

THIS CIRCULAR TO SHAREHOLDERS OF FITTERS DIVERSIFIED BERHAD (“FITTERS” OR THE “COMPANY”) 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.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



FITTERS DIVERSIFIED BERHAD
(Registration No. 198601000595 (149735-M))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

- (I) PROPOSED PRIVATE PLACEMENT OF UP TO 144,149,100 NEW ORDINARY SHARES IN FITTERS DIVERSIFIED BERHAD (“FITTERS”), REPRESENTING APPROXIMATELY 30% OF THE TOTAL NUMBER OF ISSUED SHARES OF FITTERS TO INDEPENDENT THIRD-PARTY INVESTORS TO BE IDENTIFIED AT A LATER DATE**
- (II) PROPOSED ESTABLISHMENT OF A SHARE ISSUANCE SCHEME OF UP TO 15% OF THE TOTAL NUMBER OF ISSUED SHARES OF FITTERS (EXCLUDING TREASURY SHARES, IF ANY) TO THE ELIGIBLE DIRECTORS AND ELIGIBLE EMPLOYEES OF FITTERS AND ITS SUBSIDIARIES**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

TA SECURITIES

AN UNWAVERING COMMITMENT

TA SECURITIES HOLDINGS BERHAD
(Registration No. 197301001467 (14948-M))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting of the Company (“**EGM**”) will be held on a fully virtual basis and entirely via remote participation and voting through live streaming and online remote voting using Remote Participation and Electronic Voting facilities via the online meeting platform at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC: D6A357657).

If you are unable to participate in the EGM and wish to appoint proxy(ies) instead, the appointment of proxy(ies) may be made in a hard copy form and deposited with the Share Registrar of the Company at Boardroom Share Registrars Sdn Bhd, 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia. The hard copy of Form of Proxy must be received by the Company or you may deposit your Form(s) of Proxy by electronic means through the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com> not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof at which the person named in the appointment proposes to vote.

Last date and time for lodging the Form of Proxy	:	Wednesday, 26 January 2022 at 2.00 pm
Date and time of the EGM	:	Friday, 28 January 2022 at 2.00 pm
Online meeting platform of the EGM	:	https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC: D6A357657) provided by Boardroom Share Registrars Sdn Bhd

This Circular is dated 13 January 2022

DEFINITIONS

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

Act	:	Companies Act 2016, as amended from time to time including any re-enactment thereof
AHT	:	AHT Syngas Technology NV
Board	:	Board of Directors of FITTERS
BNM	:	Bank Negara Malaysia
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (198701006854 (165570-W))
Bursa Securities	:	Bursa Malaysia Securities Berhad (200301033577 (635998-W))
By-laws	:	By-laws governing the SIS, as amended, modified and supplemented from time to time in accordance with the provisions of the By-laws, a draft of which is appended in Appendix II of this Circular
Circular	:	This circular to Shareholders in relation to the Proposals
COVID-19	:	Coronavirus disease of 2019
Date of Offer	:	The date of the letter in which an Offer is made by the SIS Committee to the Eligible Persons to participate in the SIS
Directors	:	Directors of the Company for the time being and shall have the meaning ascribed to it in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act 2007 and Director shall be construed accordingly
Effective Date	:	The date on which the SIS shall take effect, following full compliance with all relevant requirements prescribed under the Listing Requirements
EGM	:	Extraordinary general meeting
Eligible Directors	:	Directors (including executive and non-executive Directors, independent or otherwise) of the Group who fulfil the eligibility criteria for participation in the SIS as set out in the By-laws
Eligible Employees	:	Employees of the Group who fulfil the eligibility criteria for participation in the SIS as set out in the By-laws
Eligible Persons	:	Collectively, the Eligible Directors and the Eligible Employees
EPS	:	Earnings per Share
Exercise Price	:	The price at which a Grantee shall be entitled to subscribe for each new Share from the Company upon the exercise of the SIS Options, as specified in the Offer and as may be adjusted in accordance with the provisions of the By-laws
FFB	:	Fresh fruit bunches, being the oil palm fruits which grow in bunches on oil palm trees, from which crude palm oil, palm kernel and crude palm kernel oil are obtained

DEFINITIONS (CONT'D)

FITTERS or the Company	:	FITTERS Diversified Berhad (198601000595 (149735-M))
FITTERS Group or the Group	:	Collectively, FITTERS and its subsidiaries
FITTERS Shares or the Shares	:	Ordinary shares in FITTERS
FNSB	:	Future NRG Sdn Bhd (200801012859 (814147-M)), a wholly-owned subsidiary of FITTERS
FPE	:	Financial period ended / ending, as the case may be
FYE	:	Financial year ended / ending, as the case may be
GP	:	Gross profit
Grantee	:	An Eligible Person who has accepted an Offer in the manner provided in the By-laws
Interested Person	:	A director, major shareholder or chief executive of FITTERS or a holding company of FITTERS
LAT	:	Loss after taxation
LBT	:	Loss before taxation
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	3 January 2022, being the latest practicable date prior to the printing of this Circular
LPS	:	Loss per Share
LTIP	:	The long term incentive plan of the Company which took effect on 11 November 2013 for a period of 5 years and has been extended for another 5 years immediately from the expiry of the first 5 years
Maximum Shares	:	Maximum number of Shares that may be granted under the SIS and shall not in aggregate exceed 15% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point in time during the duration of the SIS
MIDA	:	Malaysian Investment Development Authority
MCO	:	Movement Control Order
MT	:	Metric tonnes
NA	:	Net assets
Offer	:	Written offer of SIS Options at the discretion of the SIS Committee, to an Eligible Person from time to time within the duration of the SIS
PAT	:	Profit after taxation
PBT	:	Profit before taxation

DEFINITIONS (CONT'D)

Placement Shares	:	Up to 144,149,100 new FITTERS Shares to be issued pursuant to the Proposed Private Placement
Proposals	:	Collectively, the Proposed Private Placement and Proposed SIS
Proposed Private Placement	:	Proposed private placement of up to 144,149,100 new FITTERS Shares, representing approximately 30% of the total number of issued shares of the Company to independent third-party investor(s) to be identified later and at an issue price to be determined later
Proposed SIS	:	Proposed establishment of a SIS of up to 15% of the total number of issued Shares (excluding treasury shares, if any)
Record of Depositors	:	A record of securities holders established by Bursa Depository under the rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act, 1991, including the Securities Industry (Central Depositories) Amendment Act, 1998
RM and sen	:	Ringgit Malaysia and sen respectively
Shareholders	:	Registered holders of FITTERS Shares
SIS	:	Share issuance scheme for the granting of the SIS Options to the Eligible Persons to subscribe for new Shares upon the terms as set out in the By-laws, such scheme to be known as "Employees' Share Issuance Scheme"
SIS Committee	:	The committee appointed and authorised by the Board from time to time to administer the SIS in accordance with the By-laws, comprising such number of Directors and/or other persons identified and appointed from time to time by the Board
SIS Options	:	The right of a Grantee to subscribe for new Shares, during the SIS Option Period, at the Exercise Price pursuant to an Offer duly accepted by the Grantee
SIS Option Period	:	The period commencing from the Effective Date and expiring on (i) the last day of the duration of the SIS, or (ii) such other date as stipulated by the SIS Committee in the Offer, or (iii) on the date of termination or expiry of the SIS as provided in the By-laws
TA Securities or the Principal Adviser	:	TA Securities Holdings Berhad (197301001467 (14948-M))
VWAP	:	Volume weighted average price

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

DEFINITIONS (CONT'D)

All references to “you” in this Circular are to the Shareholders.

In this Circular, words referring to the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations, 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 time and date in this Circular shall be a reference to Malaysian time and date, unless otherwise stated. Any discrepancies in the tables between the actual figures, amounts stated and the totals in this Circular are, unless otherwise explained, due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Company’s plans and objectives will be achieved.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

	PAGE
LETTER TO THE SHAREHOLDERS IN RELATION TO THE PROPOSALS:	
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSALS	2
3. UTILISATION OF PROCEEDS	9
4. RATIONALE FOR THE PROPOSALS	12
5. INDUSTRY OVERVIEW, OUTLOOK AND PROSPECTS	13
6. EFFECTS OF THE PROPOSALS	19
7. APPROVALS REQUIRED AND CONDITIONALITY	23
8. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION	23
9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM	24
10. BOARD'S RECOMMENDATION	24
11. ESTIMATED TIMEFRAME FOR COMPLETION	25
12. EGM	25
13. FURTHER INFORMATION	25
APPENDIX I FURTHER INFORMATION	26
APPENDIX II DRAFT BY-LAWS	31
NOTICE OF EGM	ENCLOSED
FORM OF PROXY	ENCLOSED

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



FITTERS DIVERSIFIED BERHAD
(Registration No. 198601000595 (149735-M))
(Incorporated in Malaysia)

Registered Office:

Wisma FITTERS
No. 1, Jalan Tembaga SD 5/2
Bandar Sri Damansara
52200 Kuala Lumpur

13 January 2022

Board of Directors

Dato' Ir. Low Keng Kok (Chairman / Independent Non-Executive Director)
Dato' Sri Gan Chow Tee (Executive Director)
Hoo Swee Guan (Executive Director)
Chan Seng Fatt (Independent Non-Executive Director)
Wong Kok Seong (Independent Non-Executive Director)
Tan Li Sin (Non-Independent Non-Executive Director)

To: The Shareholders

Dear Sir / Madam,

- (I) **PROPOSED PRIVATE PLACEMENT; AND**
- (II) **PROPOSED SIS**

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

1. INTRODUCTION

On 17 December 2021, TA Securities had on behalf of the Board, announced that the Company wishes to undertake the Proposals.

In conjunction with the Proposals, FITTERS intends to terminate the LTIP which took effect on 11 November 2013 for a period of 5 years and has been extended for up to another 5 years immediately from the expiry of the first 5 years. The LTIP which will be expiring on 10 November 2023, in accordance with the by-laws of the LTIP.

According to by-law 19.1 of the by-laws governing the LTIP, the Company may at any time during the duration of the LTIP, terminate the LTIP provided that the Company makes an announcement immediately to Bursa Securities and notify the grantees holding unexercised options granted under the LTIP of the termination. The announcement and notification shall include:

- (i) the effective termination date of the LTIP;
- (ii) the number of options exercised or Shares vested; and
- (iii) the reasons and justification for termination of the LTIP.

As at the LPD, there are no outstanding options under the LTIP and the Board does not intend to grant any options or Shares under the LTIP.

The termination of the LTIP is not subject to any approval from Bursa Securities or the Shareholders. The effective termination date of the LTIP will be determined and announced at a later date by the Board, after obtaining all the relevant approvals for the Proposed SIS. In this respect, the Board intends to terminate the LTIP by first quarter of 2022. Subsequently, the Proposed SIS will be made effective upon termination of the LTIP.

