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IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR SHAREBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

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ASIA FILE CORPORATION BHD.

(Company No. 199401027510 (313192-P))

(Incorporated in Malaysia)

SHARE BUY-BACK STATEMENT

IN RELATION TO THE

PROPOSED RENEWAL OF AUTHORITY TO ASIA FILE CORPORATION BHD TO PURCHASE ITS OWN ORDINARY SHARES OF UP TO TEN PERCENT (10%) OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY (“PROPOSED SHARE BUY-BACK”)

The Notice of Annual General Meeting is sent to you together with this Statement. The Annual General Meeting will be held at Ballroom 1, Hotel Equatorial, No.1, Jalan Bukit Jambul, 11900 Penang on 28 September 2020 at 10.00am. Shareholders are advised to refer to the Notice of Annual General Meeting and the Form of Proxy which are included in the Company’s 2020 Annual Report. The Form of Proxy should be completed and lodged at 170-09-01, Livingston Tower, Jalan Argyll, 10050 Georgetown, Pulau Pinang, Malaysia not less than 48 hours before the time set for the meeting or any adjournment thereof.

This Statement is dated 28 August 2020

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DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Statement:

“AGM”	:	Annual General Meeting
“Code”	:	Malaysian Code on Takeovers and Mergers, 2016 as amended from time to time
“Directors”	:	Directors of Asia File
“EPS”	:	Earnings per share
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“NA”	:	Net assets
“Asia File ” or “the Company”	:	Asia File Corporation Bhd (Co No :199401027510 (313192-P))
“Asia File Group” or “the Group”	:	Asia File, its subsidiaries and associated companies
“Ordinary Resolution”	:	The ordinary resolution pertaining to the Proposed Share Buy-Back
"Proposal”	:	Proposed Share Buy-Back
“Proposed Share Buy-Back”	:	Proposal to enable Asia File to purchase Asia File Shares for up to ten per centum (10%) of the total number of issued shares of the Company
“Mandatory General Offer”	:	An offer by a person and any person acting in concert with him or a relevant shareholder for the remaining ordinary shares of the Company not already owned by him/them if his/their stake in the Company is increased to beyond 33% or if his/their existing shareholding is between 33% and 50% and exceeds by another 2% in any six (6) months period.
“Proposed Waiver”	:	Proposed waiver for Prestige Elegance (M) Sdn Bhd (329793D) and Datin Khoo Saw Sim, the substantial shareholders of Asia File and the interested Directors, Dato’ Lim Soon Huat, Mr. Lim Soon Wah and Mr. Lim Soon Hee from the obligation to undertake a Mandatory General Offer for the remaining shares in Asia File not already held by Prestige Elegance (M) Sdn Bhd.
		Should the Proposed Share Buy-Back when implemented, result in any of the shareholdings of the Directors and /or Prestige Elegance (M) Sdn Bhd and Datin Khoo Saw Sim, the substantial shareholders of the Company, exceed the limit provided under the Code which will require them to make a Mandatory General Offer, they are required to seek Securities Commission’s approval for a waiver from the obligation to undertake a Mandatory General Offer.
“RM”	:	Ringgit Malaysia
“Asia File Shares” or “Shares”	:	Ordinary Shares in the Company

ASIA FILE CORPORATION BHD
(Company No. 199401027510 (313192-P))
(Incorporated in Malaysia)

Registered Office:-
170-09-01 Livingston Tower,
Jalan Argyll,
10050 Pulau Pinang.

28 August 2020

Board of Directors:-

Dato' Lim Soon Huat (Executive Chairman)
Ng Chin Nam (Independent Non-Executive Director)
Lim Soon Wah (Non-Independent Executive Director)
Lam Voon Kean (Independent Non-Executive Director)
Nurjannah Binti Ali (Independent Non-Executive Director)
Lim Soon Hee (Non-Independent Non-Executive Alternate Director), Alternate to Lim Soon Wah

To: The Shareholders of Asia File Corporation Bhd.

Dear Sir/Madam

PROPOSED PURCHASE OF OWN SHARES BY THE COMPANY

1. INTRODUCTION

The Board of Directors of the Company had on 18 August 2020, announced to the Bursa Securities that the Company proposes to seek a fresh mandate from its shareholders to purchase shares of the Company up to ten per centum (10%) of the total number of issued shares of the Company.

The present mandate granted by the shareholders of the Company at the Twenty-Fifth AGM held on 27 September 2019 for the purchase of its own shares will expire at the conclusion of the forthcoming AGM unless a new mandate is obtained from shareholders.

