

**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 ADVISERS IMMEDIATELY.

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**INDUSTRONICS BERHAD**

(Company No.: 23699-X)

(Incorporated in Malaysia under the Companies Act, 1965)

**STATEMENT TO SHAREHOLDERS IN RELATION TO THE PROPOSED  
RENEWAL OF AUTHORITY FOR THE PURCHASE BY  
INDUSTRONICS BERHAD OF ITS OWN SHARES**

The resolution in respect of the above proposal will be tabled as Special Business at the Company's Forty Second Annual General Meeting ("42nd AGM") to be held at Function Room 5, Level 2, Hotel Sri Petaling, 30, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur at 10.30 a.m. on Friday, 30 June 2017. The Notice of 42nd AGM together with the Form of Proxy, is sent together with the Annual Report 2016.

The Form of Proxy should be completed and returned in accordance with the instructions therein as soon as possible and should be deposited at the Registered Office of the Company at Suite 18.06, 18<sup>th</sup> Floor, Wisma Zelan, No.1, Jalan Tasik Permaisuri 2, Bandar Tun Razak, 56000 Kuala Lumpur, at least 48 hours before the time stipulated for holding the meeting. The completion and return of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

Last day and time for lodging the Form of Proxy : Wednesday, 28 June 2017 at 10.30 a.m.

Date and time of 42<sup>nd</sup> Annual General Meeting : Friday, 30 June 2017 at 10.30 a.m.

This Statement is dated 28 April 2017



**INDUSTRONICS BERHAD**

(Company No.: 23699-X)

(Incorporated in Malaysia under the Companies Act, 1965)

**PROPOSED RENEWAL OF AUTHORITY FOR THE PURCHASE BY  
INDUSTRONICS BERHAD (“IB” OR “THE COMPANY”) OF ITS OWN  
SHARES**

**1. INTRODUCTION**

The approval granted by the shareholders at the Annual General Meeting (“AGM”) of IB held on 29 June 2016 for the Company to purchase its own shares shall expire at the conclusion of the forthcoming AGM.

The Company proposes to seek a renewal of the approval from the shareholders at the forthcoming AGM to be convened on 30 June 2017, to purchase and/or hold as treasury shares its own shares representing up to ten percent (10%) of the issued and paid-up share capital of the Company through Bursa Securities (“Proposed Share Buy-Back”).

The renewal of approval for the Proposed Share Buy-Back will be effective immediately upon the passing of the ordinary resolution for the Proposed Share Buy-Back at the Company’s AGM to be held on 30 June 2017 until the conclusion of the next AGM of IB or the expiry of the period within which the next AGM is required by law to be held, unless earlier revoked or varied by ordinary resolution of shareholders of the Company in a general meeting.

**2. RATIONALE FOR THE PROPOSED SHARE BUY-BACK**

The Proposed Share Buy-Back is expected to enhance the earnings per share (“EPS”) of the IB Group and thus shareholders’ value, in the event the ordinary shares of RM0.50 each in IB (IB Shares”) purchased pursuant to the Proposed Share Buy-Back (“Purchased IB Shares”) are cancelled.

IB will have an avenue to stabilise the supply and demand of IB Shares in the open market of Bursa Securities and thereby supporting its fundamental values.

IB may also utilise the treasury shares as future share dividends to IB shareholders and/or resell the treasury shares on the open market to profit from future price appreciation of the IB Shares.

**3. SOURCE OF FUNDS**

The maximum amount of fund to be allocated for the Proposed Share Buy-Back will be subject to the share premium account and/or retained earnings of the Company. Based on the latest audited accounts as at 31 December 2016, the share premium and retained earnings of the Company amounted to RM1,253,054 and RM Nil.

The funding of the Proposed Share Buy-Back will be through internally generated funds and/or external borrowings, the proportion of which will depend on the quantum of purchase consideration as well as the availability of internally generated funds and borrowings and repayment capabilities of the Company at the time of purchase(s). In the event the Proposed Share Buy-Back is to be partly financed by external borrowings, the Company expects that it will be capable of repaying such borrowings and that such funding is not expected to have any material effect on the cash flow of the IB Group.

#### 4. ADVANTAGES AND DISADVANTAGES

The financial resources of the IB Group may increase pursuant to the resale of the Purchased IB Shares held as treasury shares at prices higher than the purchase price. The other advantages of the Proposed Share Buy-Back are outlined in Item 2 of this Share Buy-Back Statement.

However, the Proposed Share Buy-Back, if implemented, would reduce the financial resources of the IB Group and result in the IB Group having to forego better future investment opportunities or deprive the Company and the IB Group of any income that may be derived from the deposit of such funds in interest bearing instruments.

The Board of Directors of IB ("Board") will be mindful of the interest of IB and its shareholders in implementing the Proposed Share Buy-Back and in subsequent resale.

#### 5. FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK

##### 5.1 Share Capital

In the event the full amount of IB Shares purchased under the Proposed Share Buy-Back is cancelled, the issued and paid-up share capital of IB, for illustration purposes, will be as follows:-

	<b>No. of IB Shares</b>	<b>Amount (RM)</b>
Existing issued and paid-up share capital of IB as at 31 December 2016	102,762,800	51,381,400
Proposed Share Buy-Back	10,276,280	5,138,140
Issued and paid-up share capital after the Proposed Share Buy-Back	92,486,520	46,243,260

##### 5.2 Net Assets ("NA")

The effect of the Proposed Share Buy-Back on the NA of the IB Group is dependent on the number of IB Shares which the Company will buy-back, the purchase price of the IB Shares at the time of buy-back, the treatment of the shares so purchased and the funding cost, if any.

