

## SHARE BUY-BACK STATEMENT

### **PROPOSED RENEWAL OF AUTHORITY FOR MAGNA PRIMA TO PURCHASE ITS OWN SHARES OF UP TO TEN PERCENT (10%) OF ITS ISSUED AND PAID-UP SHARE CAPITAL (“PROPOSED RENEWAL OF SHARE BUY-BACK”)**

#### **DISCLAIMER STATEMENT**

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#### **1. DETAILS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK**

The Board of Magna Prima had, during the AGM held on 27 May 2021 obtained its shareholders’ approval to continue the share buy-back exercise, to purchase up to 10% of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase. In accordance with the Listing Requirements governing the purchase of own shares by a listed company, the aforesaid approval will lapse at the conclusion of the forthcoming AGM unless a new mandate is obtained from the shareholders.

In connection thereto, the Company had announced its intention to seek approval of its shareholders on the Proposed Renewal of Share Buy-Back at the forthcoming AGM of the Company which will be held on.

The Board proposes to seek approval from the shareholders for a renewal of authorisation to enable Magna Prima to purchase up to 10% of its total number of issued shares as quoted on Bursa Securities as at the point of purchase.

The Proposed Renewal of Share Buy-Back shall be effective upon the passing of the resolution at the forthcoming AGM of Magna Prima and shall continue to remain in force until:

- (i) the conclusion of the next AGM of Magna Prima in 2023 at which time such authority would lapse unless renewed by ordinary resolution passed at that meeting, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM after that date is required by law to be held; or
- (iii) the authority is revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first.

#### **2. MAXIMUM LIMIT**

The maximum aggregate number of Shares which may be purchased by the Company shall not exceed 10% of the total number of issued shares of the Company at any point of time.

The Company may purchase up to 40,143,804 Magna Prima Shares based on total number of issued shares of the Company of 401,438,040 Magna Prima Shares as at 15 April 2022, being the latest practicable date (“LPD”). The total number of Magna Prima Shares purchased by the Company and being held as Treasury Shares up to and including LPD is 2,285,500.

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

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**3. TREATMENT OF SHARES PURCHASED**

If the Company purchases its own shares using external borrowings, the Board will ensure that the Group has sufficient funds to repay the external borrowings and that the repayment would not have any material effect on the cash flow of the Group.

Magna Prima may only purchase its own shares at a price which is not more than 15% above the weighted average market price of the Magna Prima shares for the 5 market days immediately prior to the date of the purchase.

The Company may only resell the purchased shares held as treasury shares at a price, which is:-

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

The Company shall, upon each purchase or re-sale of shares, make the necessary announcements to Bursa Securities.

The purchased Magna Prima shares held as treasury shares may be dealt with by the Board, in the following manner:-

- (i) to cancel the purchased shares;
- (ii) to retain the purchased shares as treasury shares for distribution as share dividends to the shareholders and/or resell the treasury shares on Bursa Securities in accordance with the relevant rules of Bursa Securities and/or be cancelled subsequently;
- (iii) transfer as purchase consideration, or
- (iv) sell, transfer or otherwise use as the Minister may prescribe.
- (v) a combination of (i) and (ii) above.

The decision whether to retain the purchased shares as treasury shares, to cancel the purchased shares, distribute the treasury shares as share dividends or to resell the treasury shares on Bursa Securities will be made by the Board at the appropriate time. The distribution of treasury shares as share dividends may be applied as a reduction of the retained profits of the Company.

While the purchased shares are held as treasury shares, the rights attached to them in relation to voting, dividends and participation in any distribution and otherwise are suspended. 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 shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.

The Company will make an immediate announcement to Bursa Securities of any purchase and resale of the shares and whether the purchased shares will be cancelled or retain as treasury shares or a combination of both.

The Proposed Renewal of 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 by the Main Market Listing Requirements of Bursa Securities.

During the financial year ended 31 December 2021, there was no resale or cancellation of treasury shares.

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**4. RATIONALE FOR THE PROPOSED RENEWAL OF SHARE BUY-BACK**

In addition to the advantages as set out in Section 5 below, the Proposed Renewal of Share Buy-Back, if implemented, will provide the Group with an additional option to utilise its surplus financial resources more efficiently by purchasing Magna Prima shares from the open market to help stabilise the supply and demand for Magna Prima shares traded on the Main Market of Bursa Securities, and thereby support its fundamental value.

