase the NA per share if the acquisition cost is less than the NA per share at the time of purchase.

If the purchased shares are kept as Treasury Shares, the NA per share would increase unless the cost per share of the Treasury Shares purchased is above the NA per share at the relevant point in time. This is due to the requirement for Treasury Shares to be carried at cost resulting in an increase in the NA of the Company.

The Proposed Renewal is likely to reduce the working capital of the Group, the quantum of which will depend on the actual purchase price and number of shares that would be purchased pursuant to the Proposed Renewal.

3.3 Earnings

Assuming that the purchased shares are cancelled, the Proposed Renewal may increase the EPS of the Group. In addition, on the assumption that the purchased shares are treated as Treasury Shares and subsequently resold, the earnings of the Group may be affected depending on the actual selling price and number of Treasury Shares resold. In the event the purchased shares are held as Treasury Shares i.e. neither cancelled nor resold, the effective reduction in the issued shares of the Company pursuant to the Proposed Renewal would generally, all else being equal, increase the consolidated EPS of PB Group.

4. CONSEQUENCES WITH REGARD TO THE MALAYSIAN TAKE-OVERS AND MERGERS CODE (“Code”)

The Board is mindful of the potential implications relating to the Code. In the event that the obligations relating to the Code are expected to be triggered as a result of the Proposed Renewal, which is an action outside its direct participation, the affected substantial shareholders and parties acting in concert may apply to the Securities Commission for an exemption from undertaking the mandatory offer under the Code.

5. HISTORICAL SHARE PRICES

The monthly high and low prices of our shares as traded on Bursa Securities for the past 12 months from May 2020 to April 2021 are as follows:

2020	<u>High (RM)</u>	<u>Low (RM)</u>
May	0.235	0.195
June	0.305	0.205
July	0.260	0.220
August	0.255	0.210
September	0.290	0.195
October	0.220	0.195
November	0.245	0.195
December	0.345	0.225
2021	<u>High (RM)</u>	<u>Low (RM)</u>
January	0.315	0.225
February	0.270	0.225
March	0.315	0.245
April	0.280	0.240

The last traded price of PB shares as at LPD is RM0.245.

(Source: Bloomberg)

6. PURCHASES, RESALE AND CANCELLATION MADE IN THE PRECEDING 12 MONTHS

The Company has not purchased any PB shares during the preceding 12 months. Total number of shares purchased as at to-date remained at 13,651,900 which were retained as treasury shares.

None of the treasury shares had been resold, cancelled and/or distributed during the preceding 12 months.

7. PUBLIC SHAREHOLDING SPREAD OF THE LISTED COMPANY

As at LPD, the public shareholding spread of the Company was 57.24%. The Company will ensure that the minimum public shareholding spread of 25% is complied with.

8. APPROVAL REQUIRED

The Proposed Renewal is subject to the approval of shareholders at the forthcoming 20th AGM.

9. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

Save for the consequential increase in the percentage of shareholdings and/or voting rights of the Directors and major shareholders of the Company as a result of the implementation of the Proposed Renewal, which will similarly affect the other shareholders, none of the Directors and major shareholders of the Company and/or persons connected to them has any interest, direct or indirect, in the Proposed Renewal and the subsequent resale of treasury shares, if any, in the future.

10. DIRECTORS' RECOMMENDATION

The Board, after taking into consideration all relevant aspects of the Proposed Renewal, is of the opinion that the Proposed Renewal is in the best interest of the Company and recommends that you vote in favour of the resolution pertaining to the Proposed Renewal to be tabled at the forthcoming 20th AGM.

11. 20TH AGM

The 20th AGM, the notice of which is enclosed in the Annual Report 2020 of PB, to be conducted fully virtual from the Broadcast Venue at Conference Hall, 1st Floor, Corporate Building, Unipark Suria, Jalan Ikram-Uniten, 43000 Kajang, Selangor on Tuesday, 29 June 2021 at 11.00 am for the purpose of considering and, if thought fit, passing, inter alia, the ordinary resolution on the Proposed Renewal under agenda 6 as set out in the Notice of the 20th AGM.

You will find in the Annual Report 2020 of the Company a copy of the proxy form. If you are unable to attend and vote at the 20th AGM, you are entitled to appoint a proxy or proxies to vote on your behalf. In such event, the Form of Proxy must be deposited at the Registered Office of the Company at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS 7/26, 47301 Petaling Jaya, Selangor Darul Ehsan or by electronic means through the Share Registrar's website, Boardroom Smart Investor Online Portal not less than forty-eight (48) hours before the time for holding the 20th Annual General Meeting or at any adjournment thereof, otherwise, the instrument of proxy shall not be treated as valid. Kindly refer to the Administrative Guide for further details on proxy lodgement via electronic means.

The lodgement of the proxy form will not preclude you from attending and voting at the 20th AGM should you subsequently wish to do so.

12. FURTHER INFORMATION

Please refer to the enclosed appendix for further information.

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FURTHER INFORMATION**1. RESPONSIBILITY STATEMENT**

Our Board has seen and approved this Statement and they collectively and individually accept full responsibility for the accuracy of the information contained in this Statement 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 in this Statement false or misleading.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS 7/26, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia during normal business hours from 9.00 a.m. to 5.00 p.m. from Mondays to Fridays (except public holidays) from the date of this Statement up to and including the date of the forthcoming 20th AGM:

- i. Constitution of the Company; and
- ii. Audited financial statements of the Company for the financial year ended 31 December 2019 and 31 December 2020.

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