On 5 January 2022, TA Securities had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 3 January 2022, granted its approval for the:

- (i) listing and quotation of the Placement Shares on the Main Market of Bursa Securities; and
- (ii) listing and quotation of up to 15% of the total number of issued Shares to be issued under the Proposed SIS.

The approval of Bursa Securities is subject to the conditions as set out in Section 7 of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH RELEVANT INFORMATION ON THE PROPOSALS AND TO SET OUT THE VIEWS AND RECOMMENDATION OF THE BOARD AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS WHICH WILL BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE EGM AND THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSALS AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Private Placement

2.1.1 Size of placement

As at the LPD, the issued share capital of the Company is RM240,662,077 comprising 480,497,159 Shares (including 12,817,648 treasury shares). As at the LPD, the Company does not have any convertible securities.

Based on the above and assuming treasury shares are resold in the market, the Proposed Private Placement would entail the issuance of up to 144,149,100 Placement Shares, representing approximately 30% of the enlarged total number of issued Shares.

2.1.2 Placement arrangement

The Placement Shares are intended to be placed to independent third-party investor(s) to be identified later. The Placement Shares are not intended to be placed to the following persons:

- (i) Interested Person;
- (ii) a person connected with an Interested Person; or
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The issue price for each tranche of the Placement Shares will be determined separately. The basis of determining the issue price of the Placement Shares will be in accordance with market-based principles.

The Proposed Private Placement may be implemented in one or multiple tranches. The implementation of the placement arrangement in multiple tranches would provide flexibility to the Company to procure interested investors to subscribe for the Placement Shares from time to time.

2.1.3 Ranking of the Placement Shares

The Placement Shares shall, upon allotment, issuance and payment of the issue price, rank equally in all respects with the then existing issued Shares, save and except that the holders of such Placement Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of the Placement Shares.

2.1.4 Listing and quotation of the Placement Shares

The Placement Shares will be listed on the Main Market of Bursa Securities.

2.1.5 Basis and justification of the issue price of the Placement Shares

The issue price of the Placement Shares in each tranche will be determined by the Board after taking into consideration the prevailing market conditions. The issue price shall be fixed at a price based on the 5-day VWAP of FITTERS Shares up to and including the last trading day immediately preceding the price-fixing date, with a discount of not more than 20%. The Board is of the view that the maximum discount of 20% would provide the Company with more flexibility to fix an issue price which is deemed sufficiently attractive to entice subscription by potential investors.

As the Proposed Private Placement may be implemented in several tranches within 6 months, there could potentially be several price-fixing dates and issue prices. The implementation of the Proposed Private Placement in multiple tranches would provide flexibility to FITTERS to procure interested investors to subscribe for the Placement Shares expediently within the period as approved by Bursa Securities.

For illustrative purposes only, based on an illustrative issue price of RM0.28 per Placement Share, the issue price of the Placement Shares would represent a discount of approximately 14.84% to the 5-day VWAP of FITTERS Shares up to and including the LPD of RM0.3288. (Source: Bloomberg).

2.2 Proposed SIS

2.2.1 Details of the Proposed SIS

The Company proposes to establish and implement the Proposed SIS, which involves granting of SIS Options to the Eligible Persons as set out in the By-laws. The SIS Options granted under the SIS shall entitle the Eligible Persons to subscribe for new Shares at the Exercise Price to be determined at a later date.

The Board intends to terminate the LTIP by first quarter of 2022. Subsequently, the Proposed SIS will be made effective upon the termination of the LTIP.

The Proposed SIS will be administered and managed by the SIS Committee in accordance with the terms of the By-laws. The SIS Committee will have the absolute discretion in administering the SIS. Any liberty, power or discretion which may be exercised or any decision or determination which may be made by the SIS Committee pursuant to the By-laws may be exercised at the SIS Committee's sole and absolute discretion having regard to the terms of reference which the Board may establish to regulate and govern the SIS Committee's functions and responsibilities.

2.2.2 Maximum number of Shares available under the SIS

The maximum number of Shares which may be made available under the SIS shall not exceed the Maximum Shares at any point in time during the duration of the SIS.

Notwithstanding the above or any other provisions contained in the By-laws, if the number of new Shares to be issued pursuant to the exercise of the SIS Options granted under the SIS exceeds the Maximum Shares as a result of the Company purchasing its own Shares in accordance with the Act, or the Company undertaking any other corporate proposal and thereby diminishing the total number of issued Shares, then such SIS Options granted prior to the adjustment of such total number of issued Shares (excluding treasury shares, if any) shall remain valid and exercisable in accordance with the provisions of the By-laws.

However, in such a situation, the SIS Committee shall not make any further Offer until the total number of Shares to be issued pursuant to the SIS Options granted or to be granted under the SIS falls below the Maximum Shares at any point in time over the duration of the SIS after such adjustment.

It should be noted that even if the Maximum Shares are granted to the Eligible Persons, the actual number of new Shares to be issued pursuant to the exercise of SIS Options may be lesser in view that not all Grantees under the SIS will exercise their SIS Options in full or at all.

2.2.3 Basis of allotment and maximum allowable allotment of new Shares

Subject to the Maximum Shares and any adjustments which may be made under the By-laws, the total number of SIS Options that may be granted to any 1 category / designation of employment of the Eligible Person shall be determined entirely at the discretion of the SIS Committee after taking into consideration, amongst other factors, the designation, length of service, work performance of the Eligible Persons, and such other factors that the SIS Committee may deem relevant, subject to the following conditions:

- (i) the number of new Shares to be allocated to any Eligible Person who, either singly or collectively through persons connected with such Eligible Person, holds 20% or more of the total number of issued Shares of the Company (excluding treasury shares, if any), does not exceed 10% (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) of the total number of Shares to be issued under the SIS;
- (ii) the number of Shares allocated, in aggregate to the Directors and senior management personnel of the companies in the Group shall not exceed 70%⁽¹⁾ of the total number of Shares to be made available under the SIS. This threshold has been determined by the Company to ensure that there will be sufficient SIS Options to be allocated to other employees of the Group; and
- (iii) the Eligible Persons do not participate in the deliberation or discussion in respect of their own allocation,

provided always that it is in accordance with any prevailing guidelines issued by Bursa Securities, including the Listing Requirements or any other requirements of the relevant authorities as amended from time to time.

Note:

- (1) The basis of arriving at this threshold takes into account the number of Eligible Directors and senior management personnel of FITTERS Group (excluding dormant subsidiaries) who are eligible to participate in the Proposed SIS and was determined after considering that the Eligible Directors and senior management personnel are the key drivers to the growth of the Group's businesses.

This is intended to incentivise the Eligible Directors and senior management for their contribution towards improving the Group's overall financial performance. The Proposed SIS also aims to reward and retain the Eligible Directors and senior management personnel of FITTERS Group (excluding dormant subsidiaries) for their high performance, commitment and loyalty.

The SIS Committee will comprise Directors and/or other persons identified and appointed from time to time by the Board. At this juncture, the composition of the SIS Committee has yet to be decided by the Board.

For the avoidance of doubt, the SIS Committee shall have the sole and absolute discretion in determining whether the Shares available for vesting under this SIS are to be offered to the Grantees via:

- (a) 1 single Offer at a time determined by the SIS Committee; or
- (b) several Offers, where the vesting of the SIS Options comprised in those Offers is staggered or made in several tranches at such times and on such terms and conditions as may be determined by the SIS Committee,

provided always that the aggregate number of new Shares in respect of the Offers granted to any Eligible Person shall not exceed the amount stipulated in Section 2.2.2 and Section 2.2.3(i) of this Circular.

In deciding between (a) and (b) above, the SIS Committee shall consider, amongst others, whether it wishes to provide a one-off reward for the relevant Grantee's contribution to the Group to incentivise the Grantee's continued employment with the Group, or to motivate the relevant Grantee to achieve certain milestones throughout the course of the Grantee's career progression with the Group moving forward.

The SIS Committee also has the discretion to determine, amongst others:

- (aa) whether or not to stagger the Offer over the duration of the SIS for which each Offer shall be separate and independent from the others, including the maximum allocation of the Offer for each financial year in the event the Offer is staggered over the duration of the SIS;
- (bb) the number of SIS Options to be offered in each Offer;
- (cc) whether the SIS Options are subject to any vesting period and if so, the vesting conditions and whether such vesting is subject to performance target; and
- (dd) such other terms and conditions as it shall deem fit and appropriate to be imposed for the participation in the SIS.

No Eligible Person shall participate in the deliberation and/or discussion of their own respective allocations under the SIS.

No performance target has been set for the allocation of SIS Options at this juncture. Notwithstanding this, the SIS Committee may from time to time at its own discretion decide on the performance targets.

The SIS Committee may from time to time at its discretion determine the allocation and granting of the SIS Options to the Eligible Persons based on staggered granting or several tranches over the duration of the Proposed SIS. Nevertheless, the maximum allocation of the Offer for each financial year has yet to be determined by the SIS Committee at this juncture. It will be determined at a later date in the event the Offer is staggered over the duration of the SIS.

2.2.4 Eligibility to participate in the SIS

Only Eligible Persons who fulfil the following conditions on the Date of Offer shall be eligible to participate in the SIS:

- (i) in respect of an employee of the Group, the employee must fulfil the following criteria as at the Date of Offer:
 - (a) he/she is at least 18 years of age and he/she is not an undischarged bankrupt or subject to any bankruptcy proceedings;
 - (b) he/she is employed on the Date of Offer:
 - (aa) on a full-time basis and is on the payroll of any company in the Group (which are not dormant) and his/her employment has been confirmed by any company in the Group (which are not dormant) on the Date of Offer; or
 - (bb) under an employment contract for a fixed duration and has been in the employment of any company in the Group (which are not dormant) for such period as may be determined by the SIS Committee; and
 - (c) such employee falls within any other eligibility criteria that may be determined by the SIS Committee from time to time at its sole discretion, whose decision shall be final and binding;
- (ii) in respect of an Eligible Director, the Eligible Director must fulfil the following criteria as at the Date of Offer:
 - (a) he/she is at least 18 years of age and he/she is not an undischarged bankrupt or subject to any bankruptcy proceedings;
 - (b) he/she has been appointed as a director to the board of directors of any member of the Group which is not dormant; and
 - (c) such director fulfils any other criteria as may be determined by the SIS Committee from time to time at its sole discretion, whose decision shall be final and binding;
- (iii) in respect of a Director or a chief executive of the Company or a holding company of the Company or a person connected with them, the specific allocation of SIS Options under the SIS must have been approved by the Shareholders at a general meeting; and
- (iv) if the employee is employed by a company which is acquired by the Group during the duration of the SIS and becomes a subsidiary whether directly or indirectly held by the Company upon such acquisition, the employee will be eligible to participate in the SIS if the said employee becomes an Eligible Person within the meaning of the By-laws.

