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STATEMENT IN RELATION TO PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES

1. INTRODUCTION

On 5 April 2018, OCB Berhad ("**OCB**" or "**the Company**") announced its intention to seek from its shareholders at the forthcoming Fifty-Ninth Annual General Meeting ("**AGM**") of the Company, a renewal of authority for the Company to purchase such number of its own shares of up to ten per centum (10%) of the prevailing total number of issued shares of the Company ("**Proposed Share Buy-Back**").

The purpose of this Statement is to provide you with the relevant information on the Proposed Share Buy-Back and to seek your approval for the ordinary resolution on the Proposed Renewal of authority for the Company to purchase its own shares which will be tabled at the forthcoming Fifty-Ninth AGM of the Company. The Notice convening the Fifty-Ninth AGM and the Form of Proxy are set out in OCB's Annual Report 2017 accompanying this Statement.

2. DETAILS OF THE PROPOSED SHARE BUY-BACK

At the Fifty-Eighth AGM of OCB held on 23 May 2017, the shareholders of OCB had approved, inter-alia, the renewal of authority for OCB to purchase such number of ordinary shares ("**Shares**") of up to ten per centum (10%) of the total number of issued shares of OCB. In accordance with Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**"), the said authority will expire at the conclusion of the forthcoming Fifty-Ninth AGM of OCB unless renewed by an ordinary resolution passed by the shareholders.

The Board of Directors of OCB ("**Board**") proposes to seek from the shareholders of OCB a renewal of authority for OCB to purchase from time to time and at any time, in aggregate such number of Shares representing not more than ten per centum (10%) of the total number of issued shares of OCB as at the time of the purchase, on Bursa Securities through stockbrokers to be appointed by OCB at a later date ("**Proposed Renewal of Authority for the Share Buy-Back**").

Arising from the migration to the no par value regime under Section 74 of the Companies Act, 2016 ("**the Act**"), par value is no longer relevant. As at 12 April 2018, the total number of issued shares of OCB is 102,850,000 Shares. Hence, the maximum number of Shares which may be purchased by OCB will be 10,285,000 Shares.

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

The Proposed Share Buy-Back is subject to compliance with the Act and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities at the time of the purchase including compliance with the public shareholding spread as required by the Listing Requirements.

The authority from shareholders for the Proposed Share Buy-Back, if renewed, will be effective immediately upon the passing of the ordinary resolution to be tabled at the forthcoming Fifty-Ninth AGM of OCB and will continue to be in force until:

- (a) the conclusion of the next AGM of OCB, at which time it shall lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM of OCB is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by the shareholders of OCB at a general meeting,

whichever occurs first.

The Proposed Renewal of Authority for the Share Buy-Back does not impose an obligation on OCB to purchase its own Shares but rather, it will allow the Board to exercise the power of OCB to purchase its own Shares at any time within the abovementioned time period.

The actual number of Shares to be purchased ("**Purchased Shares**"), the total amount of funds involved for each purchase and the funding of the purchase will depend on the market conditions and sentiments of the stock market as well as the financial resources available to OCB.

2.1 Status and Treatment of Purchased Shares

Pursuant to the provisions of Section 127(7) of the Act, the Board may deal with the Purchased Shares in the following manner:

- (a) cancel the Shares so purchased; or
- (b) retain the Shares so purchased as treasury shares; or
- (c) retain part of the Shares so purchased as treasury shares and cancel the remainder; or
- (d) distribute the treasury shares as share dividends to shareholders; or
- (e) resell the treasury shares or any of the said shares in accordance with the Listing Requirements; or
- (f) transfer the treasury shares or any of the said shares as purchase consideration; or
- (g) transfer the treasury shares or any of the shares for the purposes of or under an employees' share scheme; or
- (h) cancel the treasury shares or any of the said shares.

Appropriate announcement(s) and notice(s) will be made to Bursa Securities and the relevant authorities in respect of the Board's decision on the treatment of the Purchased Shares in compliance with the Listing Requirements and the Act. The Board may decide to cancel the Purchased Shares if the cancellation of the said shares is expected to enhance the earnings per Share ("**EPS**") of OCB and its subsidiaries (collectively, "**the Group**") and thereby in the long term, have a positive impact on the market price of the Shares. If the Board decides to retain the Purchased Shares as treasury shares, it may distribute the treasury shares as share dividends to OCB's shareholders and/or resell the Purchased Shares in accordance with the Listing Requirements and utilise the proceeds for any feasible investment opportunity arising in future as working capital.

