APPENDIX A

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

28th Annual General Meeting

Olive 4 & 5, Level 6, Olive Tree Hotel, 76 Jalan Mahsuri, 11950 Bayan Lepas, Penang
Thursday, 29 September 2022 at 10.00 am

Question & Answer from MSWG

Operational & Financial Matters

1. Headquartered in Penang, the Group's domestic operations are carried out from its seven production and warehousing sites. For its overseas operations, the Group owns two files producing plants and one paper mill in UK while two manufacturing facilities are located in Germany. (page 3 of Annual Report (AR) 2022).

(a) What was the total production capacity and average utilisation rate for your plants in Malaysia in FY2022? How about for those in UK and Germany?

AFC's response:
We have never faced with any capacity issue at any of our plants in Malaysia or overseas. Except for certain specialized products, the flexibility of having multiple locations to produce similar items has enabled us to optimise our operation efficiency. Based on the existing capacity, we will have no issue to increase our filing turnover by 100%.

(b) The Group's revenue for the filing products segment has declined steadily from RM389.86 million in FY2016 to RM230.70 million in FY2022. Do you expect revenue for this segment to gradually decline in the coming years? If yes, what is the projected quantum of decline?

AFC's response:
Revenue for filing products for FY 2022 was RM 274.2 million and not RM 230.7 million as stated above. Subject to the prevailing market condition, we anticipate the demand for filing products to contract by another 10% and hopefully it will stabilise thereafter.

(c) Who are your main competitors for filing products and what are your competitive advantages over them?

AFC's response:
With the consolidation of players in the filing industry, our main competitors are currently reduced to 2 UK/European manufacturers. With our plants located in both Malaysia and Europe, we are able to combine the best from the East and West in optimising our resources utilisation.

2. The Group's operating margin was adversely affected by rising material cost, soaring energy bills in Europe and the significant hike in freight cost. The successful passing-through some of the above increased cost to customers has helped to mitigate the above impact. Unfortunately, the unfavourable foreign exchange movement has posed another headwind for the Group as Malaysia Ringgit, GBP and EURO weakened considerably against USD in the second half of the year. (page 5 of AR 2022).

(a) How much was the increase in material cost in FY2022? Please provide the breakdown of your COGS for the filing products division.

AFC's response:
On average the material cost for filing division increased by 8% to 30% in FY 2022. Raw material cost constitutes approximately 67% of total COGS for the filing division.

(b) How much was the total freight cost in FY2022 vs FY2021? How has the trend been so far in FY2022?

AFC's response:
Total freight cost incurred in 2022 for shipments from Malaysia to Europe was about RM 14.8 million as compared to RM4.3 million incurred in 2021.

(c) Did the Company increase selling prices for its filing products in FY2022? What is the quantum of the increase?

AFC's response:
Yes, there was a hike in selling prices during the year, ranging from 5% to 20%.

3. Consumer and foodware division continues to deliver steady growth in sales with total revenue growing 78.4% to RM48.7 million in FY2022. Other than recyclable food ware, the Group is also actively promoting its consumer wares for household use. (page 4 of AR 2022)

(a) How much was the revenue and operating profit contribution from the recyclable foodware business, i.e., ABBAware, in FY2022? How much have you invested in this new market segment since inception in 2018?

AFC's response:
For FY2022, revenue and pre-tax profit contribution from ABBAware (recyclable foodware and consumer ware) was RM48.7 million and RM9.3 million respectively.
Excluding acquisition cost of Supportive Technology Sdn Bhd ("**STSB**"), total investment in plant & machinery for the project amounted to RM21.03 million as at FY2022.

(b) What is the current production capacity and utilisation rate for ABBAware products? Did the Company increase production capacity in FY2022?

AFC's response:
Excluding STSB, we are running at approximately 65% capacity and depending on the market demand and sales forecast, we will expand the capacity in the correct equipment and tooling. An annual budget of RM 10 million has been allocated to cater for the above.

(c) Revenue generated from ABBAware has grown tremendously over the last three years. What is your targeted revenue growth for FY2023 and FY2024?

AFC's response:
Targeted revenue growth would be 20%+ per annum subject to prevailing market condition.

4. During FY2022, AFC completed the acquisition of 100% equity interest in Supportive Technology Sdn Bhd (STSB), a company involved in the manufacturing of diverse plastic ware products, for RM22.6 million cash. The Group believes the acquisition of STSB will expand its manufacturing capability to cover a wider range of consumer products within the spectrum of industry where the Group could leverage on its manufacturing expertise. The Group has recently launched a selective range of its consumer ware products via e-Commerce platform which yield a very encouraging result. (page 3 and 7 of AR 2022)

(a) What are the main plastic ware products under STSB? Are these products sold under your own brands?