The Eligible Person must fulfil any other criteria and/or fall within such category / designation of employment as may be determined by the SIS Committee from time to time at its sole discretion, whose decision shall be final and binding.

Eligibility under the SIS does not confer upon the Eligible Person a claim or right to participate in or any rights whatsoever under the SIS and an Eligible Person does not acquire or have any rights over or in connection with the SIS Options unless an Offer has been made by the SIS Committee to the Eligible Person and the Eligible Person has accepted the Offer in accordance with the terms of the By-laws.

2.2.5 Duration of the Proposed SIS

The SIS shall be in force for a duration of 5 years from the Effective Date, subject to any extension of the SIS as provided under the By-laws.

On or before the expiry of the aforementioned 5 years of the SIS, the Board shall have the discretion, without having to obtain approval of the Shareholders, to extend the duration of the SIS, provided that the initial period of the SIS and such extension of the SIS made pursuant to the By-laws shall not in aggregate exceed 10 years from the Effective Date.

For the avoidance of doubt, no further sanction, approval, consent or authorisation of the Shareholders in a general meeting is required for any such extension. In the event the SIS is extended in accordance with the provision of the By-laws, the SIS Committee shall furnish a written notification to all Grantees and the Company shall make the necessary announcements to Bursa Securities prior to such extension.

The SIS may be terminated by the SIS Committee at any time before its expiry provided that the Company shall make an announcement immediately through Bursa Securities.

In the event of termination of the SIS, the following provisions shall apply:

- (i) no further Offer shall be made by the SIS Committee from the effective date of termination of the SIS ("**Termination Date**");
- (ii) all Offers which have yet to be accepted by the Eligible Person(s) shall automatically lapse on the Termination Date; and
- (iii) all outstanding SIS Options which have yet to be exercised or vested shall be automatically terminated on the Termination Date.

Approval or consent of Shareholders by way of a resolution in a general meeting and written consent of the Grantees whose SIS Options have yet to be exercised or vested are not required to affect the termination of the SIS.

2.2.6 Exercise of SIS Options

Subject to the By-laws, a Grantee shall be allowed to exercise the SIS Options granted to him/her either in whole or in part and in multiples of 100 Shares as the Grantee may be entitled under the SIS Options at any time during the SIS Option Period whilst he/she is in the employment of any company within the Group (which are not dormant).

There will be no restriction to the Grantee on the percentage of SIS Options exercisable by him/her during the SIS Option Period. Notwithstanding this, the SIS Committee may from time to time at its own discretion decide on whether the SIS Options are subject to any vesting period and if so, the vesting conditions and whether such vesting is subject to performance target.

2.2.7 Exercise Price

Subject to any adjustments that may be made in accordance with the By-laws, the Exercise Price shall be based on a price to be determined by the Board upon recommendation of the SIS Committee based on the 5-day VWAP of the Shares immediately preceding the Date of Offer with a discount of not more than 10% during the duration of the SIS. The Exercise Price as determined by the SIS Committee shall be conclusive and binding on the Grantees.

2.2.8 Ranking of the new Shares to be issued pursuant to the exercise of the SIS Options

The new Shares to be issued arising from the exercise of the SIS Options shall, upon allotment, issuance and payment of the Exercise Price, rank equally in all respects with the existing issued Shares, save and except that the holders of such new Shares shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment and issuance of such new Shares.

2.2.9 Retention / restriction of Shares

The new Shares to be allotted and issued to a Grantee (save for an Eligible Director who is a non-executive Director) pursuant to the exercise of a SIS Option under the SIS will not be subject to any retention period or restriction on transfer unless otherwise stated in the Offer as may be determined by the SIS Committee from time to time at its discretion.

Notwithstanding the above, pursuant to Paragraph 8.20 of the Listing Requirements, a Grantee who is a non-executive Director of any company within the Group (excluding any dormant subsidiary) must not sell, transfer or assign his / her Shares obtained through the exercise of the SIS Options offered to him / her pursuant to the SIS within 1 year from the Date of Offer or such period as may be prescribed by Bursa Securities.

2.2.10 Alteration of share capital during the SIS Option Period

In the event of any alteration in the capital structure of the Company during the duration of the SIS Option Period, whether by way of rights issue, bonus issue or other capitalisation issue consolidation or subdivision of Shares or reduction or any other alteration in the capital structure of the Company or otherwise howsoever, the SIS Committee may, at its discretion, determine whether the Exercise Price and/or the number of unexercised SIS Options shall be adjusted and if so, the manner in which such adjustments should be made.

Such adjustments must be confirmed in writing by the external auditors of the Company or an adviser (a person who is permitted to carry on regulated activity of advising corporate finance under the Capital Markets and Services Act, 2007 which includes a principal adviser under the Guidelines on Submission of Corporate and Capital Market Product Proposals issued by the Securities Commission Malaysia), to be in their opinion, fair and reasonable.

2.2.11 Modification, variation and/or amendment to the By-laws

Subject to the compliance with the Listing Requirements and any other relevant authorities, the SIS Committee may at any time recommend to the Board any additions, modifications or amendments to or deletions of the By-laws as it shall at its discretion think fit.

Subject to the By-laws, the approval of the Shareholders in a general meeting shall not be required in respect of the additions or modifications or amendments to or deletion of the By-laws provided that no additions, modifications or amendments or deletions shall be made to the By-laws which will:

- (i) prejudice any rights which would have accrued to any Grantee without the prior consent or sanction of that Grantee; or

- (ii) increase the number of Shares available under the SIS beyond the maximum set out in Section 2.2.2 of this Circular; or
- (iii) alter any matter which is required to be contained in the By-laws by virtue of the Listing Requirements to the advantage of the Eligible Person and/or Grantee.

3. UTILISATION OF PROCEEDS

3.1 Proposed Private Placement

Based on an illustrative issue price of RM0.28 per Placement Share, the gross proceeds to be raised from the Proposed Private Placement are intended to be utilised in the following manner:

Utilisation of proceeds	Expected timeframe for utilisation from completion of the Proposed Private Placement	RM'000
(i) Repayment of borrowings	Within 12 months	19,852
(ii) Working capital for the Group's palm oil mill	Within 12 months	19,910
(iii) Estimated expenses for the Proposals	Immediate	600
Total		(1)40,362

Note:

(1) In the event of any shortfall in the actual amount of proceeds raised from the Proposed Private Placement, the proceeds are intended to be utilised in the following order of priority, up to the respective maximum allocation:

- (i) estimated expenses for the Proposals;
- (ii) repayment of borrowings; and
- (iii) working capital for the Group's palm oil mill.

Any excess in the actual amount of proceeds to be raised from the Proposed Private Placement will be allocated for working capital for the Group's palm oil mill.

(i) Repayment of borrowings

The Group intends to utilise proceeds of RM19.85 million for the repayment of the Group's borrowings. As at the LPD, the total outstanding principal amount of the Group's borrowings stood at approximately RM74.13 million, comprising the following:

Types of borrowings	Interest rate per annum (%)	Balance as at the LPD (RM'million)
Bank acceptances	2.38 – 3.59	13,816
Bank overdrafts	6.32 – 6.76	3,160
Revolving credits	3.60 – 4.66	29,645
Term loans	4.00 – 7.10	27,513
Total		74,134

In the past, the Group has been financing its business operations mainly via bank borrowings as it was of the view that bank borrowings were an expeditious means of procuring funds to meet its business needs. Nonetheless, the Group has been paring down its borrowings over the past 2 years from RM96.03 million as at 31 December 2019 to RM86.38 million as at 31 December 2020.

The Group intends to further reduce its borrowings, so as to relieve its burden of having to constantly meet a high principal and interest repayment. Further, the Group may also realise more interest savings by lowering its total borrowings. Based on an average effective interest rate of 4.47% per annum, the repayment of the bank borrowings amounting to RM19.85 million is expected to result in an annual interest savings of approximately RM0.89 million.

As the Group's overall gearing level decreases, this may potentially allow the Group to have more competitive interest rates for its future bank borrowings. This would also provide greater flexibility for the Group to source for alternative funding in the future when the need arises.

As at the LPD, the Group has yet to determine the type of borrowings which it will repay and the quantum of such repayment as this will depend on the level of proceeds raised by the Group from the Proposed Private Placement. Nonetheless, the Board shall prioritise repayment of bank borrowings with impending maturity followed by the potential interest savings in determining the type of borrowings to be repaid and the quantum of repayment.

Moving forward, the Group may consider other forms of fund-raising including equity fund raising to finance its operations, depending on the capital requirements at the relevant point in time.

(ii) Working capital for the Group's palm oil mill

Under its renewable and waste-to-energy division, the Group owns and operates a palm oil mill in Kuala Ketil, Kedah with a milling capacity of 60MT per hour. The palm oil mill operations have been the Group's largest revenue contributor, contributing more than 35% to the Group's revenue in the last 5 financial years.

The main raw material for the Group's mill operations is FFB, which are supplied from surrounding estates, dealers and smallholders. The profitability of the palm oil mill depends on constant supply of FFB. The Group's purchase of FFB amounted to approximately RM83.57 million and RM93.78 million for FYE 31 December 2019 and FYE 31 December 2020 respectively. For the 12-month FPE 31 December 2021, the purchase of FFB amounted to approximately RM212.43 million.

The prices of FFB have been volatile but had experienced an overall upward trend in the recent 2 years. The Group's purchase prices for FFB have surged from RM600 per MT in January 2020 to RM1,121 per MT in December 2021. This is consistent with the price trends for FFB observed in the Northern region of Peninsular Malaysia, being the location of the Group's palm oil mill. The price of FFB increased from RM599 per MT in January 2020 to RM1,157 per MT in December 2021 (Source: Malaysia Palm Oil Board). This leads to a higher working capital requirement for the Group's palm oil mill.

As such, the Group intends to utilise RM19.91 million from the Proposed Private Placement to fund the working capital for its palm oil mill in the following manner:

Working capital	Percentage allocation (%)	Amount RM'000
Purchase of FFB	85.0	16,924
Other administrative and operating expenses ⁽¹⁾	15.0	2,986
Total	100.0	19,910

Note:

- (1) These include, amongst others, staff costs, rental, utilities, insurance, transportation costs, upkeep of office and day-to-day operating expenses. The actual breakdown of these expenses cannot be determined at this juncture as it will depend on the actual administrative requirements of the Group at the relevant time.

Any shortfall between the actual proceeds raised and the Group's funding requirement for the working capital for the Group's palm oil mill shall be funded via its existing cash and bank balances, bank borrowings and/or future fund-raising exercises to be undertaken (if required).