While the Purchased Shares are held as treasury shares, the rights attached to them as to voting, dividends and participation in other distributions and otherwise are suspended, and the treasury shares shall not be taken into account in calculating the number or percentage of Shares or a class of shares in OCB for any purpose including substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on resolution at a meeting of the shareholders.

2.2 Funding for the Proposed Share Buy-Back

The Board proposes to allocate a maximum amount not exceeding the retained profits of OCB for the Proposed Share Buy-Back. The retained profits of OCB based on the audited financial statements of OCB for the financial year ended 31 December 2017 were RM32,445,000.

The Proposed Share Buy-Back will be funded from internally generated funds and/or bank 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 OCB at the time of purchase.

In the event that the Proposed Share Buy-Back is to be partly financed by bank borrowings, this is not expected to affect OCB's repayment capabilities. Although the cash flow of OCB and the Group will be reduced to the extent of the number of Shares bought and the purchase consideration, OCB do not foresee any difficulty and the Proposed Share Buy-Back is not expected to have a negative impact on the financial results of the Group.

The Board is mindful of the interest of OCB and its shareholders and will be prudent in respect of the Proposed Share Buy-Back exercise.

2.3 Pricing

Pursuant to the Listing Requirements, OCB may only purchase its own Shares on Bursa Securities at a price which is not more than fifteen per centum (15%) above the weighted average market price for the Shares for the five (5) market days immediately before the date of the purchase. OCB may only resell the Purchased Shares held as 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 before the resale; or
- (b) a discounted price of not more than five per centum (5%) to the weighted average market price for the Shares for the five (5) market days immediately before the resale provided that:
 - (i) the resale takes place not earlier than thirty (30) days from the date of purchase; and
 - (ii) the resale price is not less than the cost of purchase of the Shares being resold.

3. ADVANTAGES/RATIONALE FOR THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back is expected to enhance the EPS and the return on equity in the event of the cancellation of the Shares bought back by OCB which will benefit its shareholders.

The Purchased Shares can also be held as treasury shares and resold in accordance with the Listing Requirements at a higher price with the intention of realising a potential gain without affecting the total number of issued shares of OCB.

In the event the treasury shares are distributed as share dividends to shareholders, this would serve as a reward to the shareholders of OCB. In the event the treasury shares are transferred to employees of the Group, this would serve as a reward to the employees of the Group.

4. POTENTIAL DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back if exercised, will reduce the:

- (i) financial resources of the Group. This may result in the Group having to forgo other investment opportunities that may emerge in the future or deprive OCB of interest income that may be earned from deposits with licensed financial institutions.
- (ii) amount of retained profits available for distribution in the form of cash dividends to the shareholders of OCB in the event that the Purchased Shares are cancelled, or if the Purchased Shares are held as treasury shares and are subsequently sold on the market of Bursa Securities at a loss.

However, the financial resources of the Group may increase if the Purchased Shares held as treasury shares are resold in the market at prices higher than the purchase price. Therefore, the Proposed Share Buy-Back will be undertaken only after due consideration of the financial resources of the Group. The Board will be mindful of the interests of OCB and the shareholders when undertaking the Proposed Share Buy-Back.

5. EFFECTS OF THE PROPOSED SHARE BUY-BACK

5.1 Issued Shares

The effect of the Proposed Share Buy-Back on total number of issued shares of OCB will depend on whether the Purchased Shares are cancelled or retained as treasury shares.

The Proposed Share Buy-Back will result in a reduction of the total number of issued shares of OCB if the Purchased Shares are cancelled. Based on the assumption that the Proposed Share Buy-Back is implemented in full and all the Purchased Shares are cancelled, the effect on the total number of issued shares of OCB is illustrated below:

	No. of Shares
Existing number of issued Shares as at 12 April 2018	102,850,000
Less:	
Maximum number of Purchased Shares cancelled	(10,285,000)
Resultant number of issued Shares upon completion of the Proposed Share Buy-Back	<u>92,565,000</u>

However, there will be no effect on the total number of issued shares of OCB if the Purchased Shares are retained as treasury shares, resold or distributed to the shareholders.

