

## REXIT BERHAD ("REXIT" OR THE "COMPANY")

### PROPOSED AUTHORITY FOR THE PURCHASE BY REXIT OF ITS OWN SHARES ("PROPOSED SHARE BUY-BACK")

#### 1. INTRODUCTION

On behalf of the Board of Directors of Rexit ("**Board**" or "**Directors**"), Kenanga Investment Bank Berhad ("**KIBB**") is pleased to announce that the Company proposes to seek a mandate from its shareholders to authorize the Company to purchase up to 10% of the issued and paid-up share capital of the Company ("**Proposed Share Buy-Back**") at the forthcoming Annual General Meeting ("**AGM**") to be convened.

Rule 12.03 of the Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the MESDAQ Market ("**MMLR**") stipulates that a listed company must not purchase its own shares:-

- (i) within three (3) years from the date of admission to the Official List; and
- (ii) unless the shareholders of the listed company have given an authorization to the directors of the listed company to make such purchase(s) by way of ordinary resolution which has been passed at a general meeting and subject to the provisions of Section 67A of the Companies Act 1965 and Part IIIA of the Companies Regulations 1966.

Rexit was admitted to the Official List of the MESDAQ Market of Bursa Securities on 16 November 2005. Accordingly, in compliance to Rule 12.03 as set out above, Rexit will only purchase its own shares after 16 November 2008.

#### 2. DETAILS OF THE PROPOSED SHARE BUY-BACK

##### 2.1 Effective Period

The Proposed Share Buy-Back, once approved by the shareholders, shall be effective upon the expiration of three (3) years from the date of Rexit's admission to the MESDAQ Market of Bursa Securities and if granted, shall remain in force until:-

- (a) the conclusion of the next AGM of the Company at which time the authority 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 is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.

The Proposed Share Buy-Back will allow the Board to exercise the power to purchase the Shares of the company at any time within the abovementioned period.

##### 2.2 Quantum

The actual number of ordinary shares of RM0.10 each in Rexit ("**Shares**") to be purchased and the timing of the purchases will depend on, *inter-alia*, market conditions, the availability of retained profits and/or share premium as well as funding. In addition, Rexit is required to maintain the necessary public shareholding spread and to maintain a minimum issued and paid-up share capital as prescribed in the MMLR which will limit the number of Shares to be purchased.

### **2.3 Source of Funds**

The funding for the Proposed Share Buy-Back will be from internally generated funds and/or borrowings, if required. The maximum amount of funds to be utilized by Rexit for any purchase of Shares must not exceed the retained profits and/or the share premium account of Rexit.

As at 30 June 2008, being the latest available audited financial statements of Rexit, Rexit does not have any share premium whilst the retained profits amounted to approximately RM0.275 million.

In the event Rexit purchases and holds its own shares using external borrowings, the Board will ensure that the Company has sufficient funds to repay the external borrowings and that the repayment will not have a material effect on the Company's cashflow.

### **2.4 Purchase Price**

In accordance with the MMLR, Rexit may only purchase its own Shares on Bursa Securities at a price which is not more than 15% above the weighted average market price for the Shares for the five (5) market days immediately preceding the date of the purchase. An immediate announcement will be made to Bursa Securities of any purchase(s) of its own Shares on the day of purchase.

### **2.5 Status and Treatment of Shares Purchased**

Depending on the prevailing equity market conditions and the financial position of the Company at that time, the Board will accordingly decide whether to:-

- (i) cancel all or part of the Shares so purchased; and/or
- (ii) retain all or part of the Shares so purchased as treasury shares; and/or
- (iii) distribute the treasury shares as share dividends to the Company's shareholders for the time being and/or resell the treasury shares on Bursa Securities.

In the event that the purchased Shares are held as treasury shares, the rights attached to them as to voting, dividends and participation in any other distribution and otherwise suspended and 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 the determination of substantial shareholdings, take-overs, notices, the requisitioning of meetings, the quorum for meetings and the result of a vote on resolution(s) at meetings.

### **2.6 Pricing for resale**

Where the Company decides to resell the treasury shares on Bursa Securities, the Company may only do so at a price which is:-

- (a) not less than the weighted average market price of the Shares for the five (5) market days immediately prior to the resale; or
- (b) not less than 5% below the weighted average market price of the Shares for the five (5) market days immediately prior to the resale provided that:-
  - (i) the resale takes place no 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. RATIONALE FOR THE PROPOSED SHARE BUY-BACK**

The authority to purchase its own shares is sought to enable the Company to have an additional option of optimizing its capital structure and utilising its financial resources more efficiently. The Proposed Share Buy-Back is expected to stabilize the supply and demand of Rexit Shares as well as the market price of Rexit Shares.