The Company proposes to seek a renewal of the approval from the shareholders at the forthcoming AGM to be convened on 28 September 2020, for the Company to purchase and/or hold its own shares of up to ten per cent (10%) of the total number of issued shares of the Company.

The authorization from the shareholders, if given, shall be effective immediately upon the passing of the ordinary resolution relating thereto at the forthcoming AGM and will continue in force until:

- i. the conclusion of the next AGM of the Company following the forthcoming AGM, at which such resolution was passed, at which time the said authority will lapse, unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- ii. the expiration of the period within which the next AGM of the Company after that date is required by law to be held; or
- iii. revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first.

2. TREATMENT OF SHARES PURCHASED

In accordance with Section 127 of the Act, the Company would be able to deal with any Asia File Shares so purchased by the Company in the following manner:

- a) to cancel the Shares purchased; or
- b) to retain the Shares purchased as treasury shares for distribution as dividend to the Shareholders and/or resell on the market of Bursa Securities; or
- c) to retain part of the Shares purchased as treasury shares and cancel the remainder; or
- d) to deal in such other manner as the Bursa Securities and such other relevant authorities may allow from time to time.

If such Shares purchased were held as treasury shares, the rights attaching to them in relation to voting and dividends would be suspended and the treasury shares would not be taken into account in calculating the number or percentage of shares or a class of shares in the Company for any purposes including the determination of substantial shareholding, take-overs, notices, the requisitioning of meetings, the quorum for meeting and the result of a voting on resolution(s) at shareholders meetings.

3. RATIONALE FOR THE PROPOSAL

The Proposed Share Buy-Back

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

- i. The Company would expect to enhance the EPS of the Group (in the case where the Directors resolve to cancel the Shares so purchased and/or retain the Shares in treasury and the treasury shares are not subsequently resold), and thereby long term and genuine investors are expected to enjoy a corresponding increase in the value of their investments in the Company;
- ii. If the Shares bought back are kept as treasury shares, it will give the Directors an option to sell the Shares so purchased at a higher price and therefore make an exceptional gain for the Company. Alternatively, the Shares so purchased can be distributed as share dividends to shareholders; and
- iii. The Company may be able to stabilise the supply and demand of its Shares in the open market and thereby supporting its fundamental values.

4. SOURCE OF FUNDS

The maximum amount of funds to be allocated for the Proposed Share Buy-Back shall be made wholly out of retained profits of the Company based on the latest audited financial statement of the Company.

The latest retained profits of the Company based on the latest audited financial statements as at 31 March 2020 were RM11,157,176.

The Board proposes to allocate up to the amount available under the retained profits (if available) of the Company as mentioned above for the purchase of the Asia File Shares pursuant to the mandate given by the shareholders of Asia File on the Proposed Share Buy-Back.

The authority for the Proposed Share Buy-Back will allow the Board to exercise the rights of the Company to purchase its own Shares at any time within the abovementioned time period using the internal funds and/or external borrowings of the Company.

In the event external borrowings are required, the Board will ensure that the Company has sufficient financial capability to repay such borrowings and that the external borrowings are not expected to have any material adverse effects on the cash flow of the Company. In any event, the Board will ensure that the maximum funds to be used for the buy-back of Asia File Shares shall not exceed the retained profits of the Company.

5. ADVANTAGES AND DISADVANTAGES

The advantages of the Proposed Renewal of Authority for Share Buy-Back are outlined in Item 3 of this Share Buy-Back Statement.

The Proposed Share Buy-Back is not expected to have any potential material disadvantage to the Company and its shareholders, other than as disclosed below, as it will be exercised only after in-depth consideration of the financial resources of the Group and of the resultant impact on its shareholders.

The Proposed Share Buy-Back, if exercised, will reduce the financial resources of Asia File and may result in Asia File having to forego other alternative investment opportunities which may emerge in the future, and it may reduce the financial resources of Asia File for payment of dividends. Nevertheless, the Directors will be mindful of the interests of Asia File and its shareholders when exercising the Proposed Share Buy-Back.

6. FINANCIAL EFFECTS OF THE PROPOSAL

The Proposed Share Buy-Back will not have any financial effects on the share capital of the Company and earnings or net assets of the Group.

