

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

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ASIA FILE CORPORATION BHD.

Registration No.: 199401027510 (313192-P)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PROPOSED ESTABLISHMENT OF AN EMPLOYEES' SHARE OPTION SCHEME OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED ORDINARY SHARES IN ASIA FILE CORPORATION BHD. ("ASIA FILE") (EXCLUDING ANY TREASURY SHARES) AT ANY POINT IN TIME DURING THE TENURE OF THE SCHEME FOR THE ELIGIBLE EXECUTIVE DIRECTORS AND EMPLOYEES OF ASIA FILE AND ITS SUBSIDIARIES (EXCLUDING ANY NON-MALAYSIAN AND/OR DORMANT SUBSIDIARIES) ("PROPOSED ESOS")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser



TA SECURITIES HOLDINGS BERHAD (14948-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Extraordinary General Meeting ("**EGM**") for the shareholders of Asia File and the Form of Proxy are enclosed in this Circular. Asia File's EGM will be conducted virtually through live streaming and remote participation and voting ("**RPV**") facilities vide the online meeting platform at <https://rebrand.ly/AsiafileEGM> provided by Mlabs Research Sdn Bhd in Malaysia as follows:

Broadcast venue	:	Plot 16, Kawasan Perindustrian Bayan Lepas, Phase IV, Mukim 12, Bayan Lepas, 11900 Penang, Malaysia.
Date and time of the EGM	:	Friday, 4 March 2022 at 10 a.m. or at any adjournment thereof
Last date and time for lodging the Form of Proxy	:	Wednesday, 2 March 2022 at 10 a.m.

Please refer to the EGM Administrative Guide (as enclosed herein) for the procedures to register, participate and vote remotely via RPV facilities. As a shareholder who is entitled to attend and vote at the EGM, you are entitled to appoint a proxy or proxies to attend and vote at the EGM on your behalf. The completed Form of Proxy should be lodged at our registered office at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia not less than 48 hours before the time appointed for holding the EGM or at any adjournment thereof. The Form of Proxy once deposited will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

This Circular is dated 16 February 2022

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular and the accompanying appendices:

“3Q”	:	Third quarter
“5D-VWAP”	:	5-day volume weighted average market price
“Act”	:	Companies Act 2016
“Announcement”	:	The announcement of our Company dated 13 January 2022 in relation to the Proposed ESOS
“Asia File” or “Company”	:	Asia File Corporation Bhd.
“Asia File Group” or “Group”	:	Asia File and our subsidiaries, collectively
“Asia File Shares” or “Shares”	:	Ordinary shares in our Company
“Board”	:	Board of Directors of our Company
“Bursa Depository”	:	Bursa Malaysia Depository Sdn Bhd
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“By-Laws”	:	By-laws governing the Proposed ESOS, as amended, modified and supplemented from time to time (a draft of which is set out in Appendix I of this Circular)
“CAGR”	:	Compound annual growth rate
“Circular”	:	This circular to the shareholders of our Company dated 16 February 2022 in relation to the Proposed ESOS
“COVID-19”	:	Coronavirus disease 2019
“Date of Offer”	:	The date on which an Offer (including any subsequent Offers) is made by the ESOS Committee in writing to an Eligible Person
“Dato’ Lim” or “Interested Director and Major Shareholder”	:	Dato’ Lim Soon Huat
“Director”	:	A natural person who holds a directorship in a company, whether in an executive or non-executive capacity, and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act 2007
“E&E”	:	Electrical and electronics
“EGM”	:	Extraordinary general meeting of our Company
“Eligible Person”	:	An executive director or employee of our Group (excluding any non-Malaysian and/or dormant subsidiaries) who meets or fulfils the criteria of eligibility for participation in the Proposed ESOS as set out in the By-Laws
“EPS”	:	Earnings per Share
“ESOS Committee”	:	A committee duly appointed and authorised by our Board to administer the Proposed ESOS in accordance with the provisions of the By-Laws

DEFINITIONS (CONT'D)

“ESOS Options”	:	The right of a Grantee to subscribe for new Asia File Shares at the pre-determined exercise price pursuant to the contract constituted by the acceptance of an Offer by an Eligible Person as provided in the By-Laws
“ESOS Shares”	:	New Asia File Shares to be issued upon the exercise of the ESOS Options granted pursuant to the Proposed ESOS at any point in time during the tenure of the Proposed ESOS
“FYE”	:	Financial year ended/ending 31 March, as the case may be
“Grantees”	:	Eligible persons who have accepted the Offer in accordance with the provisions of the By-Laws
“Interested Employees”	:	Lim Chin Chin, Lim Mei Chin and Lim Kuok Yeow
“Interested Party”	:	Any Eligible Person who is the executive director, major shareholder or chief executive officer of our Company or any holding company of our Company
“Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities
“LPD”	:	31 January 2022, being the latest practicable date prior to the printing of this Circular
“MCO”	:	Movement control order
“MFRS-2”	:	Malaysian Financial Reporting Standard 2 – Share-based Payment as issued by the Malaysian Accounting Standards Board
“NA”	:	Net assets
“Offer”	:	A written offer made by the ESOS Committee from time to time to an Eligible Person to participate in the Proposed ESOS in the manner as provided in the By-Laws
“Proposed ESOS”	:	Proposed establishment of an employees’ share option scheme of up to 10% of the total number of issued Asia File Shares (excluding any treasury shares) at any point in time during the tenure of the scheme for the Eligible Persons
“Record of Depositors”	:	A record of depositors established by Bursa Depository under the Rules of Bursa Depository
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“Rules of Bursa Depository”	:	Rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act 1991
“TA Securities” or “Adviser”	:	TA Securities Holdings Berhad
“Treasury Shares”	:	500 Shares which are held as treasury shares by our Company as at the LPD
“USD”	:	United States dollar

All references to “our Company” in this Circular are to Asia File, references to “our Group” are to our Company and our subsidiaries. All references to “we”, “us”, “our” and “ourselves” are to our Company, or where the context requires, are to our Group. All references to “you” in this Circular are references to our shareholders.

DEFINITIONS (CONT'D)

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa.

Reference to persons shall include a corporation, unless otherwise specified. Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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TABLE OF CONTENTS

	PAGE
EXECUTIVE SUMMARY	
LETTER TO THE SHAREHOLDERS IN RELATION TO THE PROPOSED ESOS	
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSED ESOS	2
3. RATIONALE FOR THE PROPOSED ESOS	6
4. INDUSTRY OVERVIEW AND PROSPECT	6
5. EFFECTS OF THE PROPOSED ESOS	10
6. HISTORICAL SHARE PRICES	13
7. APPROVALS REQUIRED	13
8. INTER-CONDITIONALITY OF THE PROPOSED ESOS	14
9. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION	14
10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM	14
11. DIRECTORS' STATEMENT AND RECOMMENDATION	15
12. ESTIMATED TIME FRAME FOR COMPLETION	15
13. EGM	15
14. FURTHER INFORMATION	16
APPENDICES	
I DRAFT BY-LAWS	17
II FURTHER INFORMATION	43
NOTICE OF EGM	ENCLOSED
EGM ADMINISTRATIVE GUIDE	ENCLOSED
FORM OF PROXY	ENCLOSED

EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION CONTAINED IN THE MAIN CONTENT OF THIS CIRCULAR. PLEASE READ THE ENTIRE CIRCULAR CAREFULLY FOR FURTHER DETAILS ON THE PROPOSED ESOS BEFORE VOTING.

We are asking our shareholders to vote on the matters below. Our Board recommends that you vote **FOR** the resolutions in relation to the Proposed ESOS to be tabled at our forthcoming EGM.

PROPOSED ESOS	
Details	: To grant ESOS Options to Eligible Persons to subscribe for the ESOS Shares at a pre-determined price. Refer to Section 2 of this Circular for further information.
Maximum number of ESOS Shares	: Not more than 10% of the total number of issued Shares (excluding any treasury shares) at any point in time during the tenure of the Proposed ESOS.
Duration	: 5 years and may be extended for a further period of up to 5 years.
Exercise price	: 5D-VWAP of Asia File Shares immediately preceding the Date of Offer, with a discount of not more than 10%.
Utilisation of proceeds	: To finance our Group's day-to-day operations which, amongst others, include trade payables and other payables of our Group, general administrative and daily operational expenses such as staff cost, utilities, shipment delivery cost, factory and equipment maintenance cost as well as any other overhead expenditures.
Rationale	: To provide the Eligible Persons with an opportunity to have equity participation in our Company to achieve positive objectives as set out below: (i) to recognise the contribution of the Eligible Persons and to motivate them; (ii) to inculcate a greater sense of belonging in and dedication to our Group; (iii) to reward the Eligible Persons by allowing them to participate in our Group's profitability and any realise potential capital gains arising from possible appreciation in the value of Asia File Shares upon exercising of the ESOS Options; and (iv) as an alternative form of employees' remuneration which does not result in cash outflow for our Group.
Effects	: <ul style="list-style-type: none">• No immediate effects on our Company's issued share capital, our substantial shareholders' shareholdings and NA per Share until such time when the ESOS Options granted under the Proposed ESOS are exercised.• Effects on our Group's NA would depend on factors such as the number of ESOS Options granted and the fair value of the ESOS Options after taking into account, among others, the exercise price of the ESOS Options. Whilst the granting of the ESOS Options under the Proposed ESOS is expected to result in recognition of a charge in the statement of comprehensive income of our Group pursuant to the MFRS-2, the recognition of such MFRS-2 charge would not affect the NA of our Group as the corresponding amount will be classified as an equity compensation reserve which forms part of the shareholders' equity.• No immediate material effect on the earnings of our Group for the FYE 2022, save for the possible impact of the MFRS-2 upon granting of the ESOS Options. However, the EPS of our Group will be diluted when the ESOS Shares are issued in the future. Refer to Section 5 of this Circular for further information.



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

Registered Office:

170-09-01, Livingston Tower
Jalan Argyll
10050 George Town
Pulau Pinang
Malaysia

16 February 2022

Board of Directors

Dato' Lim Soon Huat (*Executive Chairman*)
Ng Chin Nam (*Independent Non-Executive Director*)
Lam Voon Kean (*Independent Non-Executive Director*)
Nurjannah Binti Ali (*Independent Non-Executive Director*)

To: Our shareholders

Dear Sir/Madam,

PROPOSED ESOS

1. INTRODUCTION

On 13 January 2022, TA Securities announced on behalf of our Board that our Company proposes to undertake the Proposed ESOS.

Bursa Securities had, vide its letter dated 27 January 2022, approved the listing of and quotation for the ESOS Shares on the Main Market of Bursa Securities, subject to the conditions as stated in **Section 7** of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED ESOS, TO SET OUT OUR BOARD'S RECOMMENDATION ON THE PROPOSED ESOS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSED ESOS TO BE TABLED AT OUR FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN CAREFULLY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED ESOS TO BE TABLED AT OUR FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED ESOS

Our Company intends to establish and implement the Proposed ESOS which involves the granting of ESOS Options to Eligible Persons to subscribe for the ESOS Shares at a pre-determined price.

The Proposed ESOS will be administered by the ESOS Committee. The ESOS Committee will comprise Director(s) and/or such other persons to be identified and appointed from time to time by our Board. At this juncture, the composition of the ESOS Committee has yet to be decided by our Board. The ESOS Committee will have the absolute discretion in administering the Proposed ESOS as it may deem fit, in accordance with the provisions set out in the By-Laws.

The salient features of the Proposed ESOS are set out below:

2.1 Maximum number of the ESOS Shares available under the Proposed ESOS

The maximum number of the ESOS Shares shall not in aggregate exceed 10% of the total number of issued Shares (excluding any treasury shares) at any point in time during the tenure of the Proposed ESOS.

2.2 Basis of allotment and maximum allowable allotment

The aggregate maximum number of ESOS Options to be allocated to an Eligible Person at any time in each offer made pursuant to the Proposed ESOS shall be determined at the sole and absolute discretion of the ESOS Committee after taking into consideration, amongst others, the Eligible Person's employment grade, seniority, length of service, performance, contribution and potential contribution to the continued success of our Group and/or such other factors as the ESOS Committee may deem relevant, subject to the following:

- (i) the total number of the ESOS Shares shall not exceed the amount stipulated in **Section 2.1** of this Circular;
- (ii) the eligible executive directors and senior management of our Group (excluding any non-Malaysian and/or dormant subsidiaries) as well as the members of the ESOS Committee do not participate in the deliberation or discussion of their own allocation of ESOS Options as well as allocation of ESOS Options to persons connected with them;
- (iii) the allocation to an Eligible Person who, either singly or collectively, through persons connected with him/her, holds 20% or more of the total number of issued Shares (excluding any treasury shares), must not exceed 10% of the total number of the ESOS Shares;
- (iv) not more than 70% of the ESOS Options shall be allocated, in aggregate, to the eligible executive directors and senior management of our Group (excluding any non-Malaysian and/or dormant subsidiaries). Such maximum allowable allotment was derived at by our Board after taking into consideration, amongst others, the number of executive directors and senior management of our Group (excluding any non-Malaysian and/or dormant subsidiaries) as well as the maximum number of Asia File Shares that may be allocated to each executive director and senior management based on, amongst others, their employment grade, seniority, length of service, performance, contribution and potential contribution to the future growth of our Group. Our Board also recognises that high-calibre individuals are hard to attract and/or retain and hence, the allocation of ESOS Options to such individuals is intended to incentivise our Company's executive directors towards business development, growth and strategic direction to drive long term shareholder value enhancement of our Group and likewise the senior management of our Group for their commitment, dedication and loyalty towards the achievement of better performance of our Group; and
- (v) any performance target to be achieved before the ESOS Options can be granted and/or exercised by the Eligible Person shall be determined by the ESOS Committee,

provided that it is in accordance with the Listing Requirements or any prevailing guidelines, rules and/or regulations issued by Bursa Securities and/or any other relevant authorities.

The ESOS Committee may, from time to time at its discretion, determine whether the allocation and granting of the ESOS Options to the Eligible Persons will be based on staggered granting over the duration of the Proposed ESOS or in 1 single grant.

The ESOS Options will be vested with the Grantees:

- (i) in tranches over a vesting period of at least 3 years throughout the duration of the Proposed ESOS as set out in **Section 2.4** of the Circular; or
- (ii) by the date of expiry of the Proposed ESOS,

whichever is earlier.

The ESOS Committee may at its discretion determine the vesting conditions and/or performance target, and such determination will be carried out at a later date after the establishment of the Proposed ESOS and the formation of the ESOS Committee.

2.3 Eligibility

Subject to the discretion of the ESOS Committee, only Eligible Persons who fulfil the following criteria as at the Date of Offer shall be eligible to participate in the Proposed ESOS:

- (i) the Eligible Person shall have attained the age of 18 years on the Date of Offer and is neither an undischarged bankrupt nor subject to any bankruptcy proceedings;
- (ii) such employee is employed on a full time basis for at least 6 months and is on the payroll of any company within our Group (excluding any non-Malaysian and/or dormant subsidiaries) and his/her employment must have been confirmed on the Date of Offer, irrespective of whether he/she was transferred to another company within our Group (excluding any non-Malaysian and/or dormant subsidiaries), in which case he/she must have been a confirmed employee in that company within our Group (excluding any non-Malaysian and/or dormant subsidiaries) and has not served a notice of resignation or received a notice of termination;
- (iii) such director has been appointed for at least 6 months and remains appointed as an executive director of our Company or any subsidiary within our Group (excluding any non-Malaysian and/or dormant subsidiaries), as at the Date of Offer;
- (iv) the Eligible Person has not participated in any other employees' share option scheme implemented by any subsidiary within our Group which is in force for the time being; and/or
- (v) the Eligible Person has fulfilled such other eligibility criteria and/or falls within such grade or category as may be determined by the ESOS Committee from time to time.

For the avoidance of doubt, the following Directors and employees are not eligible to participate in the Proposed ESOS:

- (i) all the independent directors of our Company;
- (ii) any executive directors or employees of our Group who represent the government or government institutions/agencies and government employees in the public service; and
- (iii) the Directors and employees of our non-Malaysian subsidiaries in order to avoid potential contravention of any foreign laws, regulatory requirements and/or administrative constraints which may prevent or restrict the ability of our Company to allow the Directors and employees of our foreign subsidiaries within our Group to participate in the Proposed ESOS.

If any Eligible Person, who is an Interested Party or a person connected with any of the Interested Parties, is eligible to participate in the Proposed ESOS, the specific allocation of ESOS Options granted by our Company to such Interested Parties and persons connected with them under the Proposed ESOS must first be approved by our shareholders at a general meeting provided that such Interested Parties and persons connected with them shall not vote on the resolution approving their respective allocation.

The ESOS Committee may at its discretion determine additional eligibility and allocation criteria and/or waive any of such criteria. An Eligible Person must fulfil such additional criteria and/or fall within such category/ designation of employment as may be determined by the ESOS Committee, whose decision shall be final and binding.

2.4 Duration

The Proposed ESOS, when implemented, shall be in force for a period of 5 years from the effective date of its implementation (“**Effective Date**”).