(iii) Estimated expenses for the Proposals

The breakdown of the estimated expenses for the Proposals are as follows:

Estimated expenses	RM'000
Professional fees ⁽¹⁾	530
Fees to relevant authorities	50
Printing, despatch, advertising and miscellaneous expenses	20
Total	⁽²⁾600

Notes:

- (1) These include advisory fees, placement commission and other professional fees payable to the Principal Adviser, due diligence solicitors, company secretary and share registrar in relation to the Proposals.
- (2) Any shortfall or excess in funds allocated for the estimated expenses will be funded from existing cash and bank balances. Conversely, any surplus of funds following payment of expenses will be utilised in the order as set out in Note 1 of Section 3.1 above.

3.2 Proposed SIS

The proceeds arising from the exercise of the SIS Options will depend on, amongst others, the number of SIS Options granted and exercised at the relevant point in time as well as the Exercise Price. As such, the actual amount of proceeds arising from the exercise of the SIS Options as well as the timeframe for the utilisation of proceeds could not be determined at this juncture.

Nevertheless, the Company intends to utilise the proceeds arising from the exercise of the SIS Options, if any, for the working capital of the Group. The proceeds to be utilised for working capital include, amongst others, purchase of raw materials and general administrative expenses (i.e. staff costs, utilities, professional fees and other overhead expenditures). The proceeds to be utilised for each component of working capital are subject to the operating requirements at the time of utilisation and the timeframe for full utilisation cannot be determined at this juncture.

Pending utilisation of the proceeds to be raised as and when the SIS Options are exercised, the proceeds may be placed in deposits with financial institutions and/or short-term money market instruments. The interest derived from the deposits with financial institutions and/or any gains arising from the short-term money market instruments will be used as additional funds for the working capital requirements of the Group.

4. RATIONALE FOR THE PROPOSALS

4.1 Proposed Private Placement

The Group has not undertaken any equity fund raising exercise since 2014 and has been financing its business operations mainly via bank borrowings, as disclosed in Section 3.1(i) of this Circular. However, the Group has been operating in a challenging business environment, due in part to the onset of the COVID-19 pandemic and rising FFB prices in the recent 2 years. In such an environment, having a higher gearing may place pressure on the financial performance and financial position of the Group. As such, the Group has resolved to undertake the Proposed Private Placement to raise the necessary funding for its business operations.

As detailed in Section 3 of this Circular, the proceeds raised from the Proposed Private Placement will be utilised mainly for repayment of borrowings and working capital for the Group's palm oil mill, which is expected to contribute positively to the earnings of the Group.

The partial repayment of the Group's bank borrowings will allow the Group to benefit from interest savings arising from the lower borrowings. The repayment will also potentially improve the liquidity and financial flexibility of the Group by strengthening its financial position.

After due consideration of the various methods of fund raising, the Board is of the opinion that the Proposed Private Placement is the most appropriate avenue of fund raising at this juncture as it would enable the Group to raise additional funds expeditiously without having to incur interest costs or service principal repayments as compared to bank borrowings. In turn, this allows the Company to preserve its cash flow.

On the other hand, other fund-raising exercises such as a rights issue may not be suitable as it will involve a cash call from existing Shareholders. Moreover, it will also require the Company to identify certain Shareholders to provide irrevocable undertakings to subscribe for a minimum number of rights shares or, alternatively, procure underwriting arrangements (which will incur additional cost), to achieve a minimum subscription level. In addition, a rights issue exercise is likely to take a longer time to complete as compared to a private placement exercise.

4.2 Proposed SIS

The Proposed SIS is established to achieve the following objectives:

- (i) to drive and motivate the Eligible Persons to work towards achieving the Group's goals and objectives;
- (ii) to reward the Eligible Persons in recognition of their contribution to the operations and continued growth of the Group;
- (iii) to retain the Eligible Persons by giving them a sense of ownership, loyalty and belonging to the Group by enabling them to participate directly in the equity of the Company;
- (iv) to align the interests of the Eligible Persons with the interests of the Shareholders by providing an incentive for the Eligible Persons to participate in the future growth of the Group and motivating them towards achieving better performance; and
- (v) to attract and retain high-calibre Eligible Persons.

The non-executive Directors are also eligible to participate in the SIS. This is to recognise their contribution and effort as they play an important role in the business performance of the Group. Their participation in the equity of the Company is expected to enhance their level of commitment and contribution as well as to enable the Company to attract and retain capable individuals to act as non-executive Directors, who will assist in the overall strategic decisions and directions of the Group.

In addition, the LTIP will be expiring in November 2023. The Proposed SIS would provide the Group a fresh 5-year duration as compared to the LTIP, which may be utilised to achieve the objectives as discussed above for only less than 2 years prior to its expiry (from the date of this Circular). As the LTIP took effect on 11 November 2013 (prior to the effective date of the Act on 31 January 2017), the Proposed SIS will allow the Group to implement a share issuance scheme with a new set of by-laws, updated to cater for the no-par value regime under the Act.

Further, the LTIP was only made eligible for executive Directors and employees of the Group. The Proposed SIS would also allow the Group to extend the SIS Options to a larger pool of Eligible Persons including the executive Directors, non-executive Directors and senior management personnel of the companies in the Group.

Hence, the Group intends to undertake the Proposed SIS in place of the LTIP such that the Group has a new avenue to continue rewarding the Eligible Persons and motivate them to achieve better performance in the near future.

4.3 Details of fund-raising exercises undertaken by the Company in the past 12 months

The Company has not undertaken any equity fund-raising exercises in the past 12 months up to LPD.

5. INDUSTRY OVERVIEW, OUTLOOK AND PROSPECTS

5.1 Malaysian economy

The Malaysian economy expanded by 7.1% in the first half of 2021. Growth is expected to continue in the second half of the year, particularly in the fourth quarter, as more economic and social sectors operate at full capacity. The expected growth trajectory aligns with the successful vaccination programme under the National COVID-19 Immunisation Programme (“**PICK**”) and various stimulus and assistance packages to support the people and revitalise the economy. Overall economic growth is expected to expand between 3% and 4% in 2021. Continuation of the packages to combat the COVID-19 will have spillover effects and boost the economy in 2022. Hence, with strong economic fundamentals and a diversified structure, the domestic economy is forecast to expand between 5.5% and 6.5% in 2022. Nevertheless, the favourable outlook is predicated on other factors, including the successful containment of the pandemic, effective PICK implementation, and strong global economic prospects.

(Source: Economic Outlook 2022, Ministry of Finance)

The Malaysian economy experienced renewed demand and supply shocks arising from strict containment measures under the National Recovery Plan (“**NRP**”) 1 during the third quarter of 2021. As a result, the economy contracted by 4.5% (2Q 2021: +16.1%). Economic activity was particularly impacted in July under Phase 1 of the NRP, but subsequently recovered as more states transitioned into Phase 2 with less restrictive containment measures. On the supply side, all economic sectors registered a contraction, particularly the construction sector, which was constrained by operating capacity limits. On the demand side, the restrictions on mobility, especially on inter-district and inter-state travel, has weighed on consumption and investment activity, while continued increase in public sector consumption spending provided some support to overall growth. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a decline of 3.6% (2Q 2021: -1.9%).

Domestic demand declined by 4.1% (2Q 2021: 12.4%) in the third quarter of 2021, as private consumption and investment activities were affected by the imposition of phased restrictions under NRP. On the external front, net exports contracted by 37.5% (2Q 2021: 34.3%) as growth in imports outpaced the growth in exports.

Private consumption declined by 4.2% (2Q 2021: 11.7%), as the stringent containment measures and mobility restrictions weighed on household spending in the first half of the quarter. Similarly, labour market conditions also weakened in the same period with weaker income and employment growth. Nevertheless, various policy measures, including the EPF i-Sinar and i-Citra withdrawals as well as Bantuan Khas COVID-19 (BKC), continued to provide support to affected households.

Public consumption expanded by 8.1% during the quarter (2Q 2021: 9.0%), supported by COVID-19 related expenditure, including vaccine procurement and logistics spending.

Private investment declined by 4.8% (2Q 2021: 17.4%), as the containment measures had constrained firms' operating capacity and affected the realisation of investments, particularly in structures. The impact however, was mitigated by the increase in capital spending for ICT equipment and research and development (R&D), especially as firms in the export-oriented sectors continued to expand their capacity.

Public investment recorded a contraction of 28.9% (2Q 2021: 12.0%). Fixed assets spending by the General Government declined, especially in construction and repairs of buildings and facilities, while capital expenditure by public corporations were lower across all sectors.

(Source: BNM Quarterly Bulletin Vol. 36, No. 3, the Third Quarter of 2021, BNM)

5.2 Overview and outlook of the Malaysian palm oil industry

Like many other commodities, palm oil experienced high prices throughout 2021. Pricing had more than doubled, over the past 18 months, to a record high of US\$1,213.85 a tonne in October 2021. In November and December, however, prices dipped and weighed on 2021's average pricing to US\$1,000 per tonne.

The high prices can be arguably attributed to lower palm oil output. For the most of 2020 and throughout 2021, Malaysia's COVID-19 pandemic-led border closures had starved the country's oil palm estates of many foreign workers who had gone back to their home countries and could not enter Malaysia. The Council of Palm Oil Producing Countries also sees structural changes in the global palm oil supply due to a slowdown in new plantings throughout Indonesia and Malaysia since 2015. With the ageing palm tree profile across both countries, the replanting programme will also temporarily limit palm oil supply in the short to medium term. As agricultural land becomes limited, oil palm replanting is key to boosting palm oil yield across Indonesia and Malaysia. It is important to replant to sustain supply because Indonesia and Malaysia produce about 85% of the world's palm oil needs.

Palm oil production in Indonesia was 6.7% higher in the second quarter of 2021, gathering pace from the 1.5% growth in the first quarter, spurred by better rainfall in 2020. Output in the third quarter of 2021, however, was slightly curbed by floods in Kalimantan, which disrupted oil palm fruit harvesting. In the fourth quarter, Indonesian Palm Oil Association (GAPKI) announced production fell further. Its initial forecast of better oil palm fruit harvest in the second half of 2021 than the first, did not materialise. So, for the full-year, GAPKI revised its palm oil output forecast to 46.6 million tonnes, down 0.9% from 2020.

The Malaysian Palm Oil Board (MPOB) estimated that in 2021 palm oil output in the country will drop to 18.3 million tonnes from 2020's 19.2 million tonnes. Palm oil ending stocks are expected to stay below average levels of 4.0 million tonnes in Indonesia and 2.1 million tonnes in Malaysia.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

Going into 2022, Indonesian palm oil output is expected to recover due to good estate management and no halt of operations supported by the absence of La Nina impact. This, however, is not the case for Malaysia. Since the start of the COVID-19 pandemic in 2020, foreign workers who account for about 75% of the 500,000 harvesters employed on Malaysian palm oil estates could not return due to border restrictions. Analysts forecast Malaysia's plan to bring in 32,000 foreign workers would only likely materialise towards March 2022. Last month's signing of a 5-year memorandum of understanding between the governments of Malaysia and Bangladesh to hire more workers is a step in the right direction.

