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ANALABS RESOURCES BERHAD

Registration No: 199801012843 (468971-A)
(Incorporated in Malaysia)

**STATEMENT TO SHAREHOLDERS
IN RELATION TO THE PROPOSED RENEWAL OF
SHARE BUY-BACK AUTHORITY**

Notice of the 22nd Annual General Meeting ("AGM") of Analabs Resources Berhad ("Analabs" or "the Company") to be held at Royal Ballroom of the Kelab Golf Sultan Abdul Aziz Shah, No. 1 Rumah Kelab, Jalan Kelab Golf 13/6, 40100 Shah Alam, Selangor Darul Ehsan on Thursday, 8 October 2020 at 11.00 a.m. or at any adjournment thereof, together with the Form of Proxy are enclosed together with the Annual Report of the Company for the financial year ended 30 April 2020.

A member entitled to attend, speak and vote at the 22nd AGM is entitled to appoint not more than two (2) proxies to attend, speak and vote on his/her behalf. In such event, the Form of Proxy should be lodged at the office of the Company's Share Registrar, Boardroom Share Registrars Sdn. Bhd. at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting. The appointment of proxy may also be submitted electronically by emailing the Form of Proxy to Nur.Shaykila@boardroomlimited.com not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.

The lodging of the Form of Proxy for the AGM will not preclude you from attending and voting in person at the meeting should you subsequently decide to do so.

Date of Record of Depositors for the purpose of determining members' entitlement to attend, vote and speak at the AGM : Friday, 2 October 2020 at 5.00 p.m.

Last date and time for lodging the Form of Proxy : Tuesday, 6 October 2020 at 11.00 a.m.

Date and time of the 22nd AGM : Thursday, 8 October 2020 at 11.00 a.m.

This Statement is dated 28 August 2020

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**STATEMENT IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK
AUTHORITY (“SHARE BUY-BACK STATEMENT”)**

1. INTRODUCTION

At the 21st AGM of the Company held on 4 October 2019, your Board has obtained your approval to undertake the purchase by Analabs of its own shares of up to ten percent (10%) of the total number of issued shares of the Company (“Proposed Share Buy-Back”). The approval for the Proposed Share Buy-Back shall lapse at the conclusion of the forthcoming 22nd AGM of Analabs which will be held on 8 October 2020.

On 25 June 2020, the Company announced that it proposes to seek from the shareholders the approval for the renewal of the Proposed Share Buy-Back. The renewal will be effective immediately upon the passing of the ordinary resolution and will expire at the conclusion of the next Annual General Meeting of the Company unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions or the expiration of the period within which the next Annual General Meeting is required by law to be held or the authority is revoked or varied by an ordinary resolution of the shareholders of the Company at a general meeting, whichever is the earlier.

2. SOURCE OF FUNDS

The Main Market Listing Requirements of Bursa Securities and the Companies Act, 2016 (“the Act”) stipulates that the proposed purchase by a listed company of its own shares must be made wholly out of retained profits of the listed company.

Analabs therefore proposes to allocate an amount not exceeding the retained profits of the Company at the time of purchase(s). The retained profits of the Company based on the latest audited financial statements for the financial year ended 30 April 2020 was RM38.976 million.

The funding for the Proposed Share Buy-Back will be sourced from internally generated funds and/or external borrowings, the proportion of which will depend on the quantum of the 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 flows of Analabs Group.

3. RATIONALE, POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

Pursuant to the provisions of Section 127(7) of the Act, the Directors may deal with the shares in the following manner:-

- (i) cancel the shares so purchased; and/or
- (ii) retain the shares so purchased in treasury, which may be distributed as share dividends to the shareholders and/or resold on Bursa Securities in accordance with the relevant rules of Bursa Securities and/or transferred for the purposes of or under an employees' share scheme and/or transferred as purchase consideration and/or cancelled subsequently and/or sold, transferred or otherwise be used for such purposes as the Minister may by order prescribe; and/or
- (iii) retain part of the shares so purchased as treasury shares and cancel the remainder; and/or
- (iv) such other manner as may be permitted by the Act.

The Proposed Share Buy-Back, if exercised, is expected to potentially benefit the Company and its shareholders as follows:-

- (a) The Company may be able to stabilise the supply and demand of the ordinary shares of Analabs ("Analabs Shares") in the open market of Bursa Securities thereby supporting its fundamental value.
- (b) The earnings per share of the Group will be strengthened if the shares purchased are cancelled which in turn will have a positive impact on the Company's share price.
- (c) If the Analabs Shares so purchased by the Company are held as treasury shares, the Company may have the opportunity to distribute those shares as share dividends, thus benefiting the shareholders. The treasury shares may also be re-sold in the open market of Bursa Securities at a price higher than the purchase price, thereby realising a potential gain for Analabs without affecting the Company's issued share capital.
- (d) Analabs may be able to use its financial resources where there is no immediate use for them.

However, the Proposed Share Buy-Back, if implemented, would reduce the financial resources of the Group. This may result in the Group having to forego better investment opportunities in the future or, at the least, deprive the Company and the Group of any income that may be derived from the deposit of such funds in interest bearing instruments. The Proposed Share Buy-Back may also result in a reduction of financial resources available for distribution in the form of cash dividends to the shareholders of Analabs.