6.1 Share Capital

The Proposed Share Buy-Back, if carried out in full and the Shares so purchased are cancelled, will reduce the issued and paid-up share capital of Asia File as at 20 July 2020 by 19,475,956 Shares from 194,759,560 Shares to 175,283,604 Shares. However, there will be no effect on the issued and paid-up share capital of Asia File if the Shares so purchased are retained in treasury.

6.2 NA per share

The effects of the Proposed Share Buy-Back on the NA per share of the Group are dependent on the purchase prices of the Asia File Shares and the effective funding cost to the Company.

If all the Asia File Shares purchased are to be cancelled, the Proposed Share Buy-Back will reduce the NA per share when the purchase price exceeds the NA per share at the relevant point in time. On the contrary, the NA per share will be increased when the purchase price is less than the NA per share at the relevant point in time.

6.3 Working Capital

The Proposed Share Buy-Back, if exercised, will reduce the working capital of the Group, the quantum of which depends on the purchase price of Asia File Shares and the actual number of Asia File Shares purchased.

6.4 EPS

The effects of the Proposed Share Buy-Back on the EPS of the Group are dependent on the actual number of Asia File Shares bought back and the purchase prices of Asia File Shares and the effective funding cost to the Company.

6.5 Dividends

The Proposed Renewal of Share Buy-Back Authority, if carried out, is expected to have the effect of increasing the dividend rate of Asia File as a result of the reduction in the issued and paid-up share capital of Asia File as described under Section 6.1 above.

7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The Directors, substantial shareholders and persons connected with the Directors and/or substantial shareholders of the Asia File Group have no direct or indirect interest in the Proposed Share Buy-Back and resale of treasury shares.

The Proposed Share Buy-Back will cause the proportionate increase in the percentage of shareholdings and/or voting rights of the shareholders. The table below shows the equity interests held directly and indirectly in Asia File by the Directors and substantial shareholders as at 20 July 2020 and the effect of the Proposed Share Buy-Back assuming Asia File implements the Proposed Share Buy-Back in full:

	< ----- No. of ordinary shares in Asia File ----- >							
	< Before the Proposed Share Buy-Back >				< After the Proposed Share Buy-Back >			
	Direct	%	Indirect	%	Direct	%	Indirect	%
Directors								
Dato' Lim Soon Huat	2,882,955	1.48	88,116,911 [^]	45.24	2,882,955	1.64	88,116,911 [^]	50.27
Ng Chin Nam	-	-	-	-	-	-	-	-
Lim Soon Wah	3,138,870	1.61	210,712 ^{**}	0.11	3,138,870	1.79	210,712 ^{**}	0.12
Lam Voon Kean	-	-	-	-	-	-	-	-
Nurjannah Binti Ali	-	-	-	-	-	-	-	-
Lim Soon Hee (Alternate to Lim Soon Wah)	4,117,996	2.11	-	-	4,117,996	2.35	-	-
Substantial Shareholders								
1. Datin Khoo Saw Sim	2,588,672	1.33	83,738,951 ^{^^}	43.00	2,588,672	1.48	83,738,951 ^{^^}	47.77
2. Dato' Lim Soon Huat	2,882,955	1.48	83,738,951 ^{^^}	43.00	2,882,955	1.64	83,738,951 ^{^^}	47.77
3. Prestige Elegance (M) Sdn Bhd	83,738,951	43.00	-	-	83,738,951	47.77	-	-
4. AmanahRaya Trustees Berhad - Amanah Saham Bumiputra	37,658,600	19.34	-	-	37,658,600	21.48	-	-
5. FMR LLC	-	-	12,694,504 [#]	6.52	-	-	12,694,504 [#]	7.24

- * *The Proposed Share Buy-Back is implemented in full and all the Shares so purchased are fully cancelled*
- ^ *Deemed interest via Prestige Elegance (M) Sdn Bhd and inclusive of spouse and children*
- ** *These shares are held in the name of spouse and are treated as interest of the Director in accordance with Section 59(11)(c) of the Companies Act, 2016*
- ^^ *Deemed interest via Prestige Elegance (M) Sdn Bhd pursuant to Section 8(4) of the Companies Act, 2016*
- # *Deemed interest via various investment amounts managed*

8. PUBLIC SHAREHOLDING SPREAD

As at 20 July 2020, the public shareholding spread of the Company was 21.29%. The Proposed Share Buy-Back would be conducted in accordance with law prevailing at the time of purchase including compliance with the public shareholding spread as required by listing requirement.