The second challenge is the high cost of fertiliser. Small farmers are expected to lower fertiliser applications due to sharply increased prices, potentially reducing future years' output. Fertiliser and pesticide prices have surged significantly, resulting from the supply chain's disruption, higher demand, rising freight and input costs. Fertiliser prices such as nitrogen and phosphate rose by 50-80% since mid-2021, while herbicide prices such as glyphosate and glufosinate have more than doubled, due to supply disruptions and costlier raw materials.

High pricing is not the only issue as it is getting difficult to source for supplies. Thus, the sector may again suffer from low fertiliser applications in 2022. Fertiliser cost is another major cost component after labour cost for oil palm producers, which is about 30% to 35% of the ex-mill cost. Companies would continue to feed their oil palm trees this nutrient despite the high price but they may not receive the ordered volume due to supply constraints and uncertain shipment arrangements.

Oil palm planters are highly dependent on imported fertilisers but those in Indonesia have an advantage as local urea production is sufficient to meet the domestic demand. Based on industry sources, the estimated fertiliser imports for 2021 are 60% to 65% of the usual annual requirements. As the logistics bottleneck is unlikely to ease anytime soon, 2022 could see even lower fertiliser imports. Smallholders may be tempted to give less fertiliser to their trees, again. The impact of reduced fertiliser usage back in 2018 and 2019 is showing today as the yield recovery is weaker than normal. As a result, Indonesia and Malaysia may not be able to deliver much output growth in 2022.

(Source: Palm oil supply and demand outlook report 2022, Council of Palm Oil Producing Countries)

5.3 Overview and outlook of the Malaysian oil palm biomass industry

Biomass is the use of natural materials from living or recently-dead organisms for fuel and in industrial production, especially in electricity generation. Malaysia has an estimated production capability in excess of 2400MW from biomass and 410MW from biogas. Based on 2020 data by the Sustainable Energy Development Authority, the country has managed to produce 70.7MW from biomass and 110.6MW from biogas. As a leading agricultural commodity producer in Southeast Asia, Malaysia possesses abundant and readily-available agricultural waste or biomass crops. These include agricultural crops (sugarcane, cassava, and corn); agricultural residues (rice straw, cassava, rhizome, and corncobs); woody biomass (fast-growing trees, wood waste from wood mills, and sawdust); agro-industrial waste (rice husks from rice mills, molasses and bagasse from sugar refineries, and residues from palm oil mills).

Out of all these, oil palm biomass is Malaysia's primary biomass resource. The country has an estimated total of 5.89 million hectares of oil palm plantations, producing a total of approximately 94.7 million tonnes of biomass. Oil palm biomass is derived from a variety of oil palm by-products, including oil palm fronds (OPF) and oil palm trunks (OPT), oil palm empty fruit bunches (OPEFB), palm kernel shells (PKS), mesocarp-fibre (MF), and palm oil mill effluent (POME).

The oil palm biomass industry has been growing at a steady pace over the past few years, thanks to the interest and transition towards using low carbon renewable energy. Many countries such as Japan, PRC, ROK, and European nations have worked towards reducing their dependence on coal or other fossil fuels. For instance, the March 2011 Fukushima disaster saw the Japanese government establish the fourth Strategic Energy Plan for 2030, with explicit policies to reduce nuclear power and fossil resources dependency and expand renewable energy generation. ROK implemented its Renewable Portfolio Standard (RPS) programme in January 2012, requiring the 13 largest power companies to steadily increase the proportion of renewable energy in their total power generation from 2012-2024.

MIDA approved several manufacturing projects with a moderate value of investment in 2020 compared to 2019, mainly from foreign investors from ROK as well as local investors. A total of eight projects with investments of RM250 million was approved in 2020 for the production of oil palm biomass-based products. Domestic investments dominated the industry, bringing in RM214.9 million, or 86 per cent of the total. Overall, these investments were expected to generate a total of 418 employment opportunities.

(Source: Malaysia Investment Performance Report 2020, MIDA)

The Green Technology Master Plan (“**GTMP**”) is fundamentally an outcome of the Eleventh Malaysia Plan (2016-2020) which has earmarked green growth as one of six game changers altering the trajectory of the nation’s growth. The GTMP creates a framework which facilitates the mainstreaming of green technology into the planned developments of Malaysia while encompassing the four pillars set in the National Green Technology Policy i.e. energy, environment, economy and social.

Green technology is cross-sectorial in nature, which presents a solution in balancing the needs for economic development and the country’s responsibility towards the environment. The production and development of green technology offer the opportunity to stimulate economic activities in various sectors, creating jobs and attracting investment.

Green technology also offers the capability of mitigating negative environmental impact resulting from economic activities. There is a growing global need to deal with dangers of climate change, in part through the implementation of green technology. Green technology application provides the solution to realise the country’s commitment to the world.

It is anticipated that by 2030, green businesses will contribute approximately 1.5% to the nation’s GDP or equivalent to RM60 billion from RM7.9 billion in 2013. This projection is supported by Government’s commitment towards realising the green targets, proper execution of policies and monitoring mechanism to keep track of green business performance, increase of exports as well as cooperation from private sectors. This will also contribute to RM94.3 billion of total investment in green technology.

(Source: Green Technology Master Plan Malaysia 2017-2030, Prime Minister’s Office of Malaysia’s government policies dated 12 July 2019)

5.4 Prospects of FITTERS Group

FITTERS Group is mainly involved in (i) provision of fire protection and prevention services; (ii) property development and construction; (iii) renewable and waste-to-energy (consisting palm oil mill operations, biomass / biogas operations and waste treatment operations); and (iv) manufacturing and distribution of HYPRO® PVC-O pipes (water pipes dedicated for the distribution of high-pressure fluids). The palm oil mill operations have been the Group’s largest revenue contributor, contributing more than 35% to the Group’s revenue in the last 5 financial years.

The Group's palm oil mill business has continued to operate throughout the COVID-19 pandemic. The palm oil mill has also received and processed higher crops in the current year due to better crop season. The Board and management are of the view that the business operations of its palm oil mill will continue to thrive as the demand for CPO remains high in Malaysia.

FFB, being the main raw material for the Group's palm oil mill operations, has experienced a price increase in the recent 2 years. Following this, the Group has resolved to undertake the Proposed Private Placement to raise the necessary funds to be used as working capital for its palm oil mill. The management also intends to pare down the Group's borrowings to lower its overall gearing level. Following thereto, the Group hopes to remain resilient in the face of any adversities and be ready to explore new business opportunities in the future.

Further, the management has also accomplished the following for its other business segments which include, amongst others:

- (i) completed the provision of fire protection and prevention services for projects such as KLCC Lot C, Menara Telekom and Genting Sky Casino and Mall;
- (ii) awarded a project management and construction project valued at RM97.8 million in Taman Putra to construct 2-storey and 3-storey terrace houses. Phase 1 of the construction has been completed in July 2020. Following this, the Company has been awarded a RM81.5 million contract as a continuation of the second phase of the same project. As at the LPD, Phase 2 is still ongoing with approximately 13% of the construction works completed and is expected to be completed by June 2023; and
- (iii) participation in several open tender exercises for the distribution of HYPRO® PVC-O pipes. In this respect, the relevant authorities are in the midst of awarding tender for the work packages which include projects such as pipe rehabilitation programme and rural water supply projects.

Following the above, the management is cautiously optimistic about the Group's future prospects.

5.5 Impact of COVID-19 on the operations and financial performance of the Group

While the Group's palm oil mill business was not affected by the COVID-19 pandemic, the other business segments of the Group has experienced the following due to the MCO imposed by the Government of Malaysia:

- (i) the fire protection and prevention services sector of the Group, being dependent on building and construction activities had experienced delay in work progress and certification of work done;
- (ii) property development and construction segment has experienced slowdown in the work progress following a reduction in foreign workers employed for the Group's projects amid the imposition of the containment measures to address the COVID-19 pandemic; and
- (iii) the Group has implemented various measures (such as sanitising its premises, screening tests and purchase of personal protective equipment) to reduce the risks of the spread of COVID-19 and to safeguard its employees. These additional costs which are borne by the Group, are not more than RM150,000.

Nevertheless, the Group is of the view that the COVID-19 pandemic will not have a material adverse impact on its prospects in Malaysia in the long run. This view takes into consideration the gradual recovery of Malaysia's economy underpinned by key growth drivers including continued improvement in global growth, reopening of the domestic economy and increased sentiments to support consumer spending, as well as various stimulus measures including fiscal, monetary and financial.

5.6 STEPS UNDERTAKEN OR TO BE UNDERTAKEN TO IMPROVE THE FINANCIAL CONDITION OF THE GROUP

FITTERS Group is mainly involved in (i) provision of fire protection and prevention services; (ii) property development and construction; (iii) renewable and waste-to-energy division; and (iv) manufacturing and distribution of HYPRO® PVC-O pipes.

In recent years, the Group has undertaken several initiatives to improve its financial condition as set out below:

- (i) From 23 April 2021 to 12 May 2021, FNSB had disposed its entire equity interest in AHT comprising 600,000 shares in AHT representing 31% of the total issued share capital of AHT for a total consideration of Euro 3,277,246.61 (approximately RM16.14 million based on the bank correspondence daily exchange rate) in the open market on the Stock Exchange of Frankfurt. Following this, FITTERS Group has recorded a gain on disposal of RM16.14 million; and
- (ii) On 9 June 2021, Molecor (Sea) Sdn Bhd ("**Molecor**") (a 72.27%-owned subsidiary of FITTERS) had received a letter of acceptance for the Central Purchase Contract from Pengurusan Aset Air Sdn Bhd ("**PAAB**") for the supply of Molecor's HYPRO® PVC-O pipes ("**Contract**"). Under the Contract, Molecor will supply its HYPRO® PVC-O pipes to PAAB for a period of 24 months, commencing on 1 July 2021 ("**Contract Period**"). There is no specific total contract sum mentioned in this Contract. The Contract only specified the unit price of HYPRO® PVC-O pipes. Hence, the total value of the Contract will depend on the actual quantity of the product to be supplied to PAAB during the Contract Period.

The Group will continue to explore collaboration opportunities with potential business partners and alliances to jointly tender and undertake future projects. Such strategic partnerships or alliance would increase chances of securing projects and enable the Group to enhance its operating and financial position. The Board is of the opinion that the Group's strategies are expected to improve the financial position of the Group.