5.2 Net Assets

When OCB purchases its own Shares, regardless of whether they are retained as treasury shares or are subsequently cancelled, the net assets ("**NA**") per Share of the Group will decrease if the cost per Share purchased exceeds the NA per Share of the Group at the time of purchase. Conversely, if the cost per Share purchased is below the NA per Share of the Group at the time of purchase, the NA per Share of the Group will increase.

In the case where the Purchased Shares are treated as treasury shares and are subsequently resold on Bursa Securities, the NA per Share of the Group upon resale will increase if OCB realises a gain from the resale and vice versa. If the treasury shares are distributed as share dividends, the NA of the Group will decrease by the cost of the treasury shares.

5.3 Working Capital

The Proposed Share Buy-Back, if exercised, will reduce the working capital and cashflow of the Group, the quantum of which is dependent, on the number of Shares purchased, the purchase price(s) of the Shares and the funding cost, if any.

However, the working capital and the cashflow of the Group will increase upon resale of the Purchased Shares which are retained as treasury shares. Again, the quantum of the increase in the working capital and cashflow will depend on the actual selling price(s) of the treasury shares and the number of treasury shares resold.

5.4 Earnings

All things being equal, the Proposed Share Buy-Back will result in a lower number of Shares being used for the computation of EPS whether the Shares purchased are subsequently cancelled or retained as treasury shares. The extent of the effect on the EPS of the Group will depend on the purchase price(s) of the Shares, the number of Shares purchased, and the effective funding cost or loss in interest income and/or the opportunity cost in relation to other investment opportunities to the Group.

In the event that the treasury shares are resold on the open market, the EPS of the Group may increase if OCB realises a gain from the sale and vice versa. The effects on the earnings of the Group will depend on the actual selling price(s), the number of treasury shares resold and the effective gain or loss arising from the resale.

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

5.5 Dividends

The Proposed Share Buy-Back is not expected to have any material effect on the dividend payments of OCB as any dividend to be declared by OCB in the future would be determined by the Board after taking into consideration the performance of the Group and the prevailing economic conditions.

However, as stated in Sections 2 and 3 above, the Board may distribute future dividends in the form of the treasury shares purchased pursuant to the Proposed Share Buy-Back.

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

5.6 Directors' and Substantial Shareholders' Shareholdings

Based on the Registers of Directors' shareholdings as at 12 April 2018 of OCB, none of the Directors of OCB has any direct and/or indirect shareholdings in OCB.

Based on the Register of Substantial Shareholders' shareholdings as at 12 April 2018 of OCB and assuming that OCB acquires the maximum number of Shares authorised under the Proposed Share Buy-Back from shareholders other than the Substantial Shareholders of OCB and that all the Shares so purchased are fully cancelled, the effect of the Proposed Share Buy-Back on the shareholdings of the Substantial Shareholders of OCB are as follows:

	Existing			After Proposed Share Buy-Back			
	Direct		Indirect	Direct		Indirect	
	No. of Shares	%		No. of Shares	%		No. of Shares
Rangkai Kartika Sdn Bhd ("RKSB")	29,044,880	28.24	-	29,044,880	31.38	-	-
Zeigells (M) Sdn Bhd ("ZSB")	-	-	29,044,880 ^(a)	-	-	29,044,880 ^(a)	31.38
Ng Kok Yin	-	-	29,044,880 ^(b)	-	-	29,044,880 ^(b)	31.38
Ho Kit Heng	-	-	29,044,880 ^(b)	-	-	29,044,880 ^(b)	31.38
Exosoft Sdn Bhd ("ESB")	5,200,000	5.06	-	5,200,000	5.62	-	-
Hatijah Binti Yun	-	-	5,200,000 ^(c)	-	-	5,200,000 ^(c)	5.62
Tan Hoon Cheng @ Dahlan Bin Abdullah	-	-	5,200,000 ^(c)	-	-	5,200,000 ^(c)	5.62
Patricia Woon Lai Ching @ Lee Yah Seng	5,308,700	5.16	-	5,308,700	5.74	-	-

Notes:

(a) Deemed interest by virtue of its 100% shareholding in RKSB.