9. IMPLICATION OF THE CODE

Under Part III Paragraph 9 (1)(b) of the Code, a person and any person acting in concert with him or a relevant shareholder will be required to make a Mandatory General Offer for the remaining ordinary shares of the Company not already owned by him/them if his/their stake in the Company is increased to beyond 33% or if his/their existing shareholding is between 33% and 50% and exceeds by another 2% in any six (6) months period.

As at 20 July 2020, Prestige Elegance (M) Sdn Bhd owned 83,738,951 ordinary shares in Asia File which represents 43.00% of the existing issued and paid-up share capital of Asia File. As such, Prestige Elegance (M) Sdn Bhd, a substantial shareholder of Asia File by virtue of the management control exercised collectively by Dato' Lim Soon Huat, Mr. Lim Soon Wah and Mr. Lim Soon Hee is deemed to be a party acting in concert with these Directors.

The Proposed Share Buy-Back, if fully exercised, will result in the equity interest of Prestige Elegance (M) Sdn Bhd increasing from 43.00% as at 20 July 2020 to 47.77%. The Directors shall take all necessary steps to ensure that the Proposed Share Buy-Back when implemented, will not result in any of the shareholdings of the Directors and/or Prestige Elegance (M) Sdn Bhd and Datin Khoo Saw Sim, the substantial shareholders of the Company, exceed the limit provided under the Code which will require them to make a Mandatory General Offer.

Should such circumstance arise and if required, the Directors, Dato' Lim Soon Huat, Mr. Lim Soon Wah and Mr. Lim Soon Hee and the substantial shareholders, Prestige Elegance (M) Sdn Bhd and Datin Khoo Saw Sim are required to seek Securities Commission's approval for a waiver from the obligation to undertake a Mandatory General Offer under Securities Commission's Practice Note 9 of the Code, which is in respect of exemption for holders of voting shares, directors and persons acting in concert when a company purchases its own voting shares.

In the event the Proposed Waiver is not granted, the Company will only proceed with the Proposed Share Buy-Back to the extent that it will not contravene the limit as provided under the Code.

10. SHARE PRICES

The monthly highest and lowest prices of the Shares traded on Bursa Securities for the preceding twelve (12) months are as follows:

	High (RM)	Low (RM)
2019		
Aug	2.46	2.36
Sep	2.45	2.38
Oct	2.45	2.31
Nov	2.42	2.30
Dec	2.29	2.12
2020		
Jan	2.18	2.05
Feb	2.17	1.90
Mar	1.97	1.30
Apr	1.80	1.56
May	1.90	1.74
Jun	1.90	1.77
Jul	1.89	1.80

(Source: RHB TradeSmart)

The last transacted price of Asia File Shares on 17 August 2020, being the last practicable date prior to the printing of this Statement, was RM1.83.

11. PURCHASE, CANCELLATION OF SHARES AND RE-SALES/TRANSFER OF TREASURY SHARES MADE IN THE PRECEDING TWELVE (12) MONTHS

There was no purchase of Shares and no resale, transfer or cancellation of treasury shares for the past twelve (12) months from August 2019 to July 2020.

As at 17 August 2020, Asia File held a total of 500 treasury shares.

12. DIRECTORS' RECOMMENDATION

The Directors, having considered all aspects of the Proposed Share Buy-Back, are of the opinion that the Proposed Share Buy-Back is in the best interest of the Company and accordingly, the Directors recommend that you vote in favour of the ordinary resolution pertaining to the Proposed Share Buy-Back contained herein to be tabled at the forthcoming AGM.

13. FURTHER INFORMATION

Shareholders are advised to refer to the below for further information:

a) DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Directors of Asia File who collectively and individually, accept full responsibility for the accuracy of the information contained in this Circular and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there is no other fact, the omission of which would make any statement herein misleading.

b) MATERIAL CONTRACTS

Neither Asia File nor any of its subsidiaries has entered into any material contract, not being contracts entered into in the ordinary course of business, within the past two (2) years preceding the date of this Circular.

c) MATERIAL LITIGATION, CLAIMS OR ARBITRATION

The Directors of Asia File do not have any knowledge of any proceedings pending or threatened against Asia File and/or its subsidiaries, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the financial position or business of Asia File and/or its subsidiaries.

d) DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 170-09-01 Livingston Tower, Jalan Argyll, 10050 Georgetown, Pulau Pinang during normal business hours from the date hereof up to the time fixed for the holding of the AGM:-

- i) Constitution of Asia File; and
- ii) Audited consolidated financial statements of Asia File for the past two (2) financial years ended 31 March 2019 and 2020.