On or before the expiry of the above initial 5-year period, the Proposed ESOS may be extended for a further period of up to 5 years by our Board at its discretion upon the recommendation of the ESOS Committee, without having to obtain approval from our shareholders, but the duration of the Proposed ESOS will not in aggregate exceed 10 years from the Effective Date.

2.5 Basis of determining the exercise price

Subject to any adjustments made under the By-Laws, the price at which a Grantee is entitled to subscribe for ESOS Shares shall be based on the 5D-VWAP of Asia File Shares immediately preceding the Date of Offer, with a discount of not more than 10% as determined by our Board upon recommendation of the ESOS Committee.

2.6 Retention period and restriction of the ESOS Shares

The ESOS Shares will not be subject to any retention period or restriction on transfer, disposal and/or assignment unless otherwise stated in the offer as may be determined by the ESOS Committee.

The ESOS Committee shall be entitled to prescribe or impose, in relation to any offers, any conditions relating to any retention period or restriction on transfer, disposal and/or assignment of the ESOS Shares as it deems fit.

2.7 Rights of a Grantee and ranking of the ESOS Options and the ESOS Shares

The ESOS Options shall not carry any rights to vote at any general meeting of our Company, or to participate in any dividends, rights, allotments or any other form of distributions that may be declared, made or paid, or offer of further securities in our Company unless and until the Grantee becomes our shareholder by exercising the ESOS Options.

The ESOS Shares will be subject to the provisions of our Company’s constitution and will, upon allotment and issuance, rank equally in all respects with the existing Asia File Shares, save and except that the holders of such ESOS Shares will not be entitled to any dividends, rights, allotments and/or any other form of distributions, which may be declared, made or paid, where the entitlement dates precede the relevant dates of allotment and issuance of such ESOS Shares.

2.8 Alteration of share capital

Subject to the By-Laws, in the event of any alteration in the capital structure of our Company during the duration of the Proposed ESOS, whether by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of Shares or reduction of capital or any other variation of capital, our Company shall cause such adjustment to be made to the number and exercise price of the ESOS Options granted to each Grantee (excluding the ESOS Options already exercised).

2.9 Modification, variation and/or amendment

Subject to the By-Laws and compliance with the Listing Requirements, the ESOS Committee may recommend to our Board any additions, modifications or amendments to or deletions of the By-Laws as it shall, at its absolute discretion, think fit and our Board shall have the power by resolution to add to, amend, modify and/or delete all or any of the terms in the By-Laws upon such recommendation and subject to our Company submitting the amended By-Laws and a letter of compliance to Bursa Securities each time an amendment and/or modification is made, stating that the amendment and/or modification is in compliance with the provisions of the Listing Requirements and the Rules of Bursa Depository.

2.10 Termination of the Proposed ESOS

Subject to compliance with the requirements of Bursa Securities and any other relevant regulatory authorities' requirements, guidelines or directives, the Proposed ESOS may be terminated by our Company at any time before its expiry without obtaining the approvals or consents from the Grantees or our shareholders provided that our Company makes an announcement immediately to Bursa Securities. The announcement shall include:

- (i) the effective date of termination of the Proposed ESOS;
- (ii) the number of ESOS Options exercised or ESOS Shares vested; and
- (iii) the reasons for termination of the Proposed ESOS.

Notwithstanding anything to the contrary, all unexercised ESOS Options shall automatically lapse on the date of termination of the Proposed ESOS.

2.11 Listing of and quotation for the ESOS Shares

Bursa Securities had, via its letter dated 27 January 2022, approved the listing of and quotation for the ESOS Shares, representing up to 10% of the total number of issued Shares (excluding any treasury shares), on the Main Market of Bursa Securities, subject to the conditions as stated in **Section 7** of this Circular.

2.12 Utilisation of proceeds

The actual amount of proceeds to be raised from the Proposed ESOS will depend on the number of ESOS Options granted and exercised at the relevant point of time and the exercise price payable upon the exercise of the ESOS Options.

The proceeds arising from the exercise of the ESOS Options will be utilised for the working capital requirements of our Group as and when received within the tenure of the Proposed ESOS. As such, the exact timeframe for utilisation of the proceeds is not determinable at this juncture.

The proceeds for working capital will be utilised to finance our Group's day-to-day operations which, amongst others, include trade payables and other payables of our Group, general administrative and daily operational expenses such as staff cost, utilities, shipment delivery cost, factory and equipment maintenance cost as well as any other overhead expenditures. The estimated expenses in relation to the Proposed ESOS are approximately RM130,000, which would be funded via our Group's internally generated funds.

2.13 Details of equity fund-raising exercises undertaken in the past 12 months

Our Company has not undertaken any equity fund-raising exercises in the past 12 months before the Announcement.

3. RATIONALE FOR THE PROPOSED ESOS

The implementation of the Proposed ESOS primarily serves to align the interests of the Eligible Persons to the corporate goals of our Group. The Proposed ESOS will provide the Eligible Persons with an opportunity to have equity participation in our Company to achieve the positive objectives as set out below:

- (i) to recognise the contribution of the Eligible Persons whose services are valued and considered vital to the operations and continued growth of our Group;
- (ii) to motivate the Eligible Persons towards improved performance through greater productivity and loyalty;
- (iii) to inculcate a greater sense of belonging and dedication as the Eligible Persons are given the opportunity to participate directly in the equity of our Company;
- (iv) to reward the Eligible Persons by allowing them to participate in our Group's profitability and eventually realise any potential capital gains arising from possible appreciation in the value of Asia File Shares, upon exercising of the ESOS Options; and
- (v) to serve as an alternative form of employees' remuneration which does not result in cash outflow for our Group but instead allows for fund-raising upon exercise of the ESOS Options by the Eligible Persons.

4. INDUSTRY OVERVIEW AND PROSPECT

4.1 Overview and outlook of Malaysian economy

The Malaysian economy registered a positive growth of 3.6% in the fourth quarter of 2021 (3Q 2021: -4.5%). Growth was supported mainly by an improvement in domestic demand as economic activity normalised following the easing of containment measures under the National Recovery Plan ("NRP"). The improvement also reflected recovery in the labour market as well as continued policy support. In addition, strong external demand amid the continued upcycle in global technology provided a further lift to growth. On the supply side, all economic sectors recorded improvements in growth, led by the services and manufacturing sectors. On the demand side, growth was driven by higher consumption and trade activity. On a quarter-on-quarter seasonally adjusted basis, the economy registered an increase of 6.6% (3Q 2021: -3.6%).

All economic sectors recorded an improvement in the fourth quarter of 2021. The services sector turned around to expand by 3.2% (3Q 2021: -4.9%). Consumer-related activities continued to recover amid the reopening of the economy. This was reflected in the higher spending observed within the retail and recreational subsectors. The finance and insurance subsector also continued to grow, driven mainly by higher net insurance premiums. Growth in the information and communication subsector provided further support amid continued demand for data communications services, particularly for e-commerce and e-payment activities.

Domestic demand grew by 2.3% (3Q 2021: -4.1%) in the fourth quarter of 2021. This was driven by the improvement in private sector expenditure following the loosening of restrictions. On the external front, net exports expanded by 2.6% (3Q 2021: -37.5%) due to higher export growth amid strong external demand.

Private consumption growth turned around to register a positive growth of 3.7% (3Q 2021: -4.2%). The turnaround was mainly supported by the relaxation of containment measures. In particular, spending on discretionary items such as restaurants and hotels as well as recreational services rebounded during the quarter. Public consumption growth expanded at a slower pace of 4.3% (3Q 2021: 8.1%), attributable to a moderate growth in supplies and services expenditure. However, government spending remained supported by COVID-related spending and small maintenance and repair works.

The global economy continued to recover in the fourth quarter of 2021. Services activity initially improved as advanced economies (AEs) reopened. However, towards the end of the quarter, the recovery momentum was affected by measures to contain a resurgence in COVID-19 infections in some countries, amid the emergence of the Omicron variant. The resurgence also dampened consumer confidence, further affecting services activity. Strength in manufacturing and trade activity continued, amid early signs of easing in global supply disruptions. Nonetheless, strains in the global supply chain by logistical bottlenecks and material shortages remained elevated.

For 2022, the Malaysian economy is expected to remain on its recovery path. Growth will be supported by the continued expansion in global demand and higher private sector expenditure given improving labour market conditions and ongoing policy support. Furthermore, the continuation of major investment projects in both private and public sectors will lend support to growth. The balance of risks remains tilted to the downside due to external and domestic factors. These include weaker-than-expected global growth, a worsening in supply chain disruptions, and the emergence of severe and vaccine resistant COVID-19 variants of concern.

(Source: BNM Quarterly Bulletin Vol. 36 No. 4 for the Fourth Quarter 2021, Bank Negara Malaysia (“BNM”))

The Malaysian economy expanded by 7.1% in the first half of 2021. Considering various levels of MCOs following the emergence of new COVID-19 variants in the third quarter, the economy is anticipated to expand between 3% and 4% in 2021. In 2022, the Malaysian economy is expected to strengthen between 5.5% and 6.5%, supported by significant improvement in global trade, stabilised commodity prices, containment of the pandemic, and gradual improvement in consumer and business sentiments. The 2022 Budget will advance measures to further drive economic recovery, enhance the nation’s resilience, catalyse nationwide reforms and improve public service delivery. The programmes and projects in the Budget 2022 are aligned to the priorities of Twelfth Malaysia Plan 2021 – 2025 and the 2030 Shared Prosperity Vision and support the nation’s aspiration of becoming a prosperous, inclusive and sustainable nation.

(Source: Economic Outlook 2022, Ministry of Finance)

Following the third quarter’s pandemic-induced contraction, the economy is expected to have returned to growth in the final quarter of the year, largely on the easing of COVID-19 curbs and a relatively successful containment of the health crisis. The unemployment rate fell to its lowest level in 19 months at the outset of the fourth quarter, which, coupled with retail sales growing for the first time since May, hints at strengthened consumer spending. Moreover, the manufacturing purchasing managers index returned to expansionary territory in October–November, while goods imports grew solidly in October, further highlighting improved domestic demand dynamics. On top of this, accelerating merchandise export growth in October, amid strong foreign demand for electrical and electronic goods, bodes well for the external sector. That said, worries over the Omicron variant have recently prompted tighter travel restrictions, which could weigh on activity ahead.

Gross domestic product growth is seen accelerating solidly in 2022, as the improved health situation and easing restrictions spur household consumption and fixed investment. On top of this, strong demand for electrical and electronic goods will sustain the external sector. That said, much depends on the development of the pandemic, with the Omicron variant posing a key downside risk. Focus Economics panelists see the economy growing 5.9% in 2022, which is up 0.1 percentage points from last month’s forecast.

(Source: Malaysia Economy dated 16 December 2021, Focus Economics)

4.2 Overview and outlook of the manufacturing industry in Malaysia

Growth in the manufacturing sector recorded a marked improvement of 9.1% (3Q 2021: -0.8%). This was driven by continued strength in export oriented industries such as E&E and primary related clusters, and recovery in domestic oriented industries such as consumer- and construction-related clusters. Robust demand for E&E products persisted throughout the quarter in line with the continued tech upcycle. Meanwhile, growth in the primary-related cluster was supported by continued demand for refined petroleum, chemical and plastic products.

On the domestic front, the relaxation of containment measures and increased consumer confidence amid strong vaccination progress facilitated a recovery in demand for consumer products such as food, clothing and vehicles.

In the fourth quarter of 2021, gross exports grew at a faster pace of 29.0% (3Q 2021: 15.8%) reflecting a broad-based expansion across products amid strong external demand. Manufactured exports registered a higher growth of 26.6% (3Q 2021: 12.9%), driven by a turnaround in E&E (20.6%, 3Q 2021: -0.4%) and stronger non-E&E exports (31.8%, 3Q 2021: 25.2%). The strength in non-E&E exports was largely attributable to the exports of petroleum and chemical products as well as manufactures of metal. The growth of commodity exports remained robust at 45.0% (3Q 2021: 36.7%) supported mainly by crude palm oil, liquefied natural gas and crude oil exports amid strong commodity prices.

(Source: BNM Quarterly Bulletin Vol. 36 No. 4 for the Fourth Quarter 2021, BNM)

4.3 Overview and outlook of the stationery and filing product market

The impact of COVID-19 is seen on the global office supplies market. In the wake of COVID-19, offices are shut down and employees are forced to work from home. Therefore, firms have stopped purchasing office stationeries as everyone is working virtually and using digital platforms, hampering the sales of the office stationery supplies.

(Source: Office Stationery Supplies Market Type (Writing Supplies, Calendars, Planners, Organizers, Clips & Fasteners, Tape & Adhesives, Computer & Printer Supplies) Application (Corporates, Education, Hospitals, Hotels): Global Opportunity Analysis and Industry Forecast, 2020-2027, by Allied Market Research)

The Malaysia stationery market size was valued at USD7.49 billion in 2020 and is projected to reach USD10.42 billion by 2028, growing at a CAGR of 4.2% from 2021 to 2028.

(Source: Malaysia Stationery Market Size by Product Type, By Application Type, By Geographic Scope and Forecast, published in October 2021, by Verified Market Research)

The COVID-19 pandemic and MCO have taken a heavy toll on stationers and booksellers, with sales of stationery and books dropping by 50% and 70% respectively. Michael Chin Wee Yee, the president of Sabah Stationery and Booksellers Association as well as the vice president of Federation of Stationers and Booksellers of Malaysia, stated that industry players have been facing a drastic drop in revenue for the past year of 2020 due to the pandemic. In light of the challenges, he urged stationers and booksellers to create new avenues, such as venturing into e-commerce or incorporating stationery with other businesses. In foreign countries, there are cafes targeted at young consumers, students and office workers which allow customers to purchase products or sit down to read. He further stressed that industry players can no longer maintain their traditional way of doing business.

(Source: Press article titled "Stationery, book sales drop by 50%, 70%", 6 January 2021, <https://www.theborneopost.com/2021/01/06/stationery-book-sales-drop-by-50-70/>)

The rise in government expenditure and emphasis on primary education, surge in campaigns and sales promotions, and launch of innovative products drive the growth of the global back-to-school market. Based on type, the stationery segment contributed to the highest share in 2020, accounting for more than two-fifths of the global back-to-school market and is projected to continue its leadership status during the forecast period of 2021 to 2030. Moreover, this segment is estimated to manifest the highest CAGR of 6.5% from 2021 to 2030. This is attributed to the necessity of various stationary products such as pens, pencils, rulers, sharpeners, colour pencils, and notebooks across the globe.

Based on region, Asia Pacific, followed by Europe and North America, accounted for the highest market share in 2020, contributing to around two-fifths of the global back-to-school market, and is estimated to maintain its lead position by 2030. Moreover, this region is expected to register the largest CAGR of 6.0% during the forecast period. This is due to huge consumer base and massive opportunities for growth.

(Source: Press article titled *Back-to-school Market to Reach \$131.18 Bn, Globally, by 2030 at 4.8% CAGR*: Allied Market Research, 1 December 2021, <https://www.bloomberg.com/press-releases/2021-12-01/back-to-schoolmarket-to-reach-131-18-bn-globally-by-2030-at-4-8-cagr-allied-market-research>)

4.4 Overview and outlook of the packaging industry in Malaysia

A sharp increase in food take-aways and packed food for home cooking led to an increase in packaging. Rapid growth of food delivery and e-commerce, rising hygiene and consumer safety concerns will provide new business opportunities for food packaging. Revenue in the online food delivery segment in Malaysia is projected to reach USD267 million (RM1.12 billion) in 2021.

(Source: *Industry Outlook and the New Norm for 2021*, Malaysian Plastics Manufacturers Association)

The COVID-19 pandemic and the imposition of the MCO has had a mixed impact on the plastic products industry. The surge in demand for packaging products, particularly from businesses involved in e-commerce and food delivery, benefitted plastic packaging manufacturers. This trend is expected to continue as homes and businesses alike adjust to home cooking, takeaways, and deliveries, instead of dining out at coffee-shops, eateries, or restaurants. According to ReportLinker.com's report, "Malaysia Plastics Market - Growth Trends and Forecast (2020-2025)", the plastic products industry in Malaysia is projected to grow at a CAGR of approximately 4% from 2020 to 2025, arising from rising demand for food and beverage packaging.

(Source: *Malaysia Investment Performance Report 2020*, Malaysian Investment Development Authority)

4.5 Prospect of our Group

As at the LPD, our Group is principally involved in the manufacturing and trading of filing products and filing accessories as well as consumer and food ware products.

Our Group currently operates 6 production and warehousing sites in Malaysia, 2 files producing plants and 1 paper mill in the United Kingdom and 2 production facilities in Germany. As one of the leading files manufacturers in Malaysia, our premier brand "ABBA" is well recognised for its excellent quality and durability. Our Group exports its products to various countries globally including Europe, United States of America, Asia Pacific, Australia, New Zealand, Middle East and Africa.