5.7 IMPACT OF THE PROPOSED PRIVATE PLACEMENT AND VALUE CREATION TO THE GROUP AND ITS SHAREHOLDERS

The Proposed Private Placement will enable the Group to raise funds without incurring additional interest expense, thereby minimising cash flows commitment in respect of interest servicing which will preserve the Group's cash flows.

Notwithstanding the above, the consolidated EPS / LPS of the Group is expected to be diluted as a result of the increased number of Shares arising from the Proposed Private Placement. The effects of the Proposed Private Placement on the share capital, NA and gearing, earnings and EPS, substantial Shareholders' shareholdings of the Group are set out in Section 6 of this Circular.

With the injection of new funds, the Company will be able to finance the proposed utilisation set out in Section 3 of this Circular, without having to incur interest costs or service principal repayments as compared to bank borrowings. In turn, this allows the Company to preserve its cash flow.

Further, the proceeds from the Proposed Private Placement will provide the Group with the necessary funds for the repayment of borrowings and aid the Group to meet its immediate working capital requirements for its palm oil mill.

5.8 ADEQUACY OF THE PROPOSED PRIVATE PLACEMENT IN ADDRESSING THE COMPANY'S FINANCIAL REQUIREMENTS

Premised on Sections 5.6 and 5.7 above as well as the effects of the Proposed Private Placement as set out in Section 6 of this Circular, the Board is of the view that the Proposed Private Placement is adequate to address the Group's financial requirements at this juncture. Notwithstanding this, the Group will continue to explore other suitable funding proposals for its long-term funding requirements.

As set out in Section 3 of this Circular, the proceeds from the Proposed Private Placement will be used to provide the Group with the necessary funds for repayment of borrowings and working capital for its palm oil mill. This will enable the Group to pare down the borrowings which will in turn lower the Group's overall gearing level. In addition, this will also resolve the Group's funding requirements of working capital for its palm oil mill and ensure constant supply of raw materials to the mill.

All of the aforementioned initiatives are aimed to improve the financial condition of the Group. The Group will continuously explore other measures to improve its financial performance / financial condition including acquisitions and/or investments in any suitable and complementary businesses and/or assets. Such acquisitions and/or investments may include, amongst others, businesses and/or assets in the industry which the Group is involved in.

6. EFFECTS OF THE PROPOSALS

6.1 Issued share capital

The pro-forma effects pursuant to the Proposals on the issued share capital of the Company as at the LPD is as follows:

	No. of Shares	Share capital (RM)
Issued share capital as at the LPD (excluding treasury shares)	467,679,511	236,750,100
Assuming treasury shares are resold in the market	12,817,648	3,911,977
Enlarged issued share capital	480,497,159	240,662,077
To be issued pursuant to the Proposed Private Placement ⁽¹⁾	144,149,100	40,361,748
Enlarged issued share capital after the Proposed Private Placement	624,646,259	281,023,825
To be issued assuming full exercise of SIS Options ⁽²⁾	93,696,900	29,046,039
Enlarged issued share capital after full exercise of the SIS Options	718,343,159	310,069,864

Notes:

- (1) Based on an illustrative issue price of RM0.28 per Placement Share.
- (2) Assuming all the SIS Options are exercised into new FITTERS Shares at the illustrative exercise price of RM0.31 per new FITTERS Share, which represents a discount of approximately 5.72% to the 5-day VWAP of FITTERS Shares up to and including the LPD of RM0.3288.

6.2 NA and gearing

The pro forma effects of the Proposals on the NA and gearing of the Group are as follows:

	Audited as at 31 December 2020 (RM'000)	(I) Assuming treasury shares are resold in the market ⁽¹⁾ (RM'000)	(II) After (I) and the Proposed Private Placement ⁽²⁾ (RM'000)
Share capital	240,662	240,662	281,024
Treasury shares	(3,912)	-	-
Other reserves	35,996	35,996	35,996
Retained earnings	84,515	84,515	83,915
Shareholders' equity / NA	357,261	361,173	400,935
Non-controlling interests	10,266	10,266	10,266
Total equity	367,527	371,439	411,201
No. of Shares in issue (excluding treasury shares) ('000)	467,680	480,497	624,646
NA per Share (RM)	0.76	0.75	0.64
Total borrowings (RM'000)	86,383	86,383	66,531
Gearing (times)	0.24	0.23	0.16

Notes:

- (1) Assuming all treasury shares are resold in the open market at their respective acquisition cost.
(2) Based on an illustrative issue price of RM0.28 per Placement Share and after deducting estimated expenses to be incurred in relation to the Proposals of RM0.60 million.

The Proposed SIS is not expected to have an immediate effect on the NA and gearing of the Group until such time when the SIS Options granted under the SIS are exercised. Any potential effects on the NA and gearing of the Group will depend on the number of new Shares to be issued upon the exercise of the SIS Options granted under the SIS and the Exercise Price.

For illustrative purposes, upon exercise of the SIS Options, the NA per Share is expected to:

- (i) increase if the Exercise Price is higher than the NA per Share; or
(ii) decrease if the Exercise Price is lower than the NA per Share,

at the point of the SIS Options being exercised.

Any potential effect on the NA and gearing of the Group in the future will depend on the number of SIS Options granted and exercised, the Exercise Price and the non-cash expenses arising from the granting of the SIS Options under Malaysian Financial Reporting Standards 2 ("MFRS 2"). The quantum of such impact cannot be determined at this juncture as it will be measured at the date of granting the SIS Options. Further information on this is set out in Section 6.4.2 of this Circular.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

6.3 Substantial Shareholders' shareholdings

The proforma effects of the Proposed Private Placement on the substantial Shareholders' shareholding in the Company based on the register of substantial Shareholders as at the LPD are as follows:

Substantial Shareholders	As at the LPD		(i) Assuming treasury shares are resold in the market		(ii) After (i) and the Proposed Private Placement	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
	No. of Shares	(1)% No. of Shares	(2)% No. of Shares	(2)% No. of Shares	(3)% No. of Shares	(3)% No. of Shares
Dato' Ir. Ho Shu Keong	25,499,218	5.45	25,499,218	5.31	25,499,218	4.08
Dato' Sri Dr Pang Chow Huat	48,049,800	10.27	48,049,800	10.00	48,049,800	7.69
Cita Realiti Sdn Bhd	34,750,201	7.43	34,750,201	7.23	34,750,201	5.56

Notes:

(1) Based on the issued share capital of 467,679,511 FITTERS Shares (after excluding 12,817,648 treasury shares) as at the LPD.

(2) Based on the enlarged share capital of 480,497,159 FITTERS Shares.

(3) Based on the enlarged share capital of 624,646,259 FITTERS Shares.

The Proposed SIS are not expected to have any immediate effect on the substantial Shareholders' shareholdings in the Company until and unless new Shares are issued pursuant to the exercise of the SIS Options. Any potential effect on the substantial Shareholders' shareholdings in the Company would depend on the number of new Shares to be issued at the relevant point in time.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

6.4 Earnings and EPS

6.4.1 Proposed Private Placement

The Proposed Private Placement is not expected to have an immediate material effect on the EPS of the Company, save for the dilution to EPS due to the increase in the number of Shares pursuant to the issuance of Placement Shares.

Although the EPS will be diluted due to the increase in the number of Shares, the Proposed Private Placement is expected to contribute positively to the earnings of the Company thereafter in view of the utilisation of proceeds as set out in Section 3 of this Circular.

6.4.2 Proposed SIS

The Proposed SIS is not expected to have any immediate material effect on the earnings and EPS of the Group until such time when the SIS Options are granted and exercised. Any potential effect on the EPS of the Group in the future will depend on the number of SIS Options granted and exercised, the Exercise Price and the non-cash expenses arising from the granting of the SIS Options under MFRS 2.

The quantum of such impact cannot be determined at this juncture as it will be measured at the date of granting the SIS Options based on, amongst others, the share price volatility, risk-free interest rate and pricing model. The fair value of the SIS Options will be recognised as an expense in the profit or loss account of the Group over the vesting period of the SIS Options. However, it should be noted that the estimated cost does not represent a cash outflow by the Group as it is merely an accounting treatment.

The Board takes note of the potential impact of MFRS 2 on the Group's future earnings and shall take into consideration such impact in the allocation and granting of SIS Options to the Eligible Persons.

6.5 Convertible securities

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

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

7. APPROVALS REQUIRED AND CONDITIONALITY

The Proposals are subject to the following approvals being obtained:

- (i) the approval of Bursa Securities for the:
 - (a) listing and quotation of the Placement Shares on the Main Market of Bursa Securities; and
 - (b) listing and quotation of up to 15% of the total number of issued Shares to be issued under the Proposed SIS,

which has been obtained via its letter dated 3 January 2022, subject to amongst others, the following conditions:

Conditions		Status of compliance
(i)	FITTERS and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposals;	To be met
(ii)	FITTERS and TA Securities are required to inform Bursa Securities upon completion of the Proposed Private Placement;	To be met
(iii)	TA Securities is required to submit a confirmation to Bursa Securities of full compliance of the Proposed SIS pursuant to Paragraph 6.43(1) of the Listing Requirements and stating the effective date of the implementation together with a certified true copy of the resolution passed by the shareholders in general meeting approving the Proposed SIS; and	To be met
(iv)	FITTERS and TA Securities are required to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement is completed.	To be met

- (ii) the approval of Shareholders at the forthcoming EGM; and
- (iii) the approvals / consents of any other relevant authorities and/or parties, if required.

The Proposed Private Placement and Proposed SIS are not inter-conditional.

The Proposed SIS is conditional upon the effective termination of the LTIP.

Save as disclosed above, the Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.

8. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the LTIP, there are no other corporate exercises / schemes which have been announced by the Company but pending completion as at the date of this Circular.

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

9.1 Proposed Private Placement

None of the Directors, major Shareholders, chief executive and/or persons connected to them have any interest, direct or indirect, in the Proposed Private Placement in view that the Placement Shares to be issued will be placed out to third party investors.

9.2 Proposed SIS

All the Directors and chief executive are deemed interested in the Proposed SIS by virtue of their eligibility for the Proposed SIS in their capacity as Directors and in respect of their allocations as well as allocations to persons connected to them under the Proposed SIS.

Saved as disclosed below, none of the Directors, chief executive and persons connected with them have any interest in the Company as at the LPD:

Director	Direct		Indirect	
	No. of Shares	(1)%	No. of Shares	(1)%
Dato' Ir. Low Keng Kok	1,535,607	0.33	-	-

Note:

(1) Computed based on 467,679,511 FITTERS Shares (after excluding 12,817,648 treasury shares) as at the LPD.

As the Board is desirous to allocate the SIS Options to the Directors, each of the Directors will abstain from all Board deliberations and voting in respect of allocation of the SIS Options to themselves as well as the allocations to any persons connected to them.