If the maximum allowable number of IB Shares are purchased and cancelled, the Proposed Share Buy-Back would reduce the NA per share of the IB Group if the purchase price exceeds the NA per share at the relevant point in time. Conversely, the NA per share of the IB Group would increase if the purchase price is less than the NA per share at the relevant point in time.

The NA per share will decrease if the purchased shares are retained as treasury shares due to the requirement for treasury shares to be carried at cost and be offset against equity, resulting in a decrease in the NA by the cost of the treasury shares. If the treasury shares are resold on the Bursa Securities, the NA per share will increase if the Company realises a gain from the resale, and vice versa. If the treasury shares are distributed as share dividends, the NA per share will decrease by the cost of the treasury shares.

### **5.3 Working Capital and Cash Flow**

The share repurchased will result in an outflow of cash and thereby reduce the working capital of the IB Group. The quantum of the reduction in working capital is dependent on the purchase prices of the IB Group and the number of IB Shares repurchased and the funding cost, if any.

However, for the share so purchased and kept as treasury shares, upon resale at a higher selling price than the initial purchase price, the effect on the working capital and cash flow will depend on the actual selling price of the treasury shares and the number of treasury shares resold.

### **5.4 Earnings**

The effect of the Proposed Share Buy-Back on the EPS of the IB Group is dependent on the number of IB Shares purchased and the purchase price(s) of the IB Shares and the effective funding cost for the Proposed Share Buy-Back or any loss in interest income to the Company.

### **5.5 Dividends**

The Board do not recommend any dividend in respect of the financial year ended 31 December 2016.

### **5.6 Shareholdings of the Directors and Substantial Shareholders**

The proforma effects of the Proposed Share Buy-Back on the shareholdings of the Directors and substantial shareholders of IB based on the Register of substantial shareholders as at 31 March 2017 are as follows:-

Name	As at 31 March 2017				After Proposed Shares Buy-Back			
	Direct		Indirect		Direct		Indirect	
	Shares	%	Shares	%	Shares	% #	Shares	% #
<b>Directors:</b>								
Liu Wing Yee Amy	-	-	-	-	-	-	-	-
Tsui Kwok Ho	-	-	-	-	-	-	-	-
Leung Kwok Kuen Jacob	-	-	-	-	-	-	-	-
Lu Zhi Qin	-	-	-	-	-	-	-	-
Fung Ling Yip	-	-	-	-	-	-	-	-
<b>Substantial Shareholders:</b>								
Cranberry Star Asia Investment Limited	9,745,600	9.48	-	-	9,745,600	10.54	-	-
Sunny Luck International Limited	17,521,900	17.05	-	-	17,521,900	18.95	-	-
Zhou Qi Lin	9,278,700	9.03	-	-	9,278,700	10.03	-	-
Yeoh Eng Kong	10,446,500	10.17	-	-	10,446,500	11.30	-	-
Lissington Limited	8,547,800	8.32	-	-	8,547,800	9.24	-	-

# - Based on the total issued and paid-up share capital of 92,486,520 on the assumption that the proposed share buy-back is implemented in full.

## 6. PUBLIC SHAREHOLDING SPREAD

Based on the Record of Depositors maintained by Bursa Malaysia Depository Sdn Bhd, the public shareholding spread of IB as at 31 March 2017 is 35.88%. Assuming the Company implements the Proposed Share Buy-Back in full and the IB Shares purchased are from public shareholders, the public shareholding spread of IB would be reduced to 28.75% if all the Purchased IB Shares are cancelled.

The Board is mindful of the public shareholding spread requirement and will continue to be mindful of the requirement when making any purchase of IB Shares pursuant to the Proposed Share Buy-Back.

## 7. IMPLICATIONS RELATING TO THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 1998 (“CODE”)

Based on the shareholdings of the substantial shareholders as at 31 March 2017, if the Proposed Share Buy-Back is carried out in full, the proposed purchase could result in certain substantial shareholders and/or parties acting in concert with them incurring a mandatory general offer obligation under the Code, approval would be sought from the Securities Commission for the exemption under Practice Note 2.9.10 of the Code, subject to certain conditions as set out in the Practice Note being met since the increase in their shareholdings is inadvertent and is a result of action that is outside their direct participation.

The Board is aware of the requirements of the Code and will be mindful of the requirements when making any purchase of the IB Shares pursuant to the Proposed Share Buy-Back.

## 8. PURCHASE, RESALE AND CANCELLATION OF IB SHARES MADE IN THE LAST FINANCIAL YEAR

IB did not make any share buy-back transaction during the financial year 2016.

## **9. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS**

Save for the inadvertent increase in percentage of shareholding and/or voting rights of shareholders of the Company as a result of the Proposed Share Buy-Back, none of the directors and/or substantial shareholders of IB and/or persons connected with the directors and/or substantial shareholders of IB have any interest, direct or indirect, in the Proposed Share Buy-Back or resale of the treasury shares, if any.

## **10. DIRECTORS' RECOMMENDATION**

The Board, having considered all aspects of the Proposed Share Buy-Back, is of the opinion that the Proposed Share Buy-Back is in the best interest of the Company and its shareholders. Accordingly, your Board recommends that you vote in favour of the ordinary resolution in respect of the Proposed Share Buy-Back to be tabled at the forthcoming AGM.