The unprecedented challenges of global health pandemic arising from the COVID-19 and the lockdown measures implemented by most countries including countries where our Group operates in had impacted our Group's revenue, especially in the first quarter of the FYE 2021 when revenue dropped significantly by approximately 42.5%. As businesses were shut down worldwide with offices closed, demand for filing products suffered an inevitable decline. For the month of April 2020, business activities had come to a near halt due to factory closures and shut down of productions. The situation started to improve in the second quarter when our Group resumed operations in compliance with strict standard operating procedures imposed by the Malaysian government. In conjunction with the "Back to School" season in oversea markets, our Group witnessed some pick up in sales as customers re-started their stock replenishment.

Amidst the gloomy economy outlook globally, our Group's revenue from its consumer and food ware division increased to RM27.32 million during the FYE 2021 (FYE 2020: RM10.66 million). As food deliveries and takeaways becoming a norm during the lock down period, demand for recyclable food wares has increased significantly.

Leveraging on the strong demand, our Group has also added other new consumer items such as storage boxes and other household products into its product range in order to diversify and strengthen the sustainability of its business. The acquisition of Supportive Technology Sdn Bhd (a local plasticware manufacturer), which was completed on 21 December 2021, is expected to further contribute to the expansion of our Group's business venture in the manufacturing and trading of consumer and food ware products. Recognising the potential growth of this division, our Group has fine-tuned its operation from production to marketing in order to compete well with other more established players in the industry.

The pandemic is driving changes in consumer behaviours. One of these changes would be the migration to digitalisation. In order to stay relevant in today's ever changing world, our Group has further embarked on e-commerce business by strategizing its digital marketing which will be a major driver in enhancing our Group's margin in addition to providing a new sales and marketing channel for our Group.

Our Group's financial position remains robust, with total cash and bank balances and short-term funds maintained at a healthy level of RM202.09 million as at 30 September 2021. The majority of the cash generated will be utilised for future investment or expansion. Our Group will continue to review and re-strategize its operation by leveraging on its multiple manufacturing facilities in other geographical sites and also to re-structure its operation where necessary in order to minimise the overall operating costs.

Capitalising on its manufacturing strength and lean structure while being supported by a team of experienced and dedicated employees, our Group is optimistic that we will continue to deliver profitable results in the FYE 2022 amidst a successful roll out of the vaccination program by our government and gradual reopening of global economy.

(Source: Our management)

5. EFFECTS OF THE PROPOSED ESOS

5.1 Share capital

For illustrative purposes, the Proposed ESOS will have pro forma effects on the share capital of our Company as follows:

	No. of Shares	RM
Issued share capital as at the LPD (including Treasury Shares)	194,759,560	202,330,568
To be issued assuming full exercise of all the ESOS Options to be granted pursuant to the Proposed ESOS	19,475,900 ⁽¹⁾	38,951,800 ⁽²⁾
Enlarged share capital	214,235,460	241,282,368

Notes:

- (1) *Assuming a maximum grant and full exercise of the ESOS Options of up to 10% of the total number of Asia File Shares in issue as at the LPD and none of the 500 Treasury Shares are resold in the open market of Bursa Securities prior to the implementation of the Proposed ESOS.*
- (2) *Assuming the ESOS Options are exercised and the ESOS Shares are allotted and issued at an indicative exercise price of RM2.00 each, representing a discount of approximately RM0.1052 or 5.00% to 5D-VWAP of Asia File Shares up to and including the LPD of RM2.1052.*

5.2 NA and gearing

The effects of the Proposed ESOS on our Group's NA would depend on factors such as the number of ESOS Options granted and the fair value of the ESOS Options after taking into account, among others, the exercise price of the ESOS Options. Whilst the granting of the ESOS Options under the Proposed ESOS is expected to result in recognition of a charge in the statement of comprehensive income of our Group pursuant to the MFRS-2, the recognition of such MFRS-2 charge would not affect the NA of our Group as the corresponding amount will be classified as an equity compensation reserve which forms part of the shareholders' equity.

If none of the granted ESOS Options are exercised within the duration of the Proposed ESOS, the amount outstanding in the said equity reserve would be transferred into our Company's retained earnings. On the other hand, if the granted ESOS Options are exercised, the amount outstanding in the said equity reserve would be transferred into the share capital account of our Company.

The Proposed ESOS will not have any immediate effect on the consolidated NA per Asia File Share until such time when the ESOS Options granted under the Proposed ESOS are exercised. The consolidated NA per Asia File Share following the exercise of the ESOS Options will increase if the exercise price of the ESOS Options exceeds the consolidated NA per Asia File Share at the point of exercise of the ESOS Options and conversely will decrease if the exercise price of the ESOS Options is below the consolidated NA per Asia File Share at the point of the exercise of the ESOS Options.

The Proposed ESOS is not expected to have an immediate effect on our Group's gearing level until such time when the ESOS Options granted are exercised. The effect on the gearing will depend on the change in the NA, which in turn will depend on the actual number of the ESOS Shares as well as the exercise price of the ESOS Options payable upon the exercise of the ESOS Options.

5.3 Earnings and EPS

The Proposed ESOS is not expected to have any immediate material effect on the earnings of our Group for the FYE 2022, save for the possible impact of the MFRS-2 upon granting of the ESOS Options. However, any potential effect on the EPS of our Group in the future would depend on the impact of MFRS-2, the number of ESOS Options exercised as well as the utilisation of the proceeds arising therefrom.

Under the MFRS-2, the potential cost arising from the granting of the ESOS Options, which is measured by the fair value of the ESOS Options after taking into account, among others, the number of ESOS Options granted and the exercise price of the ESOS Options, will need to be measured at the grant date of the ESOS Options and to be recognised as an expense over the exercise period, and therefore may affect the future earnings of our Group, the quantum of which can be determined only at the grant date of the ESOS Options. However, the estimated cost does not represent a cash outflow by our Company as it is merely an accounting treatment.

Our Company has taken note of the potential impact of MFRS-2 on our Group's future earnings and shall take into consideration such impact in the allocation and granting of the ESOS Options to the Eligible Persons.

However, the EPS of our Group will be diluted because of our Company's enlarged issued share capital arising from the issuance of the ESOS Shares if and when the ESOS Options are exercised in the future.

The effects of any exercise of ESOS Options on the EPS of our Group would depend on the returns to be generated by our Group from utilisation of the proceeds from the exercise of the ESOS Options.

5.4 Substantial shareholders' shareholdings

The Proposed ESOS will not have any immediate effect on the shareholdings of our Company's substantial shareholders until such time the ESOS Options have been granted and exercised.

Any potential effect on their shareholdings will depend on the number of the ESOS Shares to be issued pursuant to the Proposed ESOS at the relevant point in time.

For illustration purposes, the proforma effects of the Proposed ESOS on the shareholdings of our substantial shareholders based on the Record of Depositors of our Company as at the LPD are as follows:

	As at the LPD				Assuming full exercise of the ESOS Options into new Shares pursuant to the Proposed ESOS			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽⁶⁾	No. of Shares	% ⁽⁶⁾
Datin Khoo Saw Sim	2,588,672	1.33	83,738,951 ⁽²⁾	43.00	2,588,672	1.21	83,738,951 ⁽²⁾	39.09
Dato' Lim	2,882,955	1.48	83,738,951 ⁽²⁾	43.00	4,830,455 ⁽⁷⁾	2.25	83,738,951 ⁽²⁾	39.09
Prestige Elegance (M) Sdn Bhd	83,738,951	43.00	-	-	83,738,951	39.09	-	-
AmanahRaya Trustees Berhad – Amanah Saham Bumiputra	37,658,600	19.34	-	-	37,658,600	17.58	-	-
FMR LLC	-	-	12,868,082 ⁽³⁾	6.61	-	-	12,868,082 ⁽³⁾	6.01
Fidelity Management & Research Company LLC	-	-	12,170,122 ⁽⁴⁾	6.25	-	-	12,170,122 ⁽⁴⁾	5.68
Abigail P. Johnson	-	-	12,868,082 ⁽⁵⁾	6.61	-	-	12,868,082 ⁽⁵⁾	6.01

Notes:

- (1) Excluding 500 Treasury Shares.
- (2) Deemed interested by virtue of his/her interest in Prestige Elegance (M) Sdn Bhd pursuant to Section 8 of the Act.
- (3) Deemed interested via various investment accounts managed by FMR LLC.
- (4) Deemed interested via various investment accounts managed by Fidelity Management & Research Company LLC or its subsidiaries.
- (5) Deemed interested by virtue of her interest in FMR LLC pursuant to Section 8 of the Act.
- (6) Assuming a maximum grant and full exercise of 19,475,900 ESOS Options by the Grantees, which represent up to 10% of the total number of Asia File Shares in issue as at the LPD, and none of the Treasury Shares are resold in the open market of Bursa Securities prior to the implementation of the Proposed ESOS.
- (7) Assuming a maximum grant of 1,947,500 ESOS Options, which represent up to 10% of the ESOS Options that may be granted pursuant to the Proposed ESOS based on the total number of Asia File Shares in issue as at the LPD, to Dato' Lim and the full exercise of such 1,947,500 ESOS Options into 1,947,500 new Shares.

5.5 Convertible securities

As at the LPD, our Company does not have any convertible securities.

6. HISTORICAL SHARE PRICES

The monthly highest and lowest transacted prices of Asia File Shares for the past 12 months are as follows:

	Highest (RM)	Lowest (RM)
2021		
February	2.54	2.16
March	2.44	2.18
April	2.40	2.32
May	2.41	2.20
June	2.45	2.25
July	2.35	2.29
August	2.59	2.25
September	2.84	2.41
October	2.56	2.36
November	2.45	2.12
December	2.24	2.15
2022		
January	2.24	2.10

The last transacted market price of Asia File Shares on 12 January 2022 (being the last trading date prior to the Announcement) was RM2.14 each.

The last transacted market price of Asia File Shares on 28 January 2022 (being the last date the Asia File Shares were transacted on Bursa Securities prior to the LPD) was RM2.10 each.

(Source: Bloomberg)

7. APPROVALS REQUIRED

The Proposed ESOS is subject to the following approvals being obtained from:

- (i) Bursa Securities for the listing of and quotation for the ESOS Shares, representing up to 10% of the total number of issued Shares (excluding any treasury shares), on the Main Market of Bursa Securities, which was obtained on 27 January 2022.

The approval granted by Bursa Securities is subject to the following conditions:

No.	Conditions imposed	Status of compliance
(a)	TA Securities is required to submit a confirmation to Bursa Securities of full compliance of the Proposed ESOS pursuant to Paragraph 6.43(1) of the Listing Requirements and stating the effective date of implementation together with a certified true copy of the resolution passed by the shareholders in general meeting approving the Proposed ESOS; and	To be complied
(b)	Our Company is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of ESOS Options under the Proposed ESOS as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied

- (ii) our shareholders at the EGM to be convened for the Proposed ESOS; and
- (iii) any other relevant authorities and/or third party, if required.

8. INTER-CONDITIONALITY OF THE PROPOSED ESOS

The Proposed ESOS is not conditional upon any other proposal undertaken or to be undertaken by our Company.

9. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Our Board is not aware of any other outstanding corporate proposal which have been announced by our Company but are pending implementation or completion prior to the printing of this Circular.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

Save as disclosed below, none of our Directors, major shareholders and chief executive and/or persons connected with them have any interest, direct or indirect, in the Proposed ESOS.

Dato' Lim, the Executive Chairman and a major shareholder of our Company, is entitled to participate as an Eligible Person in the Proposed ESOS and is therefore deemed interested in the Proposed ESOS by virtue of his eligibility for the ESOS Options and to the extent of his potential allocation of ESOS Options, as well as allocations to persons connected with him, under the Proposed ESOS. Accordingly, he has abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings on the specific allocations of the ESOS Options to himself as well as to persons connected with him.

The following employees of our Company are eligible to participate in the Proposed ESOS and are deemed interested in the Proposed ESOS:

- (i) Lim Chin Chin, a daughter of Dato' Lim, is the Business Operation Manager of our Company and a director of Formosa Technology Sdn Bhd, a wholly-owned subsidiary of our Company;
- (ii) Lim Mei Chin, a daughter of Dato' Lim, is the Business Development Manager of our Company; and
- (iii) Lim Kuok Yeow, the son of Dato' Lim, is the Export Manager of our Group.

The direct and indirect shareholdings of the Interested Director and Major Shareholder as well as the Interested Employees in Asia File based on our Company's Record of Depositors as at the LPD are as follows:

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
<u>Interested Director and Major Shareholder</u>				
Dato' Lim	2,882,955	1.48	83,738,951 ⁽¹⁾	43.00
<u>Interested Employees</u>				
Lim Chin Chin	227,240	0.12	-	-
Lim Mei Chin	28,160	0.01	-	-
Lim Kuok Yeow	-	-	-	-

Note:

- (1) Deemed interested by virtue of his interest in Prestige Elegance (M) Sdn Bhd pursuant to Section 8 of the Act.

The Interested Director and Major Shareholder as well as the Interested Employees will abstain from voting in respect of their direct and indirect shareholdings in our Company (if any) on the resolutions pertaining to the specific allocations of the respective ESOS Options to them and/or persons connected with them to be tabled at the EGM to be convened. Further, the Interested Director and Major Shareholder as well as the Interested Employees have also undertaken that they shall ensure that persons connected with them will abstain from voting in respect of their direct and indirect shareholdings in our Company (if any) on the resolutions pertaining to the specific allocation of the ESOS Options to themselves as well as persons connected with them to be tabled at the EGM to be convened.

11. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board (save for Dato' Lim who has abstained from forming any opinion and making any recommendations relating to the proposed allocations of ESOS Options to himself and to persons connected to him), having considered all aspects of the Proposed ESOS including but not limited to the rationale of the Proposed ESOS and prospect of our Group, is of the opinion that the Proposed ESOS is in the best interest of our Company.

Our Board (save for Dato' Lim who has abstained from forming any opinion and making any recommendations relating to the proposed allocations of ESOS Options to himself and to persons connected to him) recommends that you vote **IN FAVOUR** of the resolutions in respect of the Proposed ESOS and the proposed allocations of ESOS Options to the Interested Director and Major Shareholder as well as the Interested Employees to be tabled at our forthcoming EGM.

12. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the approvals of the relevant authorities and shareholders being obtained, our Board expects the Proposed ESOS to be implemented in the first quarter of year 2022.

The tentative timetable in relation to the implementation of the Proposed ESOS is set out below:

Date	Events
4 March 2022	EGM
By end of March 2022	Finalisation of the By-Laws and implementation of the Proposed ESOS

13. EGM

The EGM, the notice of which is set out in this Circular, will be conducted virtually through live streaming and remote participation and voting (“**RPV**”) facilities vide the online meeting platform at <https://rebrand.ly/AsiafileEGM> provided by Mlabs Research Sdn Bhd in Malaysia from the broadcast venue at Plot 16, Kawasan Perindustrian Bayan Lepas, Phase IV, Mukim 12, Bayan Lepas, 11900 Penang, Malaysia on Friday, 4 March 2022 at 10 a.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications, the resolutions to give effect to the Proposed ESOS.

If you are unable to attend and vote in person at the EGM, you should complete, sign and return the enclosed Form of Proxy in accordance with the instructions provided thereon so as to arrive at our registered office at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

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

14. FURTHER INFORMATION

You are advised to refer to the Appendices set out in this Circular for further information.

Yours faithfully,
For and on behalf of our Board
ASIA FILE CORPORATION BHD.