(b) Deemed interest by virtue of his substantial shareholding in ZSB.

(c) Deemed interest by virtue of her/his substantial shareholding in ESB.

6. PUBLIC SHAREHOLDING SPREAD

Based on the Record of Depositors as at 12 April 2018, the public shareholding spread of OCB was 60.42%. Assuming the Proposed Share Buy-Back is implemented in full whereby OCB purchases 10,285,000 Shares representing ten per centum (10%) of the total number of issued Shares as at that date from the public shareholders and all the Purchased Shares are cancelled, the public shareholding spread of OCB would be reduced to 56.02%.

As at the date hereof, OCB has yet to determine the actual percentage of its own Shares to be purchased pursuant to the Proposed Renewal of Authority for the Share Buy-Back. However, OCB is mindful of the above implication relating to public shareholding spread and will use its best endeavours in purchasing its own Shares to such an extent that it will not result in OCB being in breach of the minimum public shareholding spread of twenty-five per centum (25%).

7. IMPLICATION OF THE PROPOSED SHARE BUY-BACK IN RELATION TO THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS 2016 ("CODE")

Based on OCB's Register of Substantial Shareholders as at 12 April 2018, it is unlikely that the provisions on mandatory offer obligation under the Code will be triggered by any shareholder of OCB solely by reason of the Proposed Share Buy-Back being carried out in full.

8. PURCHASE, RESALE, TRANSFER AND CANCELLATION OF PURCHASED SHARES MADE IN THE PREVIOUS TWELVE (12) MONTHS

The Company has not made any purchase, resale, transfer or cancellation of its own shares in the twelve (12) months preceding the date of this Statement. As at LPD, no treasury shares were held by the Company.

9. APPROVAL REQUIRED

The Proposed Share Buy-Back is subject to the approval of the shareholders at the forthcoming Fifty-Ninth AGM of OCB.

10. DIRECTORS' AND/OR MAJOR SHAREHOLDERS' INTERESTS

Save for the proportional increase in the percentage of shareholdings including, amongst others, the voting rights of shareholders of OCB as a result of the Proposed Share Buy-Back, none of the Directors and/or Major Shareholders of OCB and/or persons connected with them has any interest, direct or indirect, in the Proposed Share Buy-Back or resale of treasury shares, if any.

11. BOARDS' RECOMMENDATION

The Board, after having considered all aspects of the Proposed Share Buy-Back, is of the opinion that the Proposed Share Buy-Back is in the best interests of OCB. Accordingly, the Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Renewal of Authority for the Share Buy-Back to be tabled at the forthcoming Fifty-Ninth AGM.

12. FIFTY-NINTH AGM

The ordinary resolution to approve the Proposed Renewal of Authority for the Share Buy-Back, is set out as Special Business in the Notice convening the Fifty-Ninth AGM of OCB which is incorporated in the Annual Report 2017 despatched together with this Statement. The Fifty-Ninth AGM will be held at Greens 3 (Sport Wing), Tropicana Golf & Country Resort Club, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Tuesday, 22 May 2018 at 10.00 a.m.

If you are unable to attend and vote in person at the Fifty-Ninth AGM, you may complete and return the Form of Proxy enclosed in the Annual Report 2017 in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the Registered Office of OCB at 2B-5, Level 5, Jalan SS 6/6, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time appointed for the holding of the Fifty-Ninth AGM or any adjourned thereof; or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll.

The lodging of the Form of Proxy will not, however, preclude you from attending the Fifty-Ninth AGM and voting in person should you subsequently wish to do so.

This Share Buy-Back Statement is dated 23 April 2018.

FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

This Statement has been seen and approved by the Directors of OCB who collectively and individually accepts full responsibility for the accuracy of the information given and confirmed that, after making all reasonable enquiries to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from Mondays to Fridays (except on public holidays) at the registered office of OCB from the date of this Statement up to and including the date of the forthcoming Fifty-Ninth AGM:

- (i) Memorandum and Articles of Association of OCB; and
- (ii) Audited consolidated financial statements of the Group and of OCB for the past two (2) financial years ended 31 December 2016 and 31 December 2017.

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