Further, each of the Directors and chief executive will abstain from voting, in respect of their direct and/or indirect shareholdings in the Company, if any, on the resolutions pertaining to their respective allocation of the SIS Options as well as the allocations to any persons connected to them under the Proposed SIS at the forthcoming EGM.

Each of the Directors and chief executive will ensure that persons connected to them will abstain from voting in respect of their direct and/or indirect shareholdings, if any, on the resolutions pertaining to their respective allocation of the SIS Options as well as the allocations to any persons connected to them under the Proposed SIS at the forthcoming EGM.

10. BOARD'S RECOMMENDATION

The Board, having considered all aspects of the Proposals, including but not limited to the rationale and effects of the Proposals, is of the opinion that the Proposals are in the best interests of the Company.

Accordingly, the Board recommends that the Shareholders vote in favour of the resolution pertaining to the Proposals to be tabled at the forthcoming EGM.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

11. ESTIMATED TIMEFRAME FOR COMPLETION

Subject to all relevant approvals being obtained, the Proposals are expected to be completed by the second quarter of 2022.

The tentative timeline for the implementation of the Proposals is as follows:

Date	Events
28 January 2022	EGM for the Proposals
February 2022	Effective Date
June 2022	Listing and quotation of the Placement Shares and completion of the Proposed Private Placement

12. EGM

The Notice of EGM together with the Administrative Guide are available on the Company's website at <http://www.fittersgroup.com>. The EGM will be held on a fully virtual basis and entirely through live streaming and online remote voting using Remote Participation and Electronic Voting facilities via the online meeting platform at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC: D6A357657) on Friday, 28 January 2022 at 2.00 p.m., or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the ordinary resolutions pertaining to the Proposals as described herein.

If you are unable to participate at the EGM and wish to appoint proxy(ies) instead, the appointment of proxy(ies) may be made in a hard copy form and deposited with the Share Registrar of the Company at Boardroom Share Registrars Sdn Bhd, 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia. Alternatively, you may deposit your Form(s) of Proxy by electronic means through the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>.

The Form of Proxy must be received by the Company not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof at which the person named in the appointment proposes to vote.

The lodging of Form of Proxy does not preclude you from attending and voting in person should you subsequently decide to do so.

Shareholders are advised to refer to the Administrative Guide for the EGM on the registration and voting process for the EGM.

13. FURTHER INFORMATION

You are advised to refer to the Appendices of this Circular for further information.

Yours faithfully,
For and on behalf of the Board of
FITTERS DIVERSIFIED BERHAD

HOO SWEE GUAN
Executive Director

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and the Directors, collectively and individually, accept full responsibility for the completeness and accuracy of the information contained in this Circular. They 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, the omission of which would make any statement in this Circular false or misleading.

2. CONSENT AND CONFLICT OF INTEREST

TA Securities, being the Principal Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which it appears in this Circular.

TA Securities has confirmed that there is no conflict of interest that exists or any circumstances which would or is likely to give rise to a possible conflict of interests in relation to its role as the Principal Adviser for the Proposals.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**Material commitments**

As at the LPD, the Board confirmed that there are no material commitments incurred or known to be incurred by the Group that have not been provided for, which upon becoming due or enforceable, may have a material impact on the financial position or financial performance of the Group.

Contingent liabilities

As at the LPD, the Board confirmed that there are no contingent liabilities incurred or known to be incurred by the Group which, upon becoming due or enforceable, may have a material impact on the financial position or financial performance of the Group.

4. MATERIAL LITIGATION

Save as disclosed below, FITTERS Group is not involved in any material litigation, claims or arbitration and the Board confirmed that there are no proceedings pending or threatened involving the FITTERS Group, or of any facts likely to give rise to any such proceedings as at the LPD:

On 30 August 2021, FNSB had received a sealed Writ and Statement of Claim from AHT through its solicitors claiming for an alleged total sum of Euro 1.78 million, premised upon a non-binding head of agreement and a purported oral agreement.

FITTERS has appointed Messrs Raja Eleena Siew Ang & Associates to act for FNSB to refute AHT's allegations and to defend FNSB against AHT's claims.

FNSB has entered its defence and counterclaim on 15 December 2021. AHT has been directed to file their reply and defence to counterclaim on or before 15 January 2022. The next case management is fixed on 19 January 2022 before the learned Senior Assistant Registrar, Puan Nur Alia Binti A. Rahman.

The Board is of the view that FNSB has a fair chance to oppose AHT's claims as AHT's claims are not substantiated and there was no Purchase Agreement signed.

APPENDIX I – FURTHER INFORMATION (CONT'D)

5. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of FITTERS Shares as transacted on Bursa Securities for the past 12 months preceding the date of this Circular are as follows:

	High	Low
	RM	RM
2021		
January	0.255	0.215
February	0.235	0.210
March	0.255	0.215
April	0.235	0.220
May	0.440	0.230
June	0.375	0.275
July	0.400	0.295
August	0.395	0.310
September	0.430	0.320
October	0.465	0.375
November	0.520	0.340
December	0.370	0.285
Last transacted market price on 16 December 2021, being the last market day immediately prior to the announcement of the Proposals	0.315	
Last transacted market price on the LPD	0.350	

(Source: Bloomberg)

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

APPENDIX I – FURTHER INFORMATION (CONT'D)

6. HISTORICAL FINANCIAL INFORMATION OF FITTERS GROUP

	Audited			Unaudited 9-month	
	FYE 31 December 2018	FYE 31 December 2019	FYE 31 December 2020	FPE 30 September 2020	FPE 30 September 2021
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	350,733	263,004	215,713	164,633	220,994
Cost of sales	(293,299)	(222,014)	(203,156)	(152,368)	(210,014)
GP	57,434	40,990	12,557	12,265	10,980
Other income	4,792	6,262	6,708	4,443	2,246
Administrative expenses	(33,878)	(31,095)	(28,641)	(19,913)	(23,653)
Net reversal of impairment losses / (impairment losses) of financial assets	(2,301)	(2,099)	252	(12)	(5,000)
Gain on disposal of investment in associate company	-	-	-	-	16,142
Operating (loss) / profit	26,047	14,058	(9,124)	(3,217)	715
Finance costs	(6,081)	(5,123)	(3,763)	(3,080)	(1,969)
PBT / (LBT)	19,966	8,935	(12,887)	(6,297)	(1,254)
Taxation	(6,693)	(4,436)	(3,342)	(2,139)	(650)
PAT / (LAT)	13,273	4,499	(16,229)	(8,436)	(1,904)
PAT / (LAT) attributable to:					
- owners of the Company	14,588	4,685	(13,077)	(6,469)	551
- non-controlling interests	(1,315)	(186)	(3,152)	(1,967)	(2,455)
GP margin (%)	16.38	15.59	5.82	7.45	4.97
PAT / (LAT) margin (%)	3.78	1.71	(7.52)	(5.12)	(0.86)
Weighted average no. of Shares in issue ('000)	445,276	468,474	462,247	460,285	467,680
Basic EPS / (LPS) (sen)	3.28	1.00	(2.83)	(1.41)	0.12

Financial commentary

(a) 9-month FPE 30 September 2021 compared to 9-month FPE 30 September 2020

The Group's revenue for the 9-month FPE 30 September 2021 increased by 34.23% to RM220.99 million as compared to the previous corresponding financial period. The increase in revenue was mainly due to the increase in revenue from renewable and waste-to-energy division by RM77.84 million to RM168.39 million (FYE 30 September 2020: RM90.55 million).

However, the increase in revenue was partially offset by the revenue from fire protection and prevention services division, which decreased by RM22.31 million to RM45.86 million (FYE 30 September 2020: RM68.17 million).

The Group recorded a lower GP of RM10.98 million (GP margin of 4.97%) for the 9-month FPE 30 September 2021 as compared to a GP of RM12.27 million (GP margin of 7.45%) in the previous corresponding financial period. The decrease in GP was mainly due to competition in the fire protection and prevention services market which resulted in a lower trading sales and margin.

APPENDIX I – FURTHER INFORMATION (CONT'D)

The Group recorded a LAT of RM1.90 million for the 9-month FPE 30 September 2021 as compared to a LAT of RM8.44 million in the previous corresponding financial period. The lower LAT was mainly due to the one-off gain on disposal of investment associate company of RM16.14 million.

However, the lower LAT was partially offset by the following:

- (i) increase in impairment loss on receivables by RM4.99 million to RM5.00 million (FYE 30 September 2020: RM0.01 million) mainly due to write-off of a receivable of the Group;
- (ii) increase of legal and professional costs by RM2.02 million to RM2.37 million (FYE 30 September 2020: RM0.35 million) mainly due to provision for a legal case amounting to RM1.70 million; and
- (iii) decrease of interest income by RM1.98 million to RM0.72 million (FYE 30 September 2020: RM2.70 million) mainly due to change in interest rates chargeable to a receivable effective January 2021.

(b) FYE 31 December 2020 compared to FYE 31 December 2019

The Group's revenue for the FYE 31 December 2020 decreased by 17.98% to RM215.71 million as compared to the previous financial year. This was mainly due to the following:

- (i) the revenue from property development and construction division decreased by RM29.80 million to RM8.75 million (FYE 30 September 2019: RM38.55 million); and
- (ii) the revenue from HYPRO® PVC-O pipes manufacturing and distribution division decreased by RM24.44 million to RM2.66 million (FYE 30 September 2019: RM27.10 million).

However, the decrease in revenue was partially offset by the revenue from renewable and waste-to-energy division which increased by RM8.80 million to RM111.24 million (FYE 30 September 2019: RM102.44 million).

The Group recorded a lower GP of RM12.56 million (GP margin of 5.82%) for the FYE 31 December 2020 as compared to a GP of RM40.99 million (GP margin of 15.59%) in the previous financial year. The decrease in GP was mainly due to the following:

- (i) lower revenue as set out above;
- (ii) performance of the palm oil mill was affected by shortage of FFB supply which then led to increase in FFB prices in the area where the palm oil mill is located; and
- (iii) delay in the work commencement of Taman Putra Phase 2 project due to COVID-19 pandemic.

The Group recorded a LAT of RM16.23 million for the FYE 31 December 2020 as compared to a PAT of RM4.50 million in the previous financial year. The LAT recorded was mainly due to the following:

- (i) lower GP as set out above; and
- (ii) increase in impairment loss on property, plant and equipment by RM3.71 million to RM5.31 million (FYE 31 December 2019: RM1.60 million) due to reassessment of future economic benefit of a gasifier plant.

APPENDIX I – FURTHER INFORMATION (CONT'D)

(c) FYE 31 December 2019 compared to FYE 31 December 2018

The Group's revenue for the FYE 31 December 2019 decreased by 25.01% to RM263.00 million as compared to the previous financial year. This was mainly due to the following:

- (i) the revenue from property development and construction division decreased by RM48.47 million to RM38.55 million (FYE 31 December 2018: RM87.02 million); and
- (ii) the revenue from renewable and waste-to-energy division decreased by RM31.59 million to RM102.44 million (FYE 31 December 2018: RM134.03 million).