LAM VOON KEAN
Independent Non-Executive Director

DRAFT BY-LAWS**BY-LAWS FOR ASIA FILE CORPORATION BHD.'S EMPLOYEES' SHARE OPTION SCHEME****1. DEFINITIONS AND INTERPRETATIONS**

1.1 In these By-Laws, unless otherwise specified or where the context otherwise requires, the following definitions shall be deemed to have the following meanings:

Act	:	Companies Act 2016, as may be amended from time to time and including any re-enactment thereof;
AFC or Company	:	Asia File Corporation Bhd. (Registration No.: 199401027510 (313192-P));
AFC Group or Group	:	The Company and its Malaysian subsidiaries as defined in Section 4 of the Act (excluding dormant subsidiaries, if any) and where the context so requires, any one of them;
Board	:	The board of directors of the Company for the time being;
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Registration No.: 198701006854 (165570-W));
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W));
By-Laws	:	By-Laws governing the Scheme, as may be amended or modified from time to time in accordance with By-Law 17;
CDS Account	:	A central depository system account established by Bursa Depository for the recording of deposits and withdrawals of securities and dealings in such securities by a depositor;
Constitution	:	Constitution of the Company, as may be amended from time to time;
Date of Expiry	:	The last day of the Duration of the Scheme as provided in By-Law 20;
Date of Offer	:	The date on which an Offer (including subsequent Offers) (as described in By-Law 5) is made to the Eligible Person by the ESOS Committee;
Duration of the Scheme	:	The duration of the Scheme as defined in By-Law 20 and includes any extension thereof;
Eligible Director(s)	:	Any executive director(s) who fulfils the criteria of eligibility set out in By-Law 3;
Eligible Person(s)	:	Any employee(s) and/or Eligible Director(s) of the Group who meets the eligibility for participation in the Scheme as set out in By-Law 3;
ESOS Committee	:	The committee comprising such persons as appointed and authorised by the Board to implement and administer the Scheme in accordance with the provisions of these By-Laws;
Grantee	:	An Eligible Person who has accepted the Offer in accordance with the provisions of By-Law 6;

DRAFT BY-LAWS (CONT'D)

Listing Requirements	:	Main Market Listing Requirements of Bursa Securities including any amendments which may be made from time to time;
Market Day	:	A day on which the stock market of Bursa Securities is open for trading of securities;
Maximum Limit	:	Shall have the meaning ascribed to it under By-Law 2.1 hereof;
Offer	:	Written offer(s) by the ESOS Committee to an Eligible Person to participate in the Scheme in the manner indicated under By-Law 5;
Option(s)	:	The right of a Grantee to subscribe for new Shares pursuant to the contract constituted by the acceptance of an Offer by an Eligible Person in the manner indicated in By-Law 6 and where the context so requires, means any part of the Option(s) as shall remain unexercised;
Option Period	:	The period commencing from the Date of Offer, or such later date as may be determined by the ESOS Committee, and expiring on a date which the ESOS Committee may at its discretion decide PROVIDED THAT the option period shall not extend beyond the Duration of the Scheme;
Option Price	:	The price at which a Grantee is entitled to subscribe for one (1) new Share pursuant to the exercise of an Option in the manner indicated under By-Law 9;
Person(s) Connected	:	Shall have the meaning as ascribed to it under the Listing Requirements;
RM	:	Ringgit Malaysia;
Scheme	:	The employees' share option scheme for the granting of Options to Eligible Persons which will upon their acceptance thereof entitle them to subscribe for new Shares in accordance with the provisions of these By-Laws and such scheme shall be known as the "Asia File Corporation Bhd.'s Employees' Share Option Scheme"; and
Share(s)	:	Ordinary share(s) in the Company.

1.2 In these By-Laws:

- (a) any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision and any requirements, policies and/or guidelines of Bursa Securities (in each case, whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies and/or guidelines are addressed to by Bursa Securities and/or the relevant authorities);
- (b) any reference to a statutory provision shall include that provision as from time to time modified or re-enacted whether before or after the date of these By-Laws so far as such modification or re-enactment applies or is capable of applying to any Options offered and accepted prior to the Date of Expiry and shall also include any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced;
- (c) words importing the singular shall where the context so admits include the plural and vice versa;
- (d) references to the masculine gender include the feminine and neutral genders and all such references shall be construed interchangeably in that manner;

DRAFT BY-LAWS (CONT'D)

- (e) any liberty or power which may be exercised or any determination which may be made hereunder by the Board or the ESOS Committee may be exercised at the Board's or ESOS Committee's sole discretion and the ESOS Committee shall not be under any obligation to give any reasons thereof, except as may be required by the relevant authorities;
- (f) a "day" or "month" shall mean a calendar day or a calendar month;
- (g) the headings in these By-Laws are for convenience only and shall not be taken into account in the interpretation of these By-Laws; and
- (h) if an event occurs on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day.

2. MAXIMUM NUMBER OF NEW SHARES AVAILABLE UNDER THE SCHEME

- 2.1 Subject to By-Law 2.2, the maximum number of new Shares which may be allotted and issued pursuant to the exercise of the Options granted under the Scheme shall not in aggregate exceed ten per centum (10%) of the total number of issued Shares (excluding any treasury shares) at any point in time during the Duration of the Scheme ("**Maximum Limit**").
- 2.2 Notwithstanding By-Law 2.1 or any other provision herein contained, in the event the maximum number of new Shares to be issued arising from the exercise of the Options granted under the Scheme exceeds the Maximum Limit as a result of the Company purchasing, cancelling or reducing its own Shares in accordance with Section 127 of the Act or undertaking any other corporate proposal and thereby exceeding the Maximum Limit, then such Options granted prior to the adjustment of the issued Shares shall remain valid and exercisable in accordance with the provisions of the By-Laws. For the avoidance of doubt, no further Offers shall be made by the ESOS Committee until the total number of new Shares to be issued arising from the exercise of the Options granted or to be granted under the Scheme falls below the Maximum Limit at any point of time over the Duration of the Scheme.
- 2.3 Each Option shall be exercisable into one (1) new Share, in accordance with the provisions of these By-Laws.

3. ELIGIBILITY

- 3.1 Subject to the discretion of the ESOS Committee, only Eligible Persons who fulfil the following criteria as at the Date of Offer of the Options shall be eligible to participate in the Scheme:
 - (a) the director or employee shall have attained the age of eighteen (18) years on the Date of Offer and is neither an undischarged bankrupt nor subject to any bankruptcy proceedings;
 - (b) the employee is employed on a full time basis for at least six (6) months and is on the payroll of the Company and/or a subsidiary within the Group, and his/her employment must have been confirmed on the Date of Offer, irrespective of whether he/she was transferred to a subsidiary within the Group, in which case he/she must have been a confirmed employee in that subsidiary within the Group and has not served a notice of resignation or received a notice of termination;
 - (c) the director has been appointed for at least six (6) months and remains appointed as an executive director of AFC and/or any subsidiary within the Group, as at the Date of Offer;
 - (d) the director or employee has not participated in any other employees' share option scheme implemented by any subsidiary within the Group which is in force for the time being; and/or
 - (e) the director or employee has fulfilled such other eligibility criteria and/or falls within such grade/category as may be determined by the ESOS Committee from time to time.

DRAFT BY-LAWS (CONT'D)

- 3.2 For the avoidance of doubt, the following directors and employees are not eligible to participate in the Scheme:
- (a) all the independent directors of the Company;
 - (b) any executive directors or employees of the Group who represent the Government or Government institutions/agencies and Government employees in the public service as defined under Article 132 of the Federal Constitution; and
 - (c) the directors and employees of the Company's non-Malaysian subsidiaries.
- 3.3 The ESOS Committee may at its sole and absolute discretion determine additional criteria on eligibility and allocation of Options to the Eligible Persons from time to time, and such criteria shall be made available to the Eligible Persons. An Eligible Person must fulfil such criteria and/or fall within such category/designation of employment as may be determined by the ESOS Committee, whose decision shall be final and binding. Notwithstanding the above, the ESOS Committee may, at its sole and absolute discretion, waive any of such conditions of eligibility.
- 3.4 If any Eligible Person, who is the executive director, major shareholder or chief executive officer of the Company or its holding company ("**Interested Parties**") or a Person Connected with any of the Interested Parties, is eligible to participate in the Scheme, the specific allocation of Options granted by the Company to such Interested Parties and Persons Connected with them under the Scheme must first be approved by the shareholders of the Company at a general meeting provided that such Interested Parties and Persons Connected with them shall not vote on the resolution approving their respective allocation.
- 3.5 Eligibility under the Scheme shall not confer an Eligible Person a claim or right to participate in or any rights whatsoever under the Scheme and an Eligible Person does not acquire or have any rights over or in connection with the Options unless an offer has been made in writing by the ESOS Committee to the Eligible Person and the Eligible Person has accepted the Offer in accordance with the terms of the Offer and the provisions of these By-Laws.
- 3.6 The ESOS Committee shall have the discretion to determine whether a director or employee participating in the Scheme shall at any one point in time participate or be eligible to participate in any other employees' share option scheme implemented by any other company within the Group. Such participation shall be subject to the rules and regulations governing employees' share option schemes or share issuance schemes as promulgated by Bursa Securities or any other relevant authorities.
- 3.7 An employee who during the Duration of the Scheme becomes an Eligible Person may be eligible for Options (to be decided by the ESOS Committee), subject to the maximum allowable allotment for the category to which he/she has been admitted.
- 3.8 The allotment of Options under By-Law 3.7 shall be from the balance of the Options available under the Scheme, subject always to By-Law 2.1.

4. BASIS OF ALLOTMENT AND MAXIMUM ALLOWABLE ALLOTMENT OF NEW SHARES

- 4.1 Subject to any adjustments, which may be made under By-Law 14, the aggregate maximum number of Options that may be allocated to an Eligible Person at any time in each Offer made pursuant to the Scheme shall be determined by the ESOS Committee at its sole and absolute discretion after taking into consideration, amongst other factors, the Eligible Person's employment grade, seniority, length of service, performance, contribution and potential contribution to the continued success of the Group and/or such other factors that the ESOS Committee may deem relevant, subject to the following:
- (a) the total number of new Shares to be issued under the Scheme shall not exceed the Maximum Limit;

DRAFT BY-LAWS (CONT'D)

- (b) the Eligible Directors and senior management of the Group do not participate in the deliberation or discussion of their own allocation of Options as well as allocation to Persons Connected with them;
- (c) the allocation to an Eligible Person who, either singly or collectively through Persons Connected with him/her, holds twenty per centum (20%) or more of the total number of issued shares in the Company (excluding any treasury shares), shall not exceed ten per centum (10%) of the total number of new Shares to be issued under the Scheme;
- (d) not more than seventy per centum (70%) of the Options shall be allocated, in aggregate, to the Eligible Directors and senior management of the Group; and
- (e) any performance target to be achieved before the Options can be granted and/or exercised by an Eligible Director or employee of the Group shall be determined by the ESOS Committee,

PROVIDED ALWAYS THAT it is in accordance with the Listing Requirements or any prevailing guidelines, rules and/or regulations issued by Bursa Securities and/or any other relevant authorities as may be amended from time to time.

- 4.2 At the time the Offer is made in accordance with By-Law 5, the ESOS Committee shall set out the basis of allotment, identifying the category or grade of the Eligible Person and the maximum allowable allotment for the Eligible Person.
- 4.3 An Eligible Person who holds more than one (1) position within the Group, and by holding such positions, the Eligible Person is in more than one (1) category, shall only be entitled to the maximum allowable allotment of any one (1) of those categories. The ESOS Committee shall be entitled at its discretion to determine the applicable category.
- 4.4 In the event that an Eligible Person is promoted or redesignated to a higher category of employment, the maximum allowable allotment applicable to such Eligible Person shall be the maximum allowable allotment corresponding to the category of employee of which he then is a party, subject always to the maximum number of Shares available under the Scheme as stipulated under By-Law 2.1 and the maximum allowable allotment as set out under By-Law 4.1. The ESOS Committee has the sole and absolute discretion in deciding whether to grant the Options or additional Options, as the case may be, notwithstanding any such change in the employee's maximum allowable allocation.
- 4.5 In the event that an Eligible Person is demoted or redesignated to a lower category of employment for any reason whatsoever, the maximum allowable allotment applicable to such Eligible Person shall be the maximum allowable allotment corresponding to the category of employee of which he is then a party, unless an Offer has been made and accepted by him before such demotion or redesignation and subject always to the maximum number of Shares available under the Scheme as stipulated under By-Law 2.1 and the maximum allowable allotment as set out under By-Law 4.1. Where the demoted Eligible Person has accepted the Offer which exceeds the maximum allowable allotment applicable to the lower category of employment, he shall not be entitled to any further allocation under such category.
- 4.6 The ESOS Committee may from time to time at its sole and absolute discretion decide whether the allocation and granting of the Options to the Eligible Person will be based on staggered granting over the Duration of the Scheme or in one (1) single grant.
- 4.7 The Options will be vested with the Grantees:
 - (i) in tranches over a vesting period of at least three (3) years throughout the Duration of the Scheme; or
 - (ii) by the Date of Expiry,
 whichever is earlier.

DRAFT BY-LAWS (CONT'D)

The ESOS Committee may at its sole and absolute discretion determine the vesting conditions, including whether such vesting are subject to performance target, of which such determination will be carried out at a later date after the establishment of the Scheme and the formation of the ESOS Committee.

- 4.8 In the event any Eligible Person is a member of the ESOS Committee, such Eligible Person shall not participate in the deliberation or discussion of their own allocation of the Options as well as allocation of the Options to Persons Connected with him/her.
- 4.9 The Company shall ensure that allocation of Options pursuant to the Scheme is verified by the audit committee of AFC at the end of each financial year as being in compliance with the criteria for allocation of Options which have been disclosed to the Eligible Persons. A statement by the audit committee of AFC verifying such allocations shall be included in the annual report or annual audited financial statements of the Company, where applicable.

5. OFFER

- 5.1 (a) Upon implementation of the Scheme, the ESOS Committee may at its discretion at any time as it shall deem fit during the Duration of the Scheme make one (1) or more Offers to any Eligible Person, based on the criteria of allotment set out in By-Law 4, to subscribe for new Shares in accordance with the terms of the Scheme.
- (b) Notwithstanding By-Law 5.1(a) above, where it involves a grant of Option to Eligible Persons who are members of the ESOS Committee, such grant of Options shall be decided by the Board subject to By-Law 3.
- 5.2 The actual number of Options which may be offered to an Eligible Person shall be at the discretion of the ESOS Committee and the number of new Shares so offered shall not be less than one hundred (100) Shares nor more than the maximum allowable allocation of such Eligible Person and shall be in multiples of one hundred (100) Shares.
- 5.3 Subject to By-Law 2, nothing herein shall prevent the ESOS Committee from making more than one (1) Offer to an Eligible Person at any point of time after the first Offer provided always that the total aggregate number of new Shares to be offered to the Eligible Person (inclusive of Shares already offered under previous Offers, if any) shall not exceed the maximum allowable allotment as set out in By-Law 4.1.
- 5.4 Notwithstanding anything set out in these By-Laws and subject to the Listing Requirements, no Offers may be granted to the Interested Parties or a Person Connected with the Interested Parties, unless the entitlement of that person under the Scheme has been approved by the shareholders of the Company in a general meeting and provided that such Interested Parties and Persons Connected with them shall not vote on the resolution approving his/her allocation.
- 5.5 The ESOS Committee will in its offer letter (“**Offer Letter**”) to a Grantee state, inter alia, the number of Options that are being offered to the Grantee, the number of Shares that can be subscribed under the Offer, the Option Period, the Option Price determined in accordance with the provisions of By-Law 8, the closing date for acceptance of the Offer and the manner and conditions of exercise of the Options.
- 5.6 The Offer shall automatically lapse and be null and void in the event of death of the Grantee or the Grantee ceases to be a director or employed by the AFC Group for any reason whatsoever prior to the acceptance of the Offer by the Grantee in the manner set out in By-Law 6.
- 5.7 Any Offer made by the ESOS Committee shall be in writing and such Offer is personal to the Eligible Person to whom the Offer is made, and is non-assignable, non-transferable, non-chargeable and non-disposable in any manner whatsoever.
- 5.8 The Company shall keep and maintain at its expense a register of Grantees and shall enter in that register:
- (a) the names of the Grantees;

DRAFT BY-LAWS (CONT'D)

- (b) the addresses of the Grantees;
- (c) the maximum allowable allotment;
- (d) the number of Options offered;
- (e) the number of Options accepted;
- (f) the number of Options exercised;
- (g) the Date of Offer;
- (h) the Option Price; and
- (i) the Option Period.

5.9 In the event the Offer Letter contains an error on the part of the Company in stating any of the particulars referred to in By-Law 5.5 above, the Company shall issue a revised Offer Letter, stating the correct particulars of the Offer within fourteen (14) days of discovering such error and the revised particulars of the Offer shall take effect on the date of the revised Offer Letter, except for Options which have already been exercised as at the date of the revised Offer Letter.

6. ACCEPTANCE OF THE OFFER

6.1 An Offer made by the ESOS Committee under By-Law 5 shall be valid for a period of forty-five (45) days from the Date of Offer or such longer period as may be determined or extended by the ESOS Committee on a case-to-case basis at its discretion. Subject to By-Law 6.2 below, a Grantee to whom the Offer is made may accept the Offer within this prescribed period by written notice to the ESOS Committee in the form prescribed by the ESOS Committee. The written notice shall be accompanied by a payment to the Company of a nominal non-refundable sum of Ringgit Malaysia One (RM1.00) as consideration for the grant of the Option, regardless of the number of Options comprised therein. The date of receipt by the ESOS Committee of such written notice shall constitute the date of acceptance.

6.2 If an Offer is not accepted in the manner set out in By-Law 6.1, such Offer shall upon the expiry of the said prescribed period, automatically lapse and be null and void and be of no further force and effect.

6.3 Any Option that has lapsed and become null and void pursuant to this By-Law 6, shall, to the extent that it is then unexercised, be re-allocated to other Eligible Persons at the discretion of the ESOS Committee.

6.4 Within forty-five (45) days after due acceptance of the Offer in accordance with the provisions of the By-Laws, the ESOS Committee shall issue to the Grantee an Option certificate in such form as may be determined by the ESOS Committee from time to time confirming the grant of the Option to an Eligible Person, the Option Price together with the number of Shares comprised in the Option, and where applicable, the Option Period and any vesting conditions as specified in the Offer Letter.