The purchased shares can be held as treasury shares and resold on Bursa Securities at a higher price with the intention of realising a potential gain without affecting the Company's total issued and paid-up share capital. Should any treasury shares be distributed as share dividends, this would serve to reward the shareholders of Magna Prima.

**5. ADVANTAGES AND DISADVANTAGES**

The potential advantages of the Proposed Renewal of Share Buy-Back, if implemented, are as follows:-

- (i) allows the Company to take preventive measures against excessive speculation, in particular when the Company's shares are undervalued;
- (ii) the earnings per share of the Magna Prima shares and the return on equity, assuming all other things being equal, would be enhanced resulting from the smaller issued and paid-up share capital of the Company. This is expected to have a positive impact on the market price of Magna Prima shares which will benefit the shareholders of Magna Prima;
- (iii) to stabilise a downward trend of the market price of the Company's shares;
- (iv) allows the Company the flexibility in achieving the desired capital structure, in terms of its debt and equity composition and the size of its equity;
- (v) treasury shares can be treated as long-term investments. It makes business sense to invest in our own Company as the Board is confident of Magna Prima's future prospects and performance in the long term; and
- (vi) If the treasury shares are distributed as dividends by the Company, it may then serve to reward the shareholders of the Company.

The potential disadvantages of the Proposed Renewal of Share Buy-Back, if implemented, are as follows:-

- (i) it will reduce the financial resources of the Company which may otherwise be retained and used for the businesses of the Group. Nevertheless, the Board will be mindful of the interests of the Group and its shareholders in undertaking the Proposed Renewal of Share Buy-Back; and
- (ii) as the Proposed Renewal of Share Buy-Back can only be made out of retained earnings, it may result in the reduction of financial resources available for distribution as dividends and bonus issues to the shareholders of the Company.

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**6. FUNDING**

In accordance with the Listing Requirements, the Proposed Renewal of Share Buy-Back must be made wholly out of retained profits of the Company. The maximum amount of funds to be utilised for the Proposed Renewal of Share Buy-Back will be limited to the amount of retained profits based on the latest audited and/or unaudited financial statements of the Company. As at 31 December 2021, being the latest available audited financial statements, the audited accumulated profit of the Company amounted to RM209,565,584.

The Proposed Renewal of Share Buy-Back is expected to be financed by internally generated funds of the Group or external borrowings. In the event that the Company intends to purchase its own shares using borrowings, the Board will ensure that the Company shall have sufficient funds to repay the borrowings and that the repayment will not adversely affect the operations and cash flows of the Company. In addition, the Board will ensure that the Company satisfy the solvency test as stated in the Section 112(2) of the Act before execution of the Proposed Renewal of Share-Buy Back. Depending on the quantum and the purchase price, the Proposed Renewal of Share Buy-Back may reduce the working capital of the Magna Prima Group.

**7. PURCHASE, RESALE AND CANCELLATION OF SHARES MADE IN PREVIOUS TWELVE (12) MONTHS**

The have not been any previous purchases of Magna Prima Shares, resale, transfer and/or cancellation of treasury shares by the Company in the previous twelve (12) months preceding the date of this Statement as the Company has yet to purchase any of its shares. As at the date of this Statement, the Company does not hold any treasury shares.

**8. FINANCIAL EFFECTS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK**

The effects of the Proposed Renewal of Share Buy-Back on the share capital, shareholding structure, net assets, earnings and working capital of the Company are set out below based on the following scenarios:-

**8.1 Share Capital**

The proforma effects of the Proposed Renewal of Share Buy-Back on the issued and paid-up share capital of the Company are set out below:-

	<b>No. of shares '000</b>
Issued and paid-up share capital*	401,438
<b>Enlarged share capital</b>	<b>401,438</b>
Maximum number of purchased shares to be cancelled pursuant to the Proposed Renewal of Share Buy-Back	(40,144)
<b>Upon completion of the Proposed Renewal of Share Buy-Back</b>	<b>361,294</b>

Notes:-

\* Inclusive of the 2,285,500 Magna Prima's Shares that have been purchased and retained as Treasury Share as at LPD.