The actual treatment of the shares purchased pursuant to the Proposed Share Buy-Back would depend on, inter alia, the prevailing equity market conditions and the financial position of Analabs.

Your Board will be mindful of the interest of Analabs and its shareholders in implementing the Proposed Share Buy-Back and its subsequent resale.

4. EFFECTS OF THE PROPOSED SHARE BUY-BACK

The effects of the Proposed Share Buy-Back on the share capital, net assets, earnings, dividends and shareholdings of Directors and substantial shareholders of the Company are set out below:-

4.1 Share Capital

In the event that the maximum number of shares authorised under the Proposed Share Buy-Back are purchased and subsequently cancelled, the effects of the Proposed Share Buy-Back on our issued share capital will be as follows:-

	No. of Shares
Issued share capital (inclusive of the 11,114,100 treasury shares) held as at 6 August 2020	120,048,000
Less: Maximum number of shares that may be purchased pursuant to the Proposed Share Buy-Back	12,004,800
Total number of issued shares after cancellation of the shares purchased under the Proposed Share Buy-Back	108,043,200

However, if all the purchased shares are retained as treasury shares, the Proposed Share Buy-Back would not have any effect on our issued share capital. The rights attached to the treasury shares as to voting, dividend and participation in other distribution are suspended and the treasury shares shall not be taken into account in calculating the number of percentage of shares or of a class of shares in the Company for any purpose including without limiting the generality of the provision of any law or requirements of the Constitution or the Listing Requirements on substantial shareholding, takeover, notices, requisitions of meetings, quorum for meetings and the result of votes on resolutions at a meeting of shareholders.

4.2 Net Assets and Working Capital

The effects of the Proposed Share Buy-Back is likely to reduce or increase the Net Assets per share of the Analabs Group and will reduce the working capital of the Analabs Group, the quantum of which depends on the number of Analabs Shares purchased, the purchase price and the effective funding costs of the Analabs Group. The Proposed Share Buy-Back will reduce the Net Assets per share of the Analabs Group if the purchase price exceeds the Net Assets per share of the Group at the time of the purchase. Conversely, the Net Assets per share of Analabs Group will increase if the purchase price is less than the Net Assets per share of the Analabs Group at the time of the purchase.

Should the Company choose to resell the treasury shares on Bursa Securities, depending on the price at which the said shares are re-sold, the Proposed Share Buy-Back may have a positive effect on the Net Assets of the Group if a gain on disposal is achieved.

If the treasury shares are distributed as share dividends, the Net Assets per share of Analabs Group would decrease by the cost of the treasury shares.

The audited Net Assets per share of the Analabs Group as at 30 April 2020 is RM2.35.

4.3 Earnings

The effects of the Proposed Share Buy-Back on the earnings of the Group are dependent on the purchase price of Analabs Shares and the effective funding cost or loss in interest income to the Group.

Assuming that the Analabs Shares so purchased are retained as treasury shares and subsequently resold, the effects on the earnings of the Group are dependent on the actual selling price, the number of treasury shares resold, the effective gain or interest savings arising from the exercise, and the manner in which the proceeds arising therefrom are utilised.

If the Analabs Shares so purchased are cancelled, the Proposed Share Buy-Back will increase the earnings of the Group provided the income foregone and if any, interest expense incurred on the shares purchased are less than the consolidated earnings before the Proposed Share Buy-Back.

4.4 Dividends

The Proposed Share Buy-Back is not expected to have any impact on the policy of the Board in recommending dividends, if any, to the shareholders. However, the Board may distribute future dividends in the form of the treasury shares purchased pursuant to the Proposed Share Buy-Back.

4.5 Directors' And Substantial Shareholders' Shareholdings

Assuming that the Proposed Share Buy-Back is implemented in full and that the Analabs Shares are purchased from shareholders other than the Directors and existing substantial shareholders of the Company, the effects of the Proposed Share Buy-Back on the shareholdings of the Directors and Substantial Shareholders and Persons Connected to the Directors and Substantial Shareholders of Analabs as at 6 August 2020, being the most practicable date prior to the printing of this Statement, are set out as follows:-

	<-----As at 06.08.2020----->				<After the Proposed Share Buy-Back*>			
	<-----Direct----->		<---Indirect--->		<-----Direct----->		<---Indirect--->	
<u>Directors</u>	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Kan Yow Kheong	66,950,904	61.46	18,000 [^]	0.02	66,950,904	61.97	18,000 [^]	0.02
Kan Mun Hoow**	5,039,000	4.63	-	-	5,039,000	4.66	-	-
Low Chin Ann @ Han Chin Ann	-	-	-	-	-	-	-	-
Lai Yew Choong	-	-	-	-	-	-	-	-
Clifton Heath Fernandez	-	-	-	-	-	-	-	-
Lye Meei Ruu (Appointed on 05.08.2019)	-	-	-	-	-	-	-	-