6.5 The Company shall, on the Date of Offer, announce the following to Bursa Securities upon the Options offered under the Scheme:

- (a) Date of Offer;
- (b) Option Price;
- (c) number of Options offered;
- (d) market price of its securities on the Date of Offer;
- (e) number of Options offered to each Eligible Director, if any; and

DRAFT BY-LAWS (CONT'D)

- (f) vesting period of the Options offered.

7. NON-ASSIGNABLE AND NON-TRANSFERABLE

An Option is personal to the Grantee. An Option shall be non-assignable and non-transferable and shall not be disposed of or otherwise subject to any encumbrances by the Grantee. Any attempt to transfer, assign, dispose or encumber any Option shall result in the automatic cancellation or termination of the Option.

8. OPTION PRICE

- 8.1 Subject to any adjustment made in accordance with these By-Laws and pursuant to the Listing Requirements, the Option Price shall be based on the five (5)-day volume weighted average market price of the Shares immediately preceding the Date of Offer, with a discount of not more than ten per centum (10%), as determined by the Board upon recommendation of the ESOS Committee.
- 8.2 The Option Price as determined by the Board shall be conclusive and binding on the Grantees.

9. EXERCISE OF OPTIONS

- 9.1 Subject to By-Law 18, an Option granted to a Grantee under the Scheme is exercisable only by that Grantee (in accordance with the terms set out in the Offer Letter) while the Grantee is in the employment by or appointment in the Group within the Option Period.
- 9.2 Subject to any adjustments in accordance with By-Law 14, the ESOS Committee may, at any time and from time to time before or after an Option is granted pursuant to By-Law 6, limit the exercise of the Option to a maximum number of new Shares and/or such percentage of the total new Shares relevant to the Option during such periods (as determined by the ESOS Committee) within the Option Period and impose any other terms and conditions deemed appropriate by the ESOS Committee at its absolute discretion including amending/varying any terms and conditions imposed earlier subject always to the provisions of By-Law 17.
- 9.3 All Options to the extent that they have not been exercised upon the expiry of the Option Period or Duration of the Scheme (whichever the earlier) shall automatically lapse and become null and void and have no further effect.
- 9.4 The Grantee shall notify the ESOS Committee in writing in the prescribed form of the Grantee's intention to exercise the Option on any working days or such other period as may be stipulated by the ESOS Committee. The Option may be exercised in respect of such lesser number of Shares as the Grantee may so decide to exercise the Option subject to By-Law 5.2. Such partial exercise of the Option shall not preclude the Grantee from exercising the Option as to the balance thereof at any time in the future but within the Option Period. The Option certificate shall be endorsed by the ESOS Committee stating, inter-alia, the number of new Shares which remain capable of being exercised.
- 9.5 In the event the balance of the Options, when exercised by a Grantee, shall result in less than one hundred (100) Shares, the said balance, if exercised, shall be exercised in a single tranche.
- 9.6 Every such notice to exercise the Option shall be accompanied by the relevant Option certificate and a remittance in Ringgit Malaysia in the form of a banker's draft or cashier's order drawn and payable in Malaysia or any other mode acceptable to the ESOS Committee for the full amount of the subscription monies in relation to the number of Shares in respect of which the written notice is given. The Company shall endeavour to allot and issue such new Shares to the Grantee in accordance with the provisions of the Constitution, the Securities Industry (Central Depositories) Act 1991 and the Rules of Bursa Malaysia Depository Sdn Bhd, despatch the notice of allotment to the Grantee and make an application for the quotation of the new Shares within eight (8) Market Days from the receipt by the Company of the aforesaid notice and remittance from the Grantee or such other period as may be prescribed by Bursa Securities.

DRAFT BY-LAWS (CONT'D)

- 9.7 The Grantee who exercises his/her Option shall provide the ESOS Committee with his/her CDS Account number in the notice referred to in By-Law 9.4. The new Shares to be issued pursuant to the exercise of an Option will be credited directly into the CDS Account of the Grantee and a notice of allotment stating the number of shares credited into the CDS Account will be issued to the Grantee. No physical share certificate will be issued to the Grantee.
- 9.8 For Grantees who do not have CDS Account, such Grantees are required to open a CDS Account at their own cost and expense before they can exercise their Options.
- 9.9 Every Option shall be subject to the condition that no new Shares shall be issued to the Grantee pursuant to the exercise of an Option if such issuance would be contrary to any law, enactment, rules and/or regulations of any legislative or non-legislative body which may be in force during the Option Period or such period as may be extended.
- 9.10 The Company, the Board (including directors who have resigned but were on the Board during the Option Period) and the ESOS Committee shall not under any circumstances be held liable to any person for any costs, losses, expenses, damages or liabilities, gains or profits foregone howsoever arising in the event of:
- (a) any delay on the part of the Company in procuring Bursa Securities to list and quote the new Shares allotted and issued to a Grantee pursuant to the exercise of the Options by the Grantee; and/or
 - (b) any delay in crediting the said new Shares into the CDS Account of the Grantee with the nominee; and/or
 - (c) any other matter or dealing which is outside the control of the Company.

10. RIGHTS OF A GRANTEE

The Options shall not carry any rights to vote at any general meeting of the Company, or to participate in any dividends, rights, allotments or any other form of distributions that may be declared, made or paid, or offer of further securities in the Company unless and until the Grantee becomes a shareholder of the Company by exercising the Options.

11. RANKING OF THE NEW SHARES

- 11.1 The new Shares to be issued arising from the exercise of any Option granted under the Scheme will be subject to the provisions of the Constitution and shall, upon allotment and issuance, rank equally in all respects with the existing Shares, save and except that the holders of such new Shares will not be entitled to any dividends, rights, allotments and/or any other form of distributions that may be declared, made or paid to the Company's shareholders where the entitlement date of such distribution precedes the relevant date of allotment and issuance of such new Shares.
- 11.2 The Grantees will not be entitled to any dividends, rights, allotments and/or other distributions until and unless such Grantees exercise their Options into new Shares and such new Shares are credited into the Grantees' respective CDS Accounts.
- 11.3 The new Shares allotted and credited into the CDS Accounts would also carry rights to vote at any general meeting of the Company provided that the shareholder is registered on the entitlement date at the close of business to be entitled to attend and vote at the general meeting.
- 11.4 The new Shares under the Scheme will be subject to all the provisions of the Constitution relating to transfer, transmission or otherwise of the Shares.

DRAFT BY-LAWS (CONT'D)

12. RETENTION PERIOD

- 12.1 The new Shares to be allotted and issued to a Grantee pursuant to the exercise of an Option under the Scheme will not be subject to any retention period or restriction on transfer, disposal and/or assignment unless otherwise stated in the Offer as may be determined by the ESOS Committee from time to time at its discretion. However, Grantees are encouraged to hold the Shares as investment rather than for any speculative purposes and/or for the realisation of any immediate gain.
- 12.2 The ESOS Committee shall be entitled to prescribe or impose, in relation to any Offers, any conditions relating to any retention period or restriction on transfer, disposal and/or assignment of the new Shares to be issued arising from the exercise of an Option as it deems fit.

13. TAKE-OVER, DISPOSAL OF ASSETS, SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION, ETC.

13.1 In the event:

- (a) of a takeover offer being made, under the Malaysian Code on Take-overs and Mergers 2016 and Rules on Take-overs, Merger and Compulsory Acquisitions, for the Company through a general offer to acquire the whole of the issued share capital of the Company (or such part thereof not at the time owned by the person making the general offer (“**Offeror**”) or any persons acting in concert with the Offeror) and such takeover offer is announced by the Offeror as being unconditional or have become unconditional, any unexercised Options may immediately be exercised by the Grantee during the offer period (as defined under the Rules on Take-overs, Mergers and Compulsory Acquisitions) or until the expiry of the Option Period, whichever is earlier;
- (b) of the Offeror becoming entitled or bound to exercise the right of compulsory acquisition of the Shares under the provisions of the Act and/or Capital Markets and Services Act 2007 or other relevant law applicable at the material time and gives notice to the Company that it intends to exercise such right on a specific date, any unexercised Options may immediately be exercised by the Grantee from the date of service of the said notice to the Company until and inclusive of the date on which the right of the compulsory acquisition is exercised or until the expiry of the Option Period, whichever is earlier; or
- (c) the Company disposes of all or substantially all of its assets and the disposal becomes unconditional, any unexercised Options may immediately be exercised by the Grantee commencing from the unconditional date of the said disposal until the date prescribed by the ESOS Committee within the Option Period;

subject to such terms and conditions (if any) as may be prescribed by the ESOS Committee notwithstanding that:

- (a) the Option Period has not commenced; and/or
- (b) other terms and conditions set out in the Offer have not been fulfilled or satisfied.

13.2 In the event of:

- (a) the court sanctioning a compromise or arrangement between the Company and its member for the purposes of, or in connection with, a scheme of arrangement and reconstruction of the Company or its amalgamation with any other company or companies or a privatisation via selective capital reduction, the ESOS Committee may permit the exercise of any unexercised Options by the Grantee at any time commencing from the date upon which the compromise or arrangement is sanctioned by the court or a date to be specified by the ESOS Committee within the Option Period up to such period as may be determined by the ESOS Committee provided that no Options shall be exercised after the expiry of the Option Period; or

DRAFT BY-LAWS (CONT'D)

- (b) the Company decides to merge with other company or companies, the ESOS Committee may permit the exercise of any unexercised Options by the Grantee at any time commencing from the unconditional date of the said transaction until the date prescribed by the ESOS Committee within the Option Period;

subject to such terms and conditions as may be prescribed notwithstanding that:

- (a) the Option Period has not commenced; and/or
- (b) other terms and conditions set out in the Offer have not been fulfilled or satisfied.

- 13.3 All Options which the ESOS Committee permits to be exercisable pursuant to By-Law 13 shall be automatically lapse and shall become null and void to the extent unexercised by the date prescribed by the ESOS Committee notwithstanding that the Option Period has not commenced or has not expired.

14. ALTERATION OF SHARE CAPITAL

- 14.1 In the event of any alteration in the capital structure of the Company during the Duration of the Scheme, whether by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of Shares or reduction of capital or any other variation of capital, the Company shall cause such adjustment to be made to:

- (A) the number of Options granted to each Grantee (excluding the Options already exercised); and/or
- (B) the Option Price.

All adjustments shall be made at the discretion of the ESOS Committee and be confirmed in writing by the relevant parties, PROVIDED ALWAYS THAT:

- (i) upon any adjustment being made pursuant to this By-Law, the ESOS Committee shall within twenty-one (21) Market Days thereof notify the Grantee in writing of the adjusted Option Price, the adjusted number of new Shares comprised in the Option and/or the revised method of exercise of the Option and the effective date of such adjustment; and
- (ii) all adjustments (other than bonus issues, subdivision or consolidation of Shares) must be confirmed in writing by the external auditors for the time being of the Company as being in their opinion (acting as experts and not as arbitrators) fair and reasonable.

Any adjustment pursuant to this By-Law shall be made in accordance with the following formula:

- (a) If and whenever a Share by reason of any consolidation or subdivision or conversion of Shares, the Option Price shall be adjusted in the following manner:

$$\text{New Option Price} = \frac{L \times S}{M}$$

$$\text{New number of Option} = \frac{T \times M}{L}$$

where:

L = the aggregate number of issued Shares immediately before such consolidation or subdivision or conversion;

M = the aggregate number of issued Shares immediately after such consolidation or subdivision or conversion;

S = existing Option Price; and

T = existing number of Options held.

DRAFT BY-LAWS (CONT'D)

Each of such adjustment will be effective from the close of business of the Market Day following the date on which the consolidation or subdivision or conversion becomes effective (being the date on which the Shares are traded on Bursa Securities) or such other date as may be prescribed by Bursa Securities.

- (b) If and whenever the Company shall make any issue of Shares to its ordinary shareholders credited as fully paid-up, by way of bonus issue or capitalisation of profits or reserves (whether of a capital or income nature and including capital redemption reserve fund, if applicable), the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{A + B}$$

and the additional number of new Shares comprised in the Options which a Grantee may be entitled to be issued with, shall be calculated as follows:

$$\text{Additional number of Options} = \left[T \times \left(\frac{A + B}{A} \right) \right] - T$$

where:

A = the aggregate number of issued Shares on the entitlement date (namely the date as at the close of business on which shareholders must be registered in order to be entitled to any dividends, rights allotments and/or other forms of distributions) immediately before such bonus issue or capitalisation issue;

B = the aggregate number of new Shares to be issued pursuant to any allotment to ordinary shareholders of the Company credited as fully paid by way of bonus issue or capitalisation of profits or reserves (whether of a capital or income nature and including capital redemption reserve fund, if applicable); and

T = *T* in By-Law 14.1(a).

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the entitlement date for such issue.

- (c) If and whenever the Company shall make:
- (i) a Capital Distribution (as defined below) to its ordinary shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets);
 - (ii) any offer or invitation to its ordinary shareholders whereunder they may acquire or subscribe for Shares by way of rights; or
 - (iii) any offer or invitation to its ordinary shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into Shares or securities with rights to acquire or subscribe for Shares,

then and in respect of each such case, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{C - D}{C}$$

DRAFT BY-LAWS (CONT'D)

and in respect of the case referred to in By-Law 14.1 (c)(ii) hereof, the additional number of Options which a Grantee may be entitled to be issued with, shall be calculated as follows:

$$\text{Additional number of Options} = \left[T \times \left[\frac{C}{C - D^*} \right] \right] - T$$

where:

- T* = *T* in By-Law 14.1(a);
- C* = the Current Market Price (as defined in By-Law 14.1(g)) of each Share on the Market Day immediately preceding the date on which the Capital Distribution, or as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation; and
- D* = (aa) in the case of an offer or invitation to acquire or subscribe for Shares under By-Law 14.1(c)(ii) above or for securities convertible into Shares or securities with rights to acquire or subscribe for Shares under By-Law 14.1(c)(iii) above, the value of rights attributable to one (1) Share (as defined below); or
- (bb) in the case of any other transaction falling within 14.1(c), the fair market value, as determined (with the occurrence of the external auditors and/or the adviser), of that portion of the Capital Distribution attributable to one (1) Share.

For the purpose of definition (aa) of *D* above, the “value of rights attributable to one (1) Share” shall be calculated in accordance with the formula:

$$\frac{C - E}{F + 1}$$

where:

- C* = *C* in By-Law 14.1(c);
- E* = the exercise price for one (1) additional Share under the terms of such offer or invitation or subscribe for one (1) additional security convertible into Shares or one (1) additional security with rights to acquire or subscribe for Shares;
- F* = the number of Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or security convertible into Shares or with right to acquire or subscribe for Shares; and
- D** = the value of rights attributable to one (1) Share (as defined below).

For the purposed of *D** above, the “value of rights attributable to one (1) Share” shall be calculated in accordance with the formula:

$$\frac{C - E^*}{F^* + 1}$$

where:

- C* = *C* in By-Law 14.1(c);

DRAFT BY-LAWS (CONT'D)

- E^* = *the exercise price for one (1) additional Share under the terms of such offer or invitation to acquire or subscribe for Shares; and*
- F^* = *the number of Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share.*

For the purposes of By-Law 14.1(c) hereof, “Capital Distribution” shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of Shares (other than an issue falling within By-Law 14.1(b)) or other securities credited as fully or partly paid-up by way of capitalisation of profits or reserves (whether of a capital or income nature and including capital redemption reserve fund, if applicable).

Any dividend charged or provided for in the accounts of any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of aggregate of the net profits attributable to the ordinary shareholders as shown in the audited consolidated profit and loss accounts of the Company.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the entitlement date for such issue.

- (d) If and whenever the Company makes any allotment to its ordinary shareholders as provided in By-Law 14.1(b) above and also makes any offer or invitation to its ordinary shareholders as provided in By-Law 14.1(c)(ii) or By-Law 14.1(c)(iii) above and the entitlement date for the purpose of allotment is also the entitlement date for the purpose of the offer or invitation, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I)}{(G + H + B) \times C}$$

and where the Company makes any allotment to its ordinary shareholders as provided in By-Law 14.1(b) above and also makes an offer or invitation to its ordinary shareholders as provided in By-Law 14.1(c)(ii) above and the entitlement date for the purpose of the allotment is also the entitlement date for the purpose of the offer or invitation, the additional number of Options which a Grantee may be entitled to be issued with, shall be calculated as follows:

$$\text{Additional number of Options} = \left[T \times \frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

where:

- B = *B in By-Law 14.1(b);*
- C = *C in By-Law 14.1(c);*
- G = *the aggregate number of issued Shares on the entitlement date;*
- H = *the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into Shares or rights to acquire or subscribe for Shares, as the case may be;*
- H^* = *the aggregate number of new Shares under the offer or invitation to acquire or subscribe for Shares by way of rights;*

DRAFT BY-LAWS (CONT'D)

- I* = the exercise price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share, as the case may be;
- I** = the exercise price of one (1) additional Share under the offer of invitation to acquire or subscribe for Shares; and
- T* = *T* in By-Law 14.1(a).

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the entitlement date for such issue.