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**8. FINANCIAL EFFECTS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK (CONTINUED)**

**8.2 Substantial Shareholders' and Directors' Shareholdings**

The proforma effects of the Proposed Renewal of Share Buy-Back on the substantial shareholdings of the Company are set out below based on the Register of Substantial Shareholders as at

	As at LPD				After the Proposed Renewal of Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of shares '000	%	No. of shares '000	%	No. of shares '000	%	No. of shares '000	%
<b>Substantial shareholders</b>								
Prisma Pelangi Sdn Bhd	102,890	25.63	-	-	102,889	28.48	-	-
Fantastic Realty Sdn Bhd	70,554	17.58	-	-	70,554	19.53	-	-
Datuk Seri Rahadian Mahmud bin Mohammad Khalil	21,400	5.33	-	-	21,400	5.92	-	-
Lee Hing Lee	-	-	^^70,554	17.58	-	-	^^70,554	19.53
Top Fresh Foods (M) Sdn Bhd	19,539	4.87	""74,856	18.65	19,539	5.41	""74,856	20.72
Heng Holdings Sdn Bhd	-	-	**102,890	25.63	-	-	**102,890	28.48
Hua Yang Berhad	-	-	**102,890	25.63	-	-	**102,890	28.48
Ho Wen Yan	-	-	**102,890	25.63	-	-	**102,890	28.48
Ho Wen Han	-	-	**102,890	25.63	-	-	**102,890	28.48
Ho Wen Fan	-	-	**102,890	25.63	-	-	**102,890	28.48
Ho Min Yi	-	-	**102,890	25.63	-	-	**102,890	28.48
Chew Po Sim	-	-	**102,890	25.63	-	-	**102,890	28.48

^^ Deemed interested by virtue of his substantial shareholding in Fantastic Realty Sdn Bhd pursuant to the Companies Act, 2016

\*\* Deemed interested by virtue of his substantial shareholding in Prisma Pelangi Sdn Bhd pursuant to the Companies Act, 2016

"" Deemed interest by virtue of interest held by the common directors and shareholders of Top Fresh Foods (M) Sdn Bhd and Fantastic Realty Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.

	As at LPD				After the Proposed Renewal of Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of shares '000	%	No. of shares '000	%	No. of shares '000	%	No. of shares '000	%
<b>Directors*</b>								
Tan Sri Datuk Adzmi bin Abdul Wahab	-	-	-	-	-	-	-	-
Tan Chin Yen	6,332	1.58	-	-	6,332	1.75	-	-
Lee Chin Cheh	-	-	-	-	-	-	-	-
Ho Wen Yan	-	-	102,890	25.63	-	-	102,890	28.48
Chang Chee Kok	-	-	-	-	-	-	-	-
Sazali bin Saad	-	-	-	-	-	-	-	-
Dato' Darawati Hussain	-	-	-	-	-	-	-	-
Dato' Sri Hj Wan Adnan bin Wan Mamat	-	-	-	-	-	-	-	-

Notes:-

\* Based on the Register of Directors as at LPD.

Assumption:- Assuming that the Proposed Renewal of Share Buy-Back is implemented in full, i.e. up to ten percent (10%) of the Issued Share Capital.

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**8. FINANCIAL EFFECTS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK (CONTINUED)**

**8.3 Net Assets**

The consolidated net assets of the Company may increase or decrease depending on the number of shares purchased under the Proposed Renewal of Share Buy-Back, the purchase prices of the shares, the effective cost of funding and the treatment of the shares so purchased.

The Proposed Renewal of Share Buy-Back will reduce the consolidated net assets per share when the purchase price exceeds the consolidated net assets per share of the Company at the time of purchase. On the contrary, the consolidated net assets per share will increase when the purchase price is less than the consolidated net assets per share of the Company at the time of purchase.

If the shares purchased under the Proposed Renewal of Share Buy-Back are held as treasury shares and subsequently resold on Bursa Securities, the consolidated net assets per share would increase if the Group realise a gain from the resale or vice versa. If the treasury shares are distributed as share dividends, it will decrease the consolidated net assets by the cost of the treasury shares redistributed.