	<-----As at 06.08.2020----->				<After the Proposed Share Buy-Back*>			
	<-----Direct----->		<---Indirect--->		<-----Direct----->		<---Indirect--->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Substantial Shareholder								
Kan Yow Kheong	66,950,904	61.46	18,000 [^]	0.02	66,950,904	61.97	18,000 [^]	0.02
Person connected								
Lee Lin Lian ^{***}	18,000	0.02	-	-	18,000	0.02	-	-

Notes:

* *Assuming Analabs purchases 10% of its shares pursuant to the Proposed Share Buy-Back and the entire 10% are retained as treasury shares.*

** *Kan Mun Hoow is the son of Kan Yow Kheong.*

*** *Lee Lin Lian is the spouse of Kan Yow Kheong and mother of Kan Mun Hoow.*

[^] *Deemed interested by virtue of the shares held by his spouse pursuant to Section 221(9)(a) of the Companies Act, 2016.*

Save as disclosed above, none of the other Directors or Substantial Shareholders or Person Connected to the Directors and Substantial Shareholders of the Company held any shares directly or indirectly in the Company.

5. ANALABS' SHARES TRADING HISTORY

- (i) The highest and lowest traded prices of Analabs Shares on Bursa Securities for the past twelve (12) months from August 2019 to July 2020 are as follows:

	Highest RM	Lowest RM
2019		
August	1.090	1.002
September	1.100	1.012
October	1.100	1.080
November	1.080	1.061
December	1.110	1.051
2020		
January	1.139	1.080
February	1.129	1.080
March	1.090	0.815
April	0.945	0.840
May	1.050	0.850
June	1.100	0.865
July	1.090	1.000

(Source: Bursa Securities)

- (ii) The last transacted price of Analabs Shares on Bursa Securities on 6 August 2020 being the latest practicable date prior to the printing of this Statement was RM1.14.

6. PURCHASES AND RESALE MADE IN THE PREVIOUS TWELVE (12) MONTHS

The Company had made purchases of Analabs Shares in the previous twelve (12) months preceding the date of this Circular. Details of the Share Buy-Back carried out are as follows:-

Date of Buy-Back	No. of Analabs Shares Bought Back	Price (RM)		Average Cost per Analabs Share (RM)*	Total Cost (RM)*
		Highest	Lowest		
03.07.2020	20,100	1.02	1.01	1.027	20,639.41

*Inclusive of transaction costs

All the Analabs Shares purchased have been retained as treasury shares, and the total number of Analabs Shares retained as treasury shares as at 6 August 2020 was 11,114,100 shares. The Company has neither made any resale nor any cancellation of its treasury shares during the past twelve (12) months.

7. PUBLIC SHAREHOLDING SPREAD

Based on our Register of Substantial Shareholders and the Record of Depositors as at 6 August 2020, the public shareholding spread of Analabs is 33.02% of the issued share capital.

Assuming the Proposed Share Buy-Back is implemented in full, the public shareholding spread would be expected to be reduced to:-

- (i) 32.47% in the event all of the existing treasury shares are cancelled before the implementation of the Proposed Share Buy-Back; and
- (ii) 39.22% in the event all the existing treasury shares are re-sold before the implementation of the Proposed Share Buy-Back.

(assuming the Analabs Shares are purchased from public shareholders other than our existing Directors and substantial shareholders pursuant to the Proposed Share Buy-Back and the number of Analabs Shares held by the Directors, the substantial shareholders of Analabs and persons connected to them remain unchanged).

8. IMPLICATION RELATING TO THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 2016 (“CODE”)

The Proposed Share Buy-Back is not expected to trigger any obligation to undertake a mandatory general offer pursuant to the Code as a result of the Proposed Share Buy-Back.

It is the intention of Analabs to implement the Proposed Share Buy-Back in a manner that will not result in any of the shareholders of Analabs having to undertake a mandatory take-over offer pursuant to the Code.

9. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save for the proportionate increase in the percentage of shareholdings and/or voting rights in their capacity as the shareholders of the Company as a consequence of the share movement pursuant to the Proposed Share Buy-Back, none of the Directors and/or substantial shareholders of the Company and any person connected with the Directors and/or substantial shareholders of the Company, have any interest, direct or indirect, in the Proposed Share Buy-Back, and in the resale of the treasury shares, if any.

10. DIRECTORS' RECOMMENDATION

Your 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 22nd AGM.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors have seen and approved the Share Buy-Back Statement and they collectively and individually accept full responsibility for the accuracy of the information contained in it and confirm to the best of their knowledge and belief, after making all reasonable enquiries that, there are no other facts the omission of which would make any statement in this Share Buy-Back Statement misleading.

12. DOCUMENTS FOR INSPECTION

The following documents are available for inspection at Analabs' Registered Office at Unit 621, 6th Floor, Block A, Kelana Centre Point, No. 3, Jalan SS7/19, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan during normal office hours from Mondays to Fridays (except for public holidays) from the date of this Share Buy-Back Statement to the date of the 22nd AGM:-

- (i) The Constitution of Analabs; and
- (ii) The audited financial statements of Analabs for the last two (2) financial years ended 30 April 2019 and 30 April 2020.