- (e) If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for Shares as provided in By-Law 14.1(c)(ii) together with an offer or invitation to acquire or subscribe for securities convertible into Shares or securities with rights to acquire or subscribe for Shares as provided in By-Law 14.1(c)(iii) above and the entitlement date for the purpose of the allotment is also the entitlement date for the purpose of the offer or invitation, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J) \times C}$$

and the additional number of Shares comprised in the Options which a Grantee may be entitled to be issued with, shall be calculated as follows:

$$\text{Additional number of Options} = \left[T \times \frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

where:

- C* = *C* in By-Law 14.1(c);
- G* = *G* in By-Law 14.1(d);
- H* = *H* in By-Law 14.1(d);
- H** = *H** in By-Law 14.1(d);
- I* = *I* in By-Law 14.1(d);
- I** = *I** in By-Law 14.1(d);
- J* = the aggregate number of Shares to be issued to its ordinary shareholders upon conversion of such securities or exercise of such rights to subscribe for Shares by the ordinary shareholders of the Company;
- K* = the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share; and
- T* = *T* in By-Law 14.1(a).

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the entitlement date for the above transaction.

DRAFT BY-LAWS (CONT'D)

- (f) If and whenever the Company makes an allotment to its ordinary shareholders as provided in By-Law 14.1(b) and also makes an offer or invitation to acquire or subscribe for Shares to its ordinary shareholders as provided in By-Law 14.1(c)(ii) above, together with rights to acquire or subscribe for securities convertible into or with rights to acquire or subscribe for Shares as provided by in By-Law 14.1(c)(iii) above and the entitlement date for the purpose of the allotment is also the entitlement date for the purpose of offer or invitation, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J + B) \times C}$$

and the additional number of Shares comprised in the Options which a Grantee may be entitled to be issued with, shall be calculated as follows:

$$\text{Additional number of Options} = \left[T \times \frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

where:

- B* = *B* in By-Law 14.1(b);
C = *C* in By-Law 14.1(c);
G = *G* in By-Law 14.1(d);
H = *H* in By-Law 14.1(d);
*H** = *H** in By-Law 14.1(d);
I = *I* in By-Law 14.1(d);
*I** = *I** in By-Law 14.1(d);
J = *J* in By-Law 14.1(e);
K = *K* in By-Law 14.1(e); and
T = *T* in By-Law 14.1(a).

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the entitlement date for the above transaction.

- (g) For the purpose of By-Laws 14.1(c), (d), (e) and (f) above, the “**Current Market Price**” in relation to one (1) Share for any relevant day shall be the volume weighted average market prices for the five (5) consecutive Market Days before such date or during such other period as may be determined in accordance with any guidelines issued, from time to time, by Bursa Securities.

Such adjustments (other than on a bonus issue, subdivision or consolidation of Shares) must be confirmed in writing by either the external auditor or adviser, acting as an expert and not as arbitrator, by the ESOS Committee, to be in their opinion, fair and reasonable, PROVIDED ALWAYS THAT:

- (i) any adjustment to the Option Price shall be rounded up to the nearest one (1) sen;

DRAFT BY-LAWS (CONT'D)

- (ii) in the event that a fraction of a new Share arising from the adjustment referred to in this By-Law 14.1 would otherwise be required to be issued, the Grantee's entitlement shall be rounded down to the nearest whole number;
- (iii) upon any adjustment being made pursuant to this By-Law 14, the ESOS Committee shall, within twenty-one (21) Market Days of the effective date of the alteration in the capital structure of the Company, notify the Grantee in writing informing him of the adjusted Option Price thereafter in effect and/or the revised number of new Options thereafter to be issued; and
- (iv) any adjustments made must be in compliance with the provisions for adjustment as provided in this By-Law 14.

In addition, the Company, shall at the request of the Grantee, furnish such Grantee with a copy of the certificate from the external auditor to the effect that the opinion of such external auditor or adviser, acting as an expert and not an arbitrator, an adjustment is fair and reasonable either generally or as regard such Grantee, and such certification shall be final and binding on all parties.

For the avoidance of doubt, any adjustments to the Option Price and/or the number of Options so far as unexercised arising from bonus issues, need not be confirmed in writing by the external auditor or the adviser.

14.2 No adjustments shall be made to the Option Price and/or the number of new Shares comprised in the Options or any portion thereof that is unexercised when the alteration in the capital structure of the Company arises from:

- (a) an issue of new Shares upon the exercise of Options pursuant to the Scheme;
- (b) an issue of new Shares arising from the exercise of any conversions rights attached to securities convertible to new Shares or upon exercise of any other rights including warrants (if any) issued by the Company;
- (c) an issue of securities as consideration or part consideration for an acquisition of securities, assets or business by the Group;
- (d) private placement or restricted issue of new Shares by the Company;
- (e) an issue of securities as a special issue of new Shares to Bumiputera parties or investors approved by the Ministry of International Trade and Industry, Malaysia and/or other relevant governmental authorities to comply with the government policy on Bumiputera capital participation;
- (f) a purchase by the Company of its own Shares and the cancellation of all or a portion of the Shares pursuant to the relevant provisions of the Act;
- (g) an issue by the Company of Shares or of securities convertible into Shares or securities with rights to acquire or subscribe for Shares to its officers, including directors, or employees of the Company or any of its subsidiaries pursuant to purchase or option schemes approved by the shareholders in general meeting; or
- (h) any issue of Shares by the Company (other than bonus and rights issue) pursuant to a dividend reinvestment scheme undertaken in accordance with the Listing Requirements or for any purpose whatsoever.

14.3 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to Subdivision 2 of Division 7 of the Act, By-Law 14.1 shall be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which By-Law 14.1 is applicable, but By-Law 14.1 shall not be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which By-Law 14.2 is applicable.

DRAFT BY-LAWS (CONT'D)

14.4 Notwithstanding the provisions referred to in the By-Laws, the ESOS Committee may exercise its discretion to determine whether any adjustments to the Option Price and/or the number of Options should not be made or should be calculated on a different basis or date or should take effect on a different date or that such adjustments be made to the Option Price and/or the number of Options notwithstanding that no such adjustment formula has been explicitly set out in these By-Laws.

15. LISTING OF AND QUOTATION FOR THE NEW SHARES TO BE ISSUED ARISING FROM THE EXERCISE OF OPTIONS

15.1 An application will be made to Bursa Securities for the listing of and quotation for the new Shares to be issued pursuant to the exercise of the Options on the Main Market of Bursa Securities.

15.2 The Company, the Board and the ESOS Committee shall not under any circumstances be held liable for any costs, losses and damages whatsoever and however relating to the delay on the part of the Company in allotting and issuing the new Shares or in procuring Bursa Securities to list the new Shares for which the Grantee is entitled to subscribe.

16. ADMINISTRATION OF THE SCHEME

16.1 The Scheme shall be administered by the ESOS Committee consisting of such persons appointed by the Board from time to time. The Board shall have the discretion as it deems fit from time to time to approve, rescind and/or revoke the appointment of any person in the ESOS Committee and appoint replacement members to the ESOS Committee. The ESOS Committee shall be vested with such powers and duties as are conferred upon it by the Board.

16.2 The ESOS Committee may for the purpose of administering the Scheme do all acts and things and/or caused the Company to enter into any transaction, agreement, deed, document or arrangement, make rules, regulations or impose terms and conditions or delegate part of its powers relating to the Scheme, which the ESOS Committee may at its discretion consider to be necessary or desirable to give full effect to the Scheme and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interest of the Company.

16.3 The ESOS Committee in the exercise of this power may correct any defect, supply any omission, or reconcile any inconsistency in the Scheme or in any agreement providing for an Option in a manner and to the extent it shall deem necessary to expedite and make the Scheme fully effective.

17. AMENDMENTS AND/OR MODIFICATIONS TO THE SCHEME

17.1 The ESOS Committee may at any time and from time to time recommend to the Board any additions, modifications or amendments to or deletions of these By-Laws as it shall at its absolute discretion think fit, and the Board shall have the power at any time and from time to time by resolution to add to, amend, modify and/or delete all or any of these By-Laws upon such recommendation PROVIDED ALWAYS THAT no such addition, amendment or modification and/or deletion shall be made which would either:

- (a) materially prejudice the rights then accrued to any Grantees without his/her prior consent; or
- (b) alter to the advantage of any Grantee without the prior approval of the shareholders in a general meeting, the provisions set out in these By-Laws.

17.2 The approval of the shareholders of the Company in general meeting shall not be required in respect of additions, modifications or amendments to or deletions of these By-Laws save and except if such additions, modifications or amendments to or deletions would:

- (a) materially prejudice any rights which would have accrued to any Grantee without his/her prior consent;

DRAFT BY-LAWS (CONT'D)

- (b) increase the number of new Shares beyond the maximum number of new Shares available under the Scheme; or
 - (c) provide an advantage to any Grantee or group of Grantees or all the Grantees.
- 17.3 Subject to the compliance with the Listing Requirements and any other relevant rules and regulations, the prior approval of Bursa Securities and/or any other relevant authorities is not required for any subsequent amendment or modification to these By-Laws. However, a letter of compliance together with the amended new By-Laws shall be submitted to Bursa Securities within five (5) Market Days after the effective date of the amendments in the manner prescribed by the Listing Requirements, each time an amendment or modification is made, stating that the amendment or modification is in compliance with the provisions of the Listing Requirements and the Rules of Bursa Malaysia Depository Sdn Bhd as issued pursuant to the Securities Industry (Central Depositories) Act 1991.
- 17.4 For the purpose of complying with the provisions of the Listing Requirements, the relevant By-Laws shall not be amended or altered in any way whatsoever for the advantage of the participants of the Scheme without the prior approval of shareholders in general meeting, unless such amendment or alteration is otherwise allowed by the provisions of the Listing Requirements.

18. TERMINATION OF UNEXERCISED OPTIONS AND SUSPENSION

- 18.1 Subject to By-Laws 18.2 and 18.3, any unexercised Option in respect of the Scheme shall forthwith lapse and/or be deemed to be cancelled and/or ceased to be exercisable, as the case may be, without any claim against the Company, the Board and the ESOS Committee upon occurrence of any one (1) or more of the following events:
- (a) service of a notice of resignation by the Grantee;
 - (b) service of a notice of termination on or termination or cessation of employment of the Grantee with the Group by reason of breach of contract or misconduct;
 - (c) bankruptcy of the Grantee; or
 - (d) any other circumstances prescribed by the ESOS Committee from time to time.

The Shares in respect of such unexercised Option may be re-offered to other Eligible Persons at the discretion of the ESOS Committee.

- 18.2 In the event of the termination or cessation of employment of the Grantee in any of the following circumstances:
- (a) retirement at or after attaining normal retirement age under the Group's retirement policy;
 - (b) retirement before the normal retirement age with the consent of his/her employer being a company within the Group;
 - (c) resignation or termination of the employment of the Grantee by reason of ill-health, injury or physical or mental disability;
 - (d) retrenchment or redundancy, pursuant to the acceptance by that Grantee of a voluntary separation scheme offered by the Group;
 - (e) expiration of the employment contract of the Grantee; or
 - (f) any other circumstances as may be deemed as acceptable to the ESOS Committee,

DRAFT BY-LAWS (CONT'D)

the Grantee may apply in writing to the ESOS Committee to be allowed to continue to hold and to exercise any unexercised Option held by the Grantee (“**Request**”) within fourteen (14) days upon occurrence of any one (1) or more of the above events subject to such terms and conditions as may be prescribed notwithstanding that:

- (i) the Option Period has not commenced; and/or
- (ii) other terms and conditions set out in the Offer have not been fulfilled or satisfied.

The ESOS Committee shall have the discretion to evaluate the Request on a case-to-case basis and its decision shall be final and binding.

Any unexercised Option shall forthwith lapse and/or be deemed to be cancelled and/or cease to be exercisable after fourteen (14) days upon occurrence of the events above, as the case may be, without any liability to or right to claim against the Company, the Board and the ESOS Committee. The Shares in respect of such Option may be re-offered to other Eligible Persons at the discretion of the ESOS Committee.

18.3 All Options which the ESOS Committee permits to be exercisable pursuant to the By-Law 18.2 shall automatically lapse and shall become null and void to the extent unexercised by the date prescribed by the ESOS Committee notwithstanding that the Option Period has not commenced or has not expired.

18.4 In the event that a Grantee is subject to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service of such Grantee) the ESOS Committee shall have the right, at its discretion, to suspend the Grantee’s Option pending the outcome of such disciplinary proceedings. The ESOS Committee may impose such terms and conditions as the ESOS Committee shall deem appropriate on the Grantee’s right to exercise his/her Options having regard to the nature of the charges made or brought against the Grantee PROVIDED ALWAYS THAT:

- (a) in the event such Grantee shall subsequently be found not guilty of the charge which gave rise to such disciplinary proceedings, the ESOS Committee shall reinstate the right of such Grantee to exercise the Grantee’s Option as if such disciplinary proceeding had not been instituted in the first place;
- (b) in the event such Grantee is found guilty of the charge and the same results in the dismissal or termination of service of such Grantee, the Options shall, immediately upon pronouncement of the dismissal or termination of service of such Grantee, automatically lapse without notice and thereafter shall be null and void and be of no effect notwithstanding that such dismissal or termination of service may be subsequently challenged or disputed by the Grantee in any other forum;
- (c) in the event such Grantee is found guilty but no dismissal or termination of service is recommended, the ESOS Committee shall have the right to determine at its discretion whether or not the Grantee may continue to exercise the Grantee’s Option or any part thereof and if so, to impose such terms and conditions as it deems appropriate, for the exercise thereof; or
- (d) in the event that no decision is made and/or disciplinary proceedings are not concluded prior to the expiry of the Option Period, the Option of such Grantee shall immediately lapse on the expiry of the Option Period without notice,

and nothing herein shall impose any obligation on the ESOS Committee to enquire into or investigate the validity of such disciplinary proceeding(s) and the ESOS Committee shall not under any circumstances be held liable for any costs, losses, expenses, damages or liabilities, gains or profits foregone, arising from the ESOS Committee’s exercise of or failure to exercise any of its rights under the By-Laws.

18.5 Any Offer which has been made by the ESOS Committee to the Eligible Person but have not been accepted by the Eligible Person in the manner prescribed in By-Law 6.1 arising from the Grantee’s death, cessation or termination of employment with the Group for whatever reason as the case may be, shall become null and void and be of no effect.

DRAFT BY-LAWS (CONT'D)

- 18.6 Any Option that has lapsed and become null and void pursuant to this By-Law 18, shall, to the extent that it is then unexercised, be re-allocated to other Eligible Persons at the discretion of the ESOS Committee.
- 18.7 The ESOS Committee may, at its absolute discretion, change or waive any of the requirements and/or timing as set out in the By-Law 18.2.

19. LIQUIDATION OR WINDING UP OF THE COMPANY

In the event that any order is made or resolution is passed for the liquidation of the Company, all unexercised or partially exercised Options shall automatically lapse and shall be null and void and have no further effect, in which event the Option shall be automatically terminated on the following date:

- (a) in the case of a voluntary winding-up, the date on which a provisional liquidator is appointed by the Company; or
- (b) in the case of an involuntary winding-up, the date on which a petition for winding up is served on the Company.

20. DURATION OF THE SCHEME

- 20.1 The effective date for the implementation of the Scheme (“**Effective Date**”) shall be the date of full compliance with all relevant requirements of the Listing Requirements including the following:
- (a) submission of the final copy of the By-Laws to Bursa Securities together with a letter of compliance and a checklist showing compliance with the relevant requirements as may be prescribed by Bursa Securities (and/or such other documents as may be determined by Bursa Securities from time to time);
 - (b) receipt of approval-in-principle from Bursa Securities for the listing of and quotation for the new Shares to be issued pursuant to the exercise of Options granted under the Scheme;
 - (c) procurement of shareholders’ approval for the Scheme in a general meeting;
 - (d) receipt of approval of any other relevant regulatory authorities, where applicable; and
 - (e) fulfilment of all conditions attached to the above approvals (if any).
- 20.2 The Scheme shall be in force for a period of five (5) years from the Effective Date. On or before the expiry of the above initial five (5)-year period, the Scheme may be extended for a further period of up to five (5) years, at the sole and absolute discretion of the Board upon the recommendation of the ESOS Committee, provided always that the initial period and such extension of the Scheme shall not in aggregate exceed a duration of ten (10) years from the Effective Date. In the event the Scheme is extended and implemented in accordance with the terms of these By-Laws, the ESOS Committee shall inform the relevant parties of such extension, prior to the proposed extension of the Scheme.
- 20.3 The adviser of the Company shall submit a confirmation letter to Bursa Securities of full compliance with the relevant requirements of the Listing Requirements stating the effective date of implementation of the Scheme together with a certified true copy of a resolution passed by the shareholders of the Company in general meeting approving the Scheme. The confirmation letter shall be submitted to Bursa Securities no later than five (5) Market Days after the Effective Date.