**8.4 Earnings**

The effect of the Proposed Renewal of Share Buy-Back on the consolidated earnings per share of the Company will depend on the purchase prices paid for the shares, the effective funding cost to the Group to finance the purchase of the shares or any loss in interest income to the Group if internally generated funds are utilised to finance the purchase of the shares.

Assuming that any shares so purchased are retained as treasury shares as per Companies Act, 2016 and resold on Bursa Securities, the effects on the consolidated earnings of the Company will depend on the actual selling price, the number of treasury shares resold and the effective gain or interest savings arising from the exercise.

**8.5 Working Capital**

The implementation of the Proposed Renewal of Share Buy-Back is likely to reduce the working capital of the Group, the quantum being dependent on the number of the purchased shares, the purchase price(s) and the amount of financial resources to be utilised for the purchase of the shares.

For the purchased shares retained as treasury shares as per Companies Act, 2016 upon its resale, the working capital of the Company will increase. Again, the quantum of the increase in the working capital will depend on the actual selling price of the treasury shares resold, the effective gain or interest saving arising and the gain or loss from the disposal.

**9. APPROVAL REQUIRED**

The Proposed Renewal of Share Buy-Back is subject to the approval being obtained from the shareholders of Magna Prima.

**10. PUBLIC SHAREHOLDING SPREAD**

Pursuant to the Listing Requirements, the Proposed Renewal of Share Buy-Back will be carried out in accordance with the prevailing laws at the time of the purchase including compliance of twenty-five (25%) public shareholdings spread. As at LPD, the public shareholding spread of the Company was 44.71%. The Board will endeavor to ensure that the Company complies with the public shareholding spread requirements and shall not buy back the Company's own shares if the purchase would result in the public shareholding spread requirements not being met.

**11. IMPLICATION OF THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 2016 ("CODE")**

Pursuant to the Code, a person and/or any person acting in concert with him will be required to make a mandatory offer for the remaining shares not already owned by him/them if his and/or their holding of voting shares in a company is increased beyond 33% or, if his and/or their holding of voting shares is more than 33% but less than 50%, his and/or their holding of voting shares is increased by more than 2% in any 6 months period.

The Board takes cognisance of the requirements of the Code and will be mindful of the requirements when making any purchases of shares pursuant to the Proposed Renewal of Share Buy-Back.

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## 12. HISTORICAL SHARE PRICE

The monthly highest and lowest prices of the Company's shares traded on Bursa Securities for the past twelve (12) months are as follows:-

Month	Highest (RM)	Lowest (RM)
<b>2021</b>		
April	0.660	0.550
May	0.730	0.520
June	0.695	0.600
July	0.600	0.530
August	0.570	0.500
September	0.530	0.465
October	0.530	0.475
November	0.480	0.360
December	0.415	0.380
<b>2022</b>		
January	0.480	0.380
February	0.470	0.410
March	0.470	0.385

(Source: *shareinvestor.com*)

The last transacted price of the Company's Shares as at LPD, was RM0.42.

## 13. RATIONALE

The Proposed Renewal of Share Buy-Back will enable the Company to utilise its surplus financial resources more effectively. It may also assist in stabilising the supply and demand as well as the market price of its Shares traded on Bursa Securities.

In addition, the Purchased Magna Prima Shares may be held as Treasury Shares and resold on Bursa Securities with the intention of realizing a potential gain without affecting the total number of issued shares of the Company. In the event the Treasury Shares are distributed as share dividends to shareholders, this would serve as a reward to do the shareholders of the Company.

Nevertheless, the Board will be mindful of the interest of Magna Prima and its shareholders in undertaking the Proposed Renewal of Share Buy-Back and in the subsequent cancellation to the Purchased Shares.

## 14. INTEREST OF DIRECTORS / SUBSTANTIAL SHAREHOLDERS

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

## 15. DIRECTORS' RECOMMENDATION

The Board, after having considered all aspects of the Proposed Renewal of Share Buy-Back and after careful deliberation, is of the opinion that the Proposed Renewal of Share Buy-Back is in the best interest of the Company. Accordingly, the Board recommends that you vote **IN FAVOUR** of the resolution in relation to the Proposed Renewal of Share Buy-Back to be tabled at the forthcoming AGM.