AFC's response:
Main products under STSB include storage box, cabinet, food container, tumbler, bath and laundry ware, table, chair, and flower pot.
Majority of products are mainly sold under our own brands.

(b) What is the current production capacity and utilisation rate for STSB?

AFC's response:
When the business was first acquired, the utilisation was below 50%. Subsequent to the acquisition, a review and restructuring of the business was undertaken to increase production efficiency and to focus on higher margin products . The plant will have sufficient capacity to double its turnover.

(c) Please present the financial highlights of STSB for the last three years prior to the acquisition by AFC.

<u>AFC's response</u>:

F/Y	Revenue	Profit / (loss)before tax
	RM'000	**RM'000**
2022 (9 months period from Apr'21 until Dec'21)	7,116.68	(1,117.41)
2021	14,510.41	(251.97)
2020	14,030.35	(43.44)
2019	16.231.79	(2,317.81)

(d) What are the products that you have launched and through which e-Commerce platform? What is the potential revenue contribution?

<u>AFC's response</u>:
Products launched through E-Commerce are mainly chairs, storage boxes, cabinets and kitchenware. Plans are underway to introduce a wider range of products into the E commerce platform. Currently, 15% of consumer ware sales was generated from E Commerce platform.

(e) What is the budgeted capex for FY2023 and FY2024 for the consumer and foodware division?

<u>AFC's response</u>:
Without any major acquisition, we will allocate approximately RM 10m per annum for the next two years. We are looking for synergetic acquisition to grow the division subject to economy condition and market demand.

5. Miscellaneous income increased from RM0.54 million in FY2021 to RM1.80 million in FY2022. (page 92 of AR 2022)

What were the reasons for the significant increase in miscellaneous income in FY2022?

<u>AFC's response</u>:
Included in the miscellaneous income in 2022 was insurance claim received of RM 1.44 million.

6. AFC has been paying double-digit dividend per share prior to FY2020 with average dividend payout ratio of about 50% from FY2012 to FY2019. However, dividend payout ratio has declined since FY2020 to less than 10%.

<u>AFC's response</u>:

	EPS	DPS	Payout ratio
FY2012	42.18	21.50	51%
FY2013	37.05	20.50	55%
FY2014	52.18	22.50	43%
FY2015	26.50	15.00	57%
FY2016	40.08	16.00	40%
FY2017	29.07	16.00	55%
FY2018	30.37	15.00	49%
FY2019	24.53	14.00	57%
FY2020	18.93	-	0%
FY2021	22.28	1.50	7%
FY2022	23.94	2.00	8%

(a) What were the reasons for the significant reduction in dividend payout ratio since FY2020?

<u>AFC's response</u>:

At that point of time, the Group was embarking on product diversification plan and did not rule out the possibility of business acquisition. The diversification may result in substantial investment amount. In view of the above, the Group decided to reduce dividend pay out in order to conserve cash.

In fact, in 2020/2021, we were considering making an acquisition of significant amount but the plan was aborted as it did not meet our due diligence criteria. We are still looking for good companies to acquire if opportunities arise in future.

(b) Do you have any plans to revert to the previous dividend payout ratio of about 50%? If yes, by when?

<u>AFC's response</u>:
The Group would evaluate in depth the current economy condition and its future need and review its dividend payout accordingly .

(c) The Group's net cash level has increased from RM85.29 million in FY2015 to RM211.93 million in FY2022. What are your plans for the excess cash sitting in the bank?

<u>AFC's response</u>:
We are always prudent in managing our cash position and will keep some allocation to cater for future expansion and acquisition. Upon completion of the necessary re-structuring to strengthen the company's business operation, a portion of the annual profit (based on cash generated) would be franked out as dividend.

Corporate Governance Matters

7. Practice 5.3 of Malaysian Code on Corporate Governance 2021 stipulates that the tenure of an independent director should not exceed a cumulative term limit of nine years. If the board intends to retain an independent director beyond nine years, it should provide justification and seek annual shareholders' approval through a two-tier voting process.

One of the Company's independent directors has exceeded nine years serving as independent director. Please explain why a two-tier voting process is not adopted when seeking shareholders' approval to retain the independent director at the upcoming AGM?

<u>AFC's response</u>:

Currently only one director has exceeded the time limit of nine years. The Board is of the view that the Independent Director has performed his duties diligently and provided independent views when participating in deliberations and decision making of the Board and Board Committees. The length of his service does not in any way interfere with his exercise of independent judgement. In addition, he is not related to any directors or substantial shareholders and also do not own any shares in the Group.

The Group did not adopt a two-tier voting process when seeking shareholders' approval to retain the independent director at the AGM as the Group believes that every share owned by any shareholder should carry equal weight in voting power.