DRAFT BY-LAWS (CONT'D)

20.4 Any extended Scheme under this provision shall be implemented in accordance with the terms of the By-Laws, subject however to any revisions and/or changes to the relevant laws and/or regulations then in force. For the avoidance of doubt, no further sanction, approval or authorisation of the Company's shareholders in a general meeting is required for any such extension. In the event the Scheme is extended in accordance with the provision of these By-Laws, the ESOS Committee shall furnish a written notification to all Grantees and the Company shall make the necessary announcements to Bursa Securities within thirty (30) days prior to the expiry of the Scheme.

21. TERMINATION OF THE SCHEME

21.1 Subject to compliance with the requirements of Bursa Securities and any other relevant regulatory authorities' requirements, guidelines or directives, the Scheme may be terminated by the Company at any time before its expiry without obtaining the approvals or consents from the Grantees or its shareholders provided that the Company makes an announcement immediately to Bursa Securities. The announcement shall include:

- (a) the effective date of termination of the Scheme ("**Termination Date**");
- (b) the number of Options exercised or Shares vested; and
- (c) the reasons for termination of the Scheme.

21.2 In the event of termination as stipulated by By-Law 21.1 above, the following provisions shall apply:

- (a) no further Offers shall be made by the ESOS Committee from the Termination Date;
- (b) all Offers which have yet to be accepted by Eligible Persons shall automatically lapse on the Termination Date;
- (c) all Offers, Options and/or Shares which have yet to be vested in the Eligible Persons shall automatically lapse on the Termination Date; and
- (d) all outstanding Options which have yet to be exercised by the Grantees shall automatically lapse on the Termination Date and become null and void.

22. DISPUTES/DIFFERENCES

22.1 In the event of any dispute or difference arising between the ESOS Committee and an Eligible Person or Grantee, as the case may be, as to any matter of any nature arising under the Scheme, the ESOS Committee shall determine such dispute or difference by a written decision (without any obligation to give any reason thereof) given to the Eligible Person or Grantee, as the case may be. The said decision shall be final and binding on the parties unless the Eligible Person or Grantee, as the case may be, within seven (7) days of the receipt thereof by written notice to the ESOS Committee, disputes the same in which case such dispute or difference shall be referred to the decision of the external auditors, for the time being of the Company, which the ESOS Committee may at its discretion decide, acting as experts and not as arbitrators, whose decision shall be final and binding in all respects. Notwithstanding anything herein to the contrary, any costs and expenses incurred in relation to any dispute or difference or appeal brought by any party to the ESOS Committee shall be borne by such party.

22.2 Notwithstanding By-Law 22.1 above, matters concerning adjustments made pursuant to By-Law 14 shall be referred to the external auditor or adviser, acting as experts and not as arbitrators, whose decision shall be final and binding in all respects.

DRAFT BY-LAWS (CONT'D)

23. COSTS AND EXPENSES

23.1 Save as otherwise provided for in the Scheme and the Constitution, all fees, costs and expenses incurred in relation to the Scheme including but not limited to the fees, costs and expenses relating to the allotment and issue of new Shares pursuant to the exercise of any Option shall be borne by the Company.

All taxes (including income tax), if any, arising from the exercise of any Option under the Scheme shall be borne by the Eligible Person.

23.2 Notwithstanding the above, the Grantee shall bear any fees, costs and expenses incurred in relation to his/her acceptance and exercise of the Options under the Scheme and any holding or dealing of Shares to be allotted and issued pursuant to the exercise of the Options, including brokerage commissions and stamp duties.

23.3 Any cost in relation to the loss of Option certificate will be fully borne by the Grantee and such Grantee will have to sign a statutory declaration to declare the loss of the Option certificate.

24. TRANSFER TO/FROM THE GROUP

In the event that:

- (a) an employee or a director who was employed in a company which is related to the Company pursuant to Section 7 of the Act (that is to say, a company which does not fall within the definition of “**the Group**”) is subsequently transferred from such company to any company within the Group; or
- (b) an employee who was in the employment of a company which subsequently becomes a member of the Group a result of a restructuring or acquisition exercise or otherwise involving the Company and/or any company within the Group with any of the first mentioned company stated in (a) above;

(the first mentioned company in (a) and (b) is herein referred to as the “**Previous Company**”), such an employee of the Previous Company will be eligible to participate in the Scheme for its remaining Option Period, if the affected employee becomes and is an Eligible Person within the meaning under the By-Laws.

For the avoidance of doubt, in the event of any acquisition or incorporation of any company into the Group pursuant to (b) above as a subsidiary as defined in Section 4 of the Act or any other statutory regulation in place thereof during the Duration of the Scheme, the Scheme shall apply to the employees of such company on the date such company becomes a subsidiary of the Group (provided that such subsidiary is not dormant) falling within the meaning of the expression of Eligible Person under By-Law 1 and the provisions of the By-Laws shall apply.

A company shall be deemed to be divested from the Group or disposed of from the Group in the event that the effective interest of the Company in such company is reduced from fifty per centum (50%) and above to less than fifty per centum (50%) so that such company would no longer be a subsidiary of the Company pursuant to Section 4 of the Act.

25. DIVESTMENT FROM THE GROUP

25.1 If a Grantee who was in the employment of a company in the Group which was subsequently divested, from the Group resulting in that company ceasing to be a subsidiary, unless approved by the ESOS Committee in writing, the Options unexercised on the date of such company ceasing to be a subsidiary, shall be null and void and be of no effect. Such Grantee shall not be eligible to participate for further Option under the Scheme.

DRAFT BY-LAWS (CONT'D)

25.2 In the event that the Grantee is transferred from the Group to any associated companies of the Group (which definition shall be that which is adopted by the Malaysian Accounting Standard Board) or to any related companies (as defined in Section 7 of the Act) of the Company which have an existing employees' share option scheme in which the Grantee will be entitled to participate, unless approved by the ESOS Committee in writing, the Options unexercised on the date of transfer shall be null and void and be of no effect.

If the associated company does not have an existing employees' share option scheme in which the Grantee will be entitled to participate, the ESOS Committee shall have the absolute discretion to determine whether Options unexercised by the Grantee will continue to be capable of exercise and the period in which it is capable of being exercised.

25.3 Any Option that has lapsed and become null and void pursuant to this By-Law 25, shall, to the extent that it is then unexercised, be re-allocated to other Eligible Persons at the discretion of the ESOS Committee.

26. SCHEME NOT A TERM OF EMPLOYMENT

The Scheme does not form part of nor constitute nor shall in any way be construed as a term or condition of employment of an Eligible Person. The Scheme shall not confer nor be construed to confer on an Eligible Person any special rights or privileges over the Eligible Person's terms and conditions of employment in the Group under which the Eligible Person is employed nor any rights additional to compensation or damages that the Eligible Person may be normally entitled to arising from the cessation of such employment.

27. COMPENSATION

27.1 Notwithstanding any provisions of these By-Laws:

- (a) the Scheme shall not form part of any contract of employment between any company of the Group and any employee or director of the Group and the rights of any Grantee under the terms of his/her office and employment with the Company or any company within the Group shall not be affected by his/her participation in the Scheme or afford such Grantee any additional rights to compensation or damages in consequence of the termination of such office or employment for any reason; and
- (b) the Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Option themselves) against the Company or any company of the Group directly or indirectly or give rise to any cause of action at law or in equity against the Company or the Group.

27.2 No Grantee shall bring any claim, action or proceedings against the Company or the ESOS Committee or any party for compensation, loss or damages whatsoever and howsoever arising from the suspension of his/her rights to exercise his/her Options or his/her Options ceasing to be valid pursuant to the provisions of these By-Laws as may be amended from time to time in accordance with By-Law 17.

28. CONSTITUTION

Notwithstanding the terms and conditions contained herein, if a situation of conflict should arise between the Scheme and the Constitution, the provisions of the Constitution shall at all times prevail.

DRAFT BY-LAWS (CONT'D)

29. SUBSEQUENT EMPLOYEES' SHARE OPTION SCHEME

The Company may implement more than one (1) employees' share option scheme provided that the aggregate number of Shares available under all the schemes implemented by the Company is not more than fifteen per centum (15%) of the total number of issued Shares (excluding any treasury shares) at any point in time during the Duration of the Scheme or such other limit prescribed by any guideline, rule and/or regulation of the relevant authorities from time to time throughout the Duration of the Scheme.

30. DISCLAIMER OF LIABILITY

Notwithstanding any provisions contained herein and subject to the Act, the Company, the Board and the ESOS Committee shall not under any circumstances and in any event be held liable to any person for any cost, charges, losses, expenses, damages or liabilities whatsoever arising, including but not limited to any delay on the part of the Company in allotting and issuing the new Shares or in procuring Bursa Securities to list the new Shares subscribed for by a Grantee.

31. ERRORS AND OMISSIONS

If in consequence of an error or omission, the ESOS Committee discovers/determines that:

- (a) an Eligible Person who was selected by the ESOS Committee has not been given the opportunity to participate in the Scheme on any occasion; or
- (b) the number of Shares allotted and issued to any Grantee pursuant to an exercise of Option(s) under the Scheme on any occasion is found to be incorrect,

and such error or omission cannot be corrected within the relevant period specified in the Scheme, the ESOS Committee may do all such acts and things to rectify such error or omission, but not limited to, all acts and things to ensure that the Eligible Person is given the opportunity to participate in the Scheme and/or the aggregate number of new Shares to which the Grantee is correctly entitled to is credited into his/her CDS Account and/or to withdraw the Offer given to the employee or director who was erroneously selected as an Eligible Person.

32. SEVERABILITY

If at any time any provision of the By-Laws is or becomes illegal, void or unenforceable in any respect, the same shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability without invalidating the remainder thereof, and any such illegality, voidness or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation or provision herein contained.

33. DECISION OF THE ESOS COMMITTEE

Any decision and/or determination made by the ESOS Committee under the By-Laws shall, in the absence of any manifest of error, be final and binding.

34. NOTICE

- 34.1 Any notice under the Scheme required to be given to or served upon the ESOS Committee by an Eligible Person or a Grantee or any correspondence to be made between an Eligible Person or Grantee to the ESOS Committee shall be given or made in writing and sent to the registered office of the Company or such other office which the ESOS Committee may have stipulated for a particular purpose by hand (with acknowledgement of receipt) or registered letter.

DRAFT BY-LAWS (CONT'D)

- 34.2 Unless otherwise provided in the By-Laws, any notice which under the Scheme is required to be given to or served upon an Eligible Person or Grantee or any correspondence to be made with an Eligible Person or Grantee shall be deemed to be sufficiently given, served or made if it is given, served or made by hand, or registered letter addressed to the Eligible Person or Grantee at the place of employment or at the last address known to the Company as being his/her correspondence address or by electronic mail. Any notice served by hand, electronic mail or post as aforesaid shall be deemed to have been received at the time when such notice if by hand is received and duly acknowledged, if by electronic mail, such notice shall be deemed to have been received by the recipient on the next day immediately following the day on which the electronic mail is sent and if by registered letter would be in the ordinary course of post be delivered.
- 34.3 Notwithstanding By-Law 34.2, where any notice is required to be given by the Company or the ESOS Committee under the By-Laws in relation to matters which may affect all the Eligible Persons or Grantees, as the case may be, the Company or ESOS Committee may give through an announcement to all employees of the Group to be made in such manner deemed appropriate by the ESOS Committee. Upon the making of such an announcement, the notice to be made under By-Law 34.2 shall be deemed to be sufficiently given, served or made to all affected Eligible Persons or Grantees, as the case may be.
- 35. GOVERNING LAW**
- 35.1 The Scheme shall be governed by and construed in accordance with the laws of Malaysia. The Eligible Person, by accepting the Offer, irrevocably submits to the exclusive jurisdiction of the courts in Malaysia.
- 35.2 Any proceeding or action shall be instituted or taken in Malaysia and the Eligible Person irrevocably and unconditionally waives any objection on the ground of venue or forum non-convenience or any other grounds.
- 35.3 In order to facilitate the making of any Offer under the Scheme, the Board may provide for such special terms to the Eligible Person(s) who are employed by any company within the Group in a particular jurisdiction, or who are nationals of any particular jurisdiction, that is outside Malaysia, as the Board may consider necessary or appropriate for the purposes of complying with differences in local law, tax, policy or custom of that jurisdiction. The Board may further approve such supplements to or amendments, restatements or alternative versions of the Scheme as it may consider necessary or appropriate for such purposes without affecting the terms of the Scheme as in effect for any other purpose, and the appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as the Scheme. No such special terms, supplements, amendments or restatements, however, shall include any provisions that are inconsistent with the terms of the Scheme, as then in effect, unless the Scheme has been amended to eliminate such inconsistency. Notwithstanding the above, any Offer made to such Eligible Person(s) pursuant to the Scheme shall be valid strictly in Malaysia only unless specifically mentioned otherwise by the ESOS Committee in the Offer.
- 35.4 No action has been or will be taken by the Company to make an Offer valid in any country or jurisdiction other than Malaysia or to ensure compliance of the Offer with all applicable laws and regulations in any other country or jurisdiction other than Malaysia. No action has or will be taken by the Company to ensure compliance by the Eligible Person to whom an Offer is made, with all applicable laws and regulations in such other country or jurisdiction in which the Eligible Person accepts the Offer.
- 35.5 Any Eligible Person to whom an Offer is made is required to ensure that they comply with all applicable laws and regulations in each country or jurisdiction in or from which they accept the Offer. By their acceptance of the Offer, each Eligible Person has represented, warranted and agreed that they have and will continue to observe all applicable laws and regulations in the jurisdiction in which they accept the Offer.

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FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or information contained in this Circular, or other facts and information, the omission of which would make any statement in this Circular false or misleading.

2. CONSENT AND CONFLICT OF INTERESTS

TA Securities, being the Adviser for the Proposed ESOS, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

TA Securities has confirmed that it is not aware of any conflict of interest which exists or is likely to exist in its capacity as the Adviser for the Proposed ESOS.

3. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, neither our Company nor any of our subsidiaries is engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on the financial position or business of our Group, and our Board confirms that there are no proceedings, pending or threatened, or of any facts likely to give rise to any proceedings, which might materially and adversely affect the financial position or business of our Group.

4. MATERIAL COMMITMENTS

Save as disclosed below, as at the LPD, our Board confirms that there are no other material commitments incurred or known to be incurred by our Group, which upon becoming enforceable, may have a material impact on the financial position of our Group:

	RM'000
Balance purchase consideration for purchase of machinery and equipment	3,406

5. CONTINGENT LIABILITIES

Save as disclosed below, as at the LPD, our Board confirms that there are no other contingent liabilities incurred or known to be incurred by our Group, which upon becoming enforceable, may have a material impact on the financial position of our Group:

	RM'000
Corporate guarantees given to financial institutions for banking facilities granted to our subsidiaries	4,046
Corporate guarantee given to a supplier of our subsidiary	<u>1,558</u>
Total	<u>5,604</u>

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FURTHER INFORMATION (CONT'D)

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia during normal business hours from 8.30 a.m. to 5.30 p.m. from Monday to Friday (excluding public holidays and days on which the office is closed due to regulations imposed by the Malaysian government to curb the spread of COVID-19) for the period commencing from the date of this Circular up to and including the date of our forthcoming EGM:

- (i) the constitution of our Company;
- (ii) our Group's audited financial statements for the past 2 FYEs 2020 and 2021 as well as our latest unaudited quarterly results for the 6-month financial period ended 30 September 2021;
- (iii) the draft By-Laws as set out in **Appendix I** of this Circular; and
- (iv) the letter of consent and declaration of conflict of interest as referred to in **Section 2 of Appendix II** of this Circular.