Rexit may also retain the Shares so purchased as treasury shares with the intention of realising potential gains from the resale of treasury shares and/or to reward its shareholders through the distribution of the treasury shares as share dividends.

### **4. EFFECTS OF THE PROPOSED SHARE BUY-BACK**

#### **4.1 Share capital**

The effect of the Proposed Share Buy-Back on the issued and paid-up ordinary share capital of Rexit is set out in Table 1.

However, if the purchased Shares are held as treasury shares, resold or distributed to shareholders, the Proposed Share Buy-Back will not have any effect on the issued and paid-up ordinary share capital of the Company.

#### **4.2 Directors' and substantial shareholders' shareholdings**

The effects of the Proposed Share Buy-Back on the shareholdings of the Directors and substantial shareholders of Rexit, assuming the Shares are purchased from shareholders other than the Directors and substantial shareholders of Rexit, are set out in Table 2.

#### **4.3 Earnings**

The effects of the Proposed Share Buy-Back on the earnings per share ("EPS") of the Group will depend on, inter alia, the number of Shares so purchased, the purchase price for such Shares and the effective funding cost to finance the purchase of such Shares.

Assuming that any Shares so purchased are retained as treasury shares and resold, the effects on the earnings of the Group will depend on the actual selling price, the number of treasury shares resold and the effective gain.

If the Shares so purchased are cancelled, the Proposed Share Buy-Back will increase the EPS of the Group provided the income foregone and interest expense incurred on each ordinary share purchased is less than the EPS of the Group before the share buy-back.

#### **4.4 Net assets ("NA")**

The effects of the Proposed Share Buy-Back on the NA of Rexit will depend on the number of Shares purchased, the price(s) of the purchased Shares at the time of purchase and the treatment of the Shares so purchased.

Where the purchased Shares are cancelled, the Proposed Share Buy-Back will reduce the NA per share unless the cost per share is below the NA per share at the relevant point in time, and vice-versa.

If the Shares so purchased are kept as treasury shares, the NA per share will decrease unless the cost per share is below the NA per share at the relevant point in time. This is because treasury shares are required to be carried at cost and as such, will be offset against equity which would result in a decrease in the NA of Rexit.

If the Shares purchased are resold on Bursa Securities, the NA of Rexit would increase if it realises a gain from the resale, and vice-versa. If the Shares purchased were distributed as share dividends, the NA of Rexit will decrease by the cost of the treasury shares so distributed.

#### **4.5 Gearing**

The effect of the Proposed Share Buy-Back on the gearing of Rexit will depend on the proportion of borrowings used to fund the Proposed Share Buy-Back.

### **5. IMPLICATION OF THE MALAYSIAN CODE ON TAKEOVERS AND MERGERS 1998 (“CODE”)**

As set out in Table 2, Rexit Venture Sdn Bhd, together with Chung Hon Cheong and Si Tho Yoke Meng (collectively known as “**Parties Acting in Concert**”) collectively holds 35.84% of the voting shares of Rexit.

Rexit does not intend to undertake the Proposed Share Buy-Back such that the Parties Acting in Concert will trigger the obligation to undertake a mandatory offer pursuant to the Code. However, in the event an obligation to undertake a mandatory offer is expected to arise resulting from the Proposed Share Buy-Back, the Parties Acting in Concert shall make the necessary application to the Securities Commission for a waiver to undertake a mandatory offer pursuant to the Code.

### **6. APPROVALS REQUIRED**

The Proposed Share Buy-Back is conditional upon the following approvals being obtained:-

- (a) shareholders of Rexit at the forthcoming AGM to be convened; and
- (b) any other relevant authorities, if required.

### **7. DIRECTORS’ AND/OR SUBSTANTIAL SHAREHOLDERS’ INTERESTS**

None of the directors and/or substantial shareholders and/or persons connected with them has any interest, direct or indirect, in the Proposed Share Buy-Back.

### **8. DIRECTORS’ RECOMMENDATION**

After considering all aspects of the Proposed Share Buy-Back including its rationale, the Board is of the opinion that the Proposed Share Buy-Back is in the best interest of the Company.

### **9. ADVISER**

KIBB has been appointed as Adviser for the Proposed Share Buy-Back.

This announcement is dated 30 September 2008.