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (“**EGM**”) of Asia File Corporation Bhd. (“**Asia File**” or the “**Company**”) will be conducted virtually through live streaming and remote participation and voting (“**RPV**”) facilities vide the online meeting platform at <https://rebrand.ly/AsiafileEGM> provided by Mlabs Research Sdn Bhd in Malaysia from the broadcast venue at Plot 16, Kawasan Perindustrian Bayan Lepas, Phase IV, Mukim 12, Bayan Lepas, 11900 Penang, Malaysia on Friday, 4 March 2022 at 10 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions:

ORDINARY RESOLUTION 1

PROPOSED ESTABLISHMENT OF AN EMPLOYEES’ SHARE OPTION SCHEME OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED ORDINARY SHARES IN ASIA FILE (“ASIA FILE SHARES”) (EXCLUDING ANY TREASURY SHARES) AT ANY POINT IN TIME DURING THE TENURE OF THE SCHEME FOR THE ELIGIBLE EXECUTIVE DIRECTORS AND EMPLOYEES OF ASIA FILE AND ITS SUBSIDIARIES (EXCLUDING ANY NON-MALAYSIAN AND/OR DORMANT SUBSIDIARIES) (“PROPOSED ESOS”)

“**THAT** subject to provisions under the Companies Act 2016 and approvals of the relevant authorities being obtained for the Proposed ESOS, approval be and is hereby given for the Company to:

- (a) establish and administer the Proposed ESOS which involves the granting of options (“**ESOS Options**”) to all eligible executive directors and employees of Asia File and its subsidiaries (“**Group**”) (excluding any non-Malaysian and/or dormant subsidiaries) who meet the criteria of eligibility for participation in the Proposed ESOS (“**Eligible Person(s)**”) as set out in the by-laws governing the Proposed ESOS, a draft of which is set out in **Appendix I** of the circular to shareholders of Asia File dated 16 February 2022 (“**Circular**”) (“**By-Laws**”);
- (b) allot and issue such number of new Asia File Shares to the Eligible Persons from time to time as may be required in connection with the implementation of the Proposed ESOS while this approval is in force provided that the aggregate number of Asia File Shares to be allotted and issued shall not exceed in aggregate 10% of the total number of issued Asia File Shares (excluding any treasury shares) at any point in time during the tenure of the Proposed ESOS;
- (c) make necessary applications, and to do all things necessary at the appropriate time or times, to Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for the listing of and quotation for the new Asia File Shares which may from time to time be allotted and issued upon the exercise of the ESOS Options pursuant to Proposed ESOS (“**ESOS Shares**”). Such ESOS Shares shall, upon allotment and issuance, rank equally in all respects with the existing Asia File Shares, save and except that the ESOS Shares will not be entitled to any dividends, rights, allotments or any other form of distributions, which may be declared, made or paid, where the entitlement dates precede the relevant dates of allotment and issuance of such ESOS Shares;
- (d) extend the duration of the Proposed ESOS for a maximum period of an additional 5 years (the duration of the Proposed ESOS would then be for a total period of 10 years from the effective date of the Proposed ESOS), if the board of directors of Asia File (“**Board**”) deems fit; and
- (e) modify and/or amend the By-Laws from time to time as may be required or permitted by the authorities or deemed necessary by the authorities or the Board, provided that such modifications and/or amendments are effected in accordance with the By-Laws relating to modifications and/or amendments and Main Market Listing Requirements of Bursa Securities, and to do all such acts and to enter into all such transactions, arrangements and agreements, deeds or undertakings and to make such rules or regulations, or impose such terms and conditions or delegate its power as may be necessary or expedient in order to give full effect to the Proposed ESOS;

THAT the By-Laws, a draft of which is set out in **Appendix I** of the Circular, be and is hereby approved and adopted;

AND THAT the Board be and is hereby authorised to give effect to the Proposed ESOS with full power to assent to and to adopt and implement any condition, variation, modification and/or amendment as may be necessary or expedient and/or imposed by and/or agreed with the relevant authorities or as the Board may deem fit or necessary at its absolute discretion.”

ORDINARY RESOLUTIONS 2 TO 5

PROPOSED ALLOCATION OF ESOS OPTIONS TO THE INTERESTED DIRECTOR AND MAJOR SHAREHOLDER AS WELL AS INTERESTED EMPLOYEES OF THE GROUP (“PROPOSED ALLOCATIONS”)

“**THAT** subject to the passing of Ordinary Resolution 1 above, the directors of the Company be and are hereby authorised, at any time and from time to time throughout the duration of the Proposed ESOS, to offer and grant such number of ESOS Options to subscribe for ESOS Shares to be issued (as adjusted or modified from time to time pursuant to the By-Laws) to the following interested director and major shareholder as well as interested employees of the Group:

(a)	Dato’ Lim Soon Huat, interested director and major shareholder of the Company	Ordinary resolution 2
(b)	Lim Chin Chin, interested employee of the Company	Ordinary resolution 3
(c)	Lim Mei Chin, interested employee of the Company	Ordinary resolution 4
(d)	Lim Kuok Yeow, interested employee of the Group	Ordinary resolution 5

provided always that:

- (i) he/she must not participate in the deliberation or discussion of his/her own allocation of ESOS Options as well as allocation to persons connected to him/her;
- (ii) the allocation to him/her who, either singly or collectively through person connected with him/her, holds 20% or more of the total number of issued Asia File Shares (excluding any treasury shares), does not exceed 10% of the total number of the ESOS Shares; and
- (iii) not more than 70% of the ESOS Options shall be allocated, in aggregate, to the eligible executive directors and senior management of the Group (excluding any non-Malaysian and/or dormant subsidiaries);

subject always to such terms and conditions of the By-Laws and the Main Market Listing Requirements of Bursa Securities, or any prevailing guidelines, rules and/or regulations issued by Bursa Securities and any other relevant authorities;

AND THAT the Board be and is hereby authorised to allot and issue such number of ESOS Shares to the interested director and major shareholder as well as interested employees of Asia File pursuant to the exercise of such ESOS Options as well as to take such steps as are necessary or expedient to implement, finalise or give full effect to the Proposed Allocations with full power to assent to any terms, conditions, modifications, variations and/or amendments as may be imposed and/or permitted by the relevant authorities or otherwise thought fit by the Board to be in the best interest of the Company; to execute, sign and deliver on behalf of the Company all such agreements, arrangements and documents as may be necessary to give full effect to complete and implement the Proposed Allocations; and to deal with all matters relating thereto and/or to do all such acts and things as the Board may deem fit and expedient in the best interest of the Company.”

By Order of our Board

TAI YIT CHAN (MAICSA 7009143) (SSM PC No. 202008001023)

ONG TZE-EN (MAICSA 7026537) (SSM PC No. 202008003397)

Joint Company Secretaries

Penang

Date: 16 February 2022

Notes:

1. Virtual EGM

- (a) The EGM of the Company will be conducted virtually through live streaming and RPV facilities. Please refer to the EGM Administrative Guide for the procedures to register, participate and vote remotely via the RPV facilities.
- (b) For the purpose of complying with Section 327(2) of the Companies Act 2016, the Chairman of the meeting is required to be present at the main venue of the EGM. Members/ Proxies/ Corporate Representatives will not be allowed to attend the EGM in person at the broadcast venue on the day of the EGM.

2. Appointment of Proxy

- (a) A member may appoint up to two (2) proxies to attend and vote at the virtual meeting. A proxy need not be a member of the Company but must be of full age of eighteen (18) years and above. If a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- (b) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (c) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
- (d) For a proxy to be valid, the Form of Proxy duly completed must be deposited at the Company’s registered office at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournments thereof.
- (e) In respect of deposited securities, only a depositor whose name appears on the Record of Depositors on 23 February 2022 (General Meeting Record of Depositors) shall be entitled to attend the meeting or appoint proxy to attend and/or vote on his/her behalf.
- (f) All resolutions as set out in this notice of extraordinary general meeting are to be voted by poll.

3. Personal Data Privacy

By registering and/or submitting the duly executed Form of Proxy, the member and his/her proxy has consented to the Company and/or its agents/service providers to collect, use and disclose the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the EGM of the Company and any adjournment thereof. The member agrees that he/she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder’s breach of warranty.

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ASIA FILE CORPORATION BHD.

Registration No.: 199401027510 (313192-P)
(Incorporated in Malaysia)

EXTRAORDINARY GENERAL MEETING

ADMINISTRATIVE GUIDE

<u>Date</u>	<u>Time</u>	<u>Online Meeting Platform</u>	<u>Broadcast Venue</u>
4 March 2022	10.00 a.m.	Online Meeting Platform at https://rebrand.ly/AsiafileEGM provided by Mlabs Research Sdn Bhd in Malaysia	Plot 16, Kawasan Perindustrian Bayan Lepas, Phase IV, Mukim 12, 11900 Pulau Pinang.

MODE OF MEETING

In view of the resurgence of the Coronavirus disease (COVID-19) pandemic, the Extraordinary General Meeting of Asia File Corporation Bhd. (“**EGM**”) will be conducted virtually through live streaming and remote participation and voting (“**RPV**”) facilities vide the online meeting platform provided by Mlabs Research Sdn Bhd at <https://rebrand.ly/AsiafileEGM> from the Broadcast Venue. The Broadcast Venue is at Plot 16, Kawasan Perindustrian Bayan Lepas, Phase IV, Mukim 12, Bayan Lepas, 11900 Pulau Pinang and is the main venue for the EGM in line with Section 327 (2) of the Companies Act, 2016.

All shareholders of the Company, whether individual shareholders, corporate shareholders, corporate representatives, proxy holders, authorised nominees or exempt authorised nominees who wish to attend the EGM will have to register to attend remotely by using the RPV facilities the details of which is set out below. Hence, **NO SHAREHOLDERS/PROXIES** will be allowed to be physically present at the Broadcast Venue on the day of the EGM.


RPV

1. The EGM will be conducted entirely through live streaming and online remote participation and voting. Should you wish to attend the EGM you will be required to do so by registering yourself using the RPV facilities in accordance with the instructions set out under Section 4 below.

With the RPV facilities, you may exercise your rights as a shareholder to participate (including to pose questions to the Board of Directors (“**Board**”)) and vote at the EGM.

2. If a shareholder is unable to attend the EGM, he/she is encouraged to appoint the Chairman of the meeting as his/her proxy and indicate the voting instructions in the Form of Proxy in accordance with the notes and instructions printed therein.
3. For proxies or corporate representatives / authorised nominees / exempt authorised nominees who wish to use the RPV facilities at the EGM, please ensure the duly executed forms of proxy are submitted to the registered office at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjournments thereof.

4. The procedures for the RPV in respect of the live streaming and remote participation and voting at the EGM is as follows:

Procedures	Action
Before EGM	
1. Register as participant in virtual EGM 	<ul style="list-style-type: none"> Using your computer, access the registration website at https://rebrand.ly/AsiafileEGM If you are using mobile devices, you can also scan the QR provided on the left to access the registration page. Click on the Register link to register for the EGM session. Upon submission of your registration, you will receive an email notifying you that your registration has been received and is pending verification. The event is powered by Cisco Webex. You are recommended to download and install Cisco Webex Meetings (available for PC, Mac, Android and iOS). Refer to the tutorial guide posted on the same page for assistance.
2. Submit your online registration	<ul style="list-style-type: none"> Shareholders who wish to participate and vote remotely at the EGM via RPV facilities are required to register prior to the meeting. The registration will be open from 16 February 2022 and will be closed at 10.00 a.m. on 3 March 2022. Clicking on the link mentioned in item 1 will redirect you to the EGM event page. Click on the Register link for the online registration form. Complete your particulars on the registration page. Your name MUST match your CDS account name (not applicable for proxy). Insert your CDS account number(s) and indicate the number of shares you hold. Read and agree to the Terms & Conditions and confirm the Declarations. Please ensure all information given is accurate before you click Submit to register your remote participation. Failure to do so will result in your registration being rejected. System will send an email to notify that your registration for remote participation is received and will be verified. After verification of your registration against the General Meeting Record of Depositors of the Company as at 23 February 2022, the system will send you an email to notify you if your registration is approved or rejected after 23 February 2022. If your registration is rejected, you can contact the Company's Poll Administrator or the Company for clarifications or to appeal.
3. Submit your question(s)	<ul style="list-style-type: none"> You may pre-submit your question(s) by email to admin@aldpro.com.my from 23 February 2022 up to 10.00 am on 3 March 2022.
On the day of EGM	
4. Attending virtual EGM	<ul style="list-style-type: none"> Two reminder emails will be sent to your inbox. First email will be sent out one (1) day before the EGM day, while the second will be sent out an hour before the EGM session. Click Join Event in the reminder email to participate in the EGM.
5. Participate with live video	<ul style="list-style-type: none"> You will be given a short brief about the system. Your microphone is muted throughout the whole session. If you have any questions for the Chairman/Board, you may use the Q&A panel to send your questions. The Chairman/Board will try to respond to relevant questions if time permits. All relevant questions will be collected throughout the session and replied later through your registered email. The session will be recorded. Take note that the quality of the live streaming is dependent on the bandwidth and stability of the internet connection at your location.

Procedures		Action
6.	Online remote voting	<ul style="list-style-type: none"> • The Chairman will announce the commencement of the voting session and the duration allowed at the EGM. • The list of resolutions for voting will appear at the right-hand side of your computer screen. You are required to indicate your votes for the resolutions within the stipulated time frame. • Click on the Submit button upon completion. • Votes cannot be changed once it is submitted.
7.	End of remote participation	Upon the announcement by the Chairman on the closure of the EGM, the live session will end.

REVOCATION OF PROXY

Please note that if a shareholder has submitted his/her Form of Proxy prior to the EGM and subsequently decides to personally attend and participate in the EGM via RPV facilities, the shareholder must contact AldPro Corporate Services Sdn Bhd to revoke the appointment of his/her proxy no later than 10.00 a.m. on 2 March 2022.

POLL VOTING

The voting at the EGM will be conducted by poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”). The Company has appointed AldPro Corporate Services Sdn Bhd as Poll Administrator to conduct the poll by way of electronic means and Boardroom.com Sdn Bhd as Scrutineers to verify the poll results.

Shareholders can proceed to vote on the resolutions before the end of the voting session which will be announced by the Chairman of the EGM. The Scrutineers will verify the poll results followed by the Chairman’s declaration whether the resolution is duly passed or otherwise.

The results of the voting for all resolutions will be announced at the EGM and on Bursa Securities’ website at www.bursamalaysia.com as well as the Company’s website.

NO RECORDING OR PHOTOGRAPHY

Strictly NO recording or photography of the proceedings of the EGM is allowed.

NO DOOR GIFT

There will be no distribution of door gift for participation at the EGM.

ENQUIRY

If you have any enquiry prior to the meeting, please contact the following persons during office hours from 9.00 a.m. to 5.30 p.m. (Monday to Friday):

For Registration, logging in and system related:

Name : Ms. Eris / Mr. Bryan / Mr. Hong
Telephone No. : +603-7688 1013
Email : vgm@mlabs.com

For Proxy matters:

AldPro Corporate Services Sdn Bhd

Name : Ms. Jennie Wong
Telephone No. : +603 7890 0638
Email : admin@aldpro.com.my



ASIA FILE CORPORATION BHD.

Registration No.: 199401027510 (313192-P)

FORM OF PROXY

CDS Account No.	
-----------------	--

No. of Shares Held	
--------------------	--

I*/We* _____ (Full name in Block Letters and NRIC / Company No.)

of _____ being a member*/
(Address)

members* of Asia File Corporation Bhd. hereby appoint

Full Name (in Block Letters)	NRIC/Passport No.	No. of Shares	% of Shareholding
Email Address			
Telephone No.			

*and/or (*delete if not applicable)

Full Name (in Block Letters)	NRIC/Passport No.	No. of Shares	% of Shareholding
Email Address			
Telephone No.			

or failing *him/her, the Chairman of the meeting as my*/our* proxy, to vote for me*/us* and on my*/our* behalf at the Extraordinary General Meeting (“**EGM**”) of the Company to be conducted virtually through live streaming and remote participation and voting (“**RPV**”) facilities vide the online meeting platform at <https://rebrand.ly/AsiafileEGM> provided by Mlabs Research Sdn Bhd in Malaysia from the broadcast venue at Plot 16, Kawasan Perindustrian Bayan Lepas, Phase IV, Mukim 12, Bayan Lepas, 11900 Penang, Malaysia on Friday, 4 March 2022 at 10 a.m. and at any adjournment thereof.

	Ordinary Resolutions				
	1	2	3	4	5
FOR					
AGAINST					

(Please indicate with “X” in the appropriate space how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion)

Signed this..... day of 2022

Signature of Shareholder

Common Seal to be affixed here if
Shareholder is a Corporation

Notes:

Virtual EGM

- The EGM of the Company will be conducted virtually through live streaming and RPV facilities. Please refer to the EGM Administrative Guide for the procedures to register, participate and vote remotely via the RPV facilities.
- For the purpose of complying with Section 327(2) of the Companies Act 2016, the Chairman of the meeting is required to be present at the main venue of the EGM. Members/ Proxies/ Corporate Representatives will not be allowed to attend the EGM in person at the broadcast venue on the day of the EGM.

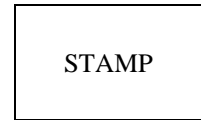
Appointment of Proxy

1. A member may appoint up to two (2) proxies to attend and vote at the virtual meeting. A proxy need not be a member of the Company but must be of full age of eighteen (18) years and above. If a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
4. For a proxy to be valid, the Form of Proxy duly completed must be deposited at the registered office at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournments thereof.
5. In respect of deposited securities, only a depositor whose name appears on the Record of Depositors on 23 February 2022 (General Meeting Record of Depositors) shall be entitled to attend the meeting or appoint proxy to attend and/or vote on his/her behalf.
6. All resolutions as set out in this notice of extraordinary general meeting are to be voted by poll.

Personal Data Privacy

By registering and/or submitting the duly executed Form of Proxy, the member and his/her proxy has consented to the Company and/or its agents/service providers to collect, use and disclose the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the EGM of the Company and any adjournment thereof. The member agrees that he/she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder’s breach of warranty.

Please fold across the lines and close



The Company Secretaries
ASIA FILE CORPORATION BHD.
Registration No.: 199401027510 (313192-P)
170-09-01, Livingston Tower
Jalan Argyll, 10050 George Town
Pulau Pinang, Malaysia

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