The Group recorded a lower GP of RM40.99 million (GP margin of 15.59%) for the FYE 31 December 2019 as compared to a GP of RM57.43 million (GP margin of 16.38%) in the previous financial year. The decrease in GP was mainly due to lower revenue as set out above and competition in the fire protection and prevention services market which resulted to a lower margin.

The Group recorded a PAT of RM4.50 million for the FYE 31 December 2020 as compared to a PAT of RM13.27 million in the previous financial year. The lower PAT recorded was mainly due to lower GP as set out above.

However, the lower PAT was partially offset by the following:

- (i) decrease of selling and distribution costs by RM0.89 million to RM2.70 million (FYE 31 December 2018: RM3.59 million) in tandem with the decrease in revenue;
- (ii) increase of interest income by RM0.67 million to RM3.57 million (FYE 31 December 2018: RM2.90 million); and
- (ii) decrease of income tax expenses by RM2.26 million to RM4.44 million (FYE 31 December 2018: RM6.69 million).

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at Wisma FITTERS, No. 1, Jalan Tembaga SD 5/2, Bandar Sri Damansara, 52200 Kuala Lumpur during normal business hours from Monday to Friday (except public holidays) for the period from the date of this Circular up to and including the date of the EGM:

- (i) Constitution of the Company;
- (ii) audited consolidated financial statements of the Company for the FYE 31 December 2019 and FYE 31 December 2020 as well as the unaudited consolidated financial statements of the Company for the 9-month FPE 30 September 2021;
- (iii) letter of consent referred to in Section 2 of this Appendix I;
- (iv) draft By-laws as set out in Appendix II of this Circular; and
- (v) the relevant cause paper in respect of the material litigation as set out in Section 4 of Appendix I above.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

**THE BY-LAWS OF
FITTERS DIVERSIFIED BERHAD
SHARE ISSUANCE SCHEME**

1. NAME OF SCHEME

This Scheme shall be called the “FITTERS’ Share Issuance Scheme” (“**Scheme**”).

2. OBJECTIVES OF SCHEME

The objectives of the Scheme (as defined herein) are:

- (i) to drive and motivate the Eligible Persons (as defined herein) to work towards achieving the Group’s (as defined herein) goals and objectives;
- (ii) to reward the Eligible Persons in recognition of their contribution to the operations and continued growth of the Group;
- (iii) to retain the Eligible Persons by giving them a sense of ownership, loyalty and belonging to the Group by enabling them to participate directly in the equity of the Company (as defined herein);
- (iv) to align the interests of the Eligible Persons with the interests of the Shareholders (as defined herein) by providing an incentive for the Eligible Persons to participate in the future growth of the Group and motivating them towards achieving better performance; and
- (v) to attract and retain high-calibre Eligible Persons.

3. DEFINITIONS AND INTERPRETATION

3.1 In these By-Laws, the following terms and expressions shall have the following meanings:

- “**Act**” - The Companies Act, 2016 as may be amended from time to time and includes any re-enactment thereof or any new act enacted and gazetted to replace and supersede the Act
- “**Available Balance**” - The unissued shares of the Company which is available for the offer of further SIS Options subject to the limit set out in **By-Law 4.2** and after deducting all SIS Options which have been offered and accepted
- “**Board**” - The Board of Directors of the Company
- “**Bursa Securities**” - **BURSA MALAYSIA SECURITIES BHD** [Registration No. 200301033577 (635998-W)]
- “**By-Law(s)**” - The rules, terms and conditions of the Scheme (as may be amended, varied or supplemented from time to time in accordance with **By-Law 22**)
- “**CDS**” - A Central Depository System governed under the Security Industry (Central Depositories) Act 1991

APPENDIX II – DRAFT BY-LAWS (CONT'D)

- “CDS Account” - An account established by **BURSA MALAYSIA DEPOSITORY SDN BHD** [Registration No. 198701006854 (165570-W)] for a depositor for the recording of deposits of securities and dealings in such securities by the depositor
- “Constitution” - The Constitution of the Company, as amended from time to time
- “Date of Acceptance” of - The date whereupon the SIS Committee shall receive the written notice from an Eligible Person accepting an Offer
- “Date of Expiry” - The last day of the duration of the Scheme as provided in **By-Law 19.3**
- “Date of Offer” - The date on which an Offer (including any subsequent Offers) is made by the SIS Committee to an Eligible Person in the manner provided in **By-Law 7**
- “Director(s)” - Directors (either an executive director or a non-executive director) of any company within the Group (excluding dormant subsidiaries) and ‘Director’ shall be construed accordingly
- “Effective Date” - The effective date for the launching and/or implementation of the Scheme, as provided in **By-Law 19.1**
- “Eligible Director(s)” - Director(s) who fulfils the conditions of eligibility stipulated in **By-Law 5.1**
- “Eligible Employee(s)” - Employee(s) who fulfils the conditions of eligibility stipulated in **By-Law 5.1**
- “Eligible Person(s)” - Eligible Employee(s) or Eligible Director(s), as the case may be
- “Entitlement Date” - The date as at the close of business on which shareholders’ names must appear on the Record of Depositors of FITTERS in order to participate in any dividends, rights, allotments or other distributions
- “Employee(s)” - A natural person which is employed by and on the payroll of any company in the Group
- “FITTERS” or “Company” - **FITTERS DIVERSIFIED BHD** [Registration No. 198601000595 (149735-M)]
- “FITTERS Group” or “Group” - Collectively, the Company and its subsidiaries (as defined under Section 4 of the Act which are not dormant. Subsidiaries shall include subsidiaries which are existing as at the Effective Date and subsidiaries which are incorporated or acquired at any time during the duration of the Scheme, but exclude any subsidiaries which have been divested in the manner provided under **By-Law 17.2**)

APPENDIX II – DRAFT BY-LAWS (CONT'D)

- “**FITTERS Share(s)**” or “**Share(s)**” - Ordinary share(s) in the Company
- “**Grantee**” - An Eligible Person who has accepted an Offer (or any part thereof) in the manner provided in **By-Law 8**
- “**Listing Requirements**” - The Main Market Listing Requirements of Bursa Securities, as may be amended from time to time
- “**Market Day(s)**” - A day in which Bursa Securities is open for the trading of securities
- “**Maximum Allowable Allocation**” - The maximum number of new Shares that may be offered and allotted to the Eligible Persons in accordance with the provisions of **By-Law 6**
- “**Offer(s)**” - Written offer(s) made by the SIS Committee to an Eligible Person in the manner provided in **By-Law 7**
- “**SIS**” or “**Scheme**” - The scheme for the granting of SIS Options to Eligible Persons to subscribe for new Shares upon the terms as herein set out, such scheme to be known as the “FITTERS’ Share Issuance Scheme”
- “**SIS Committee**” - A committee comprising of Director(s) and/or Senior Management (as defined in **By-Law 6.1**) or other persons appointed from time to time by the Board to administer the Scheme, in accordance with the provisions of **By-Law 21**
- “**SIS Option(s)**” - The right of a Grantee to subscribe for new Shares pursuant to the contract constituted by acceptance by the Grantee in the manner provided in **By-Law 8** of an Offer made to such Grantee by the SIS Committee pursuant to **By-Law 7**
- “**SIS Option Period**” - The period commencing from the Date of Offer and expiring on the Date of Expiry of the Scheme as provided in **By-Law 19.3**. In the event that the duration of the Scheme shall be extended, the Date of Expiry of the Scheme shall be the date of expiry as so extended
- “**Subscription Price**” - The price at which a Grantee shall be entitled to subscribe for each new Share as calculated in accordance with the provisions of **By-Law 11**

- 3.2 For the purposes of these By-Laws, all references made to “Bursa Securities” and “Listing Requirements” shall where the context so permits and requires, include or refer to such other relevant authority(ies) and such acts, enactments, rules, regulations and guidelines currently or from time to time hereafter in force affecting the valid implementation and continuation of the Scheme in accordance with the provisions of these By-Laws.
- 3.3 The headings in these By-Laws are for ease of reference only and shall not be taken into account in the interpretation of these By-Laws.

APPENDIX II – DRAFT BY-LAWS (CONT'D)

- 3.4 References to the provisions of statutes include such provisions as amended or re-enacted from time to time, and references to statutes or listing requirements include any consolidations, replacements or revisions of the same.
- 3.5 Words importing the masculine gender shall include the feminine and neuter genders and vice versa.
- 3.6 Words importing the singular number shall include the plural number and vice versa.
- 3.7 If an event is to occur on a stipulated day, which is not a Market Day, then the stipulated day will be taken to be the first (1st) Market Day after that day.
- 3.8 Any liberty or power which may be exercised or any determination which may be made hereunder by the SIS Committee shall be exercised in the SIS Committee's absolute and unfettered discretion and the SIS Committee shall not be under any obligation to give any reason there for except as may be required by the relevant authorities or under the law.

4. MAXIMUM NUMBER OF NEW SHARES AVAILABLE UNDER THE SCHEME

- 4.1 Each SIS Option shall be exercisable into one (1) new Share in accordance with the provisions of these By-Laws.
- 4.2 The maximum number of new Shares to be allotted and issued pursuant to the exercise of the SIS Options that may be granted under the Scheme shall not, in aggregate, exceed fifteen percent (15%) of the total number of issued shares (excluding treasury shares, if any) of the Company at any one time throughout the duration of the Scheme as provided in **By-Law 19.3**.

The aggregate number of new Shares available pursuant to the Scheme shall consist of:

- (i) the SIS Options exercised by all the Grantees;
- (ii) the remaining SIS Options exercisable by all the Grantees; and
- (iii) the unexpired Offers pending acceptance by all the Eligible Persons,

and shall not exceed an amount equivalent to fifteen percent (15%) of the prevailing total number of issued shares of the Company (excluding treasury shares, if any) at any point of time.

- 4.3 Notwithstanding **By-Law 4.2** above or any other provisions herein contained, in the event the maximum number of new Shares comprised in the SIS Options granted under the Scheme exceeds the aggregate of fifteen percent (15%) of the prevailing total number of issued shares (excluding treasury shares, if any), at any one time of the Company as a result of the Company:
 - (i) purchasing its own Shares pursuant to Section 127 of the Act whereby the shares so purchased in treasury will not be taken into account in calculating the number of its issued shares; or
 - (ii) undertaking any other corporate proposal and thereby diminishing the total number of issued shares of the Company,

then the SIS Options granted prior to the adjustment of the total number of issued shares of the Company shall remain valid and exercisable in accordance with these By-Laws. However, in such a situation, the SIS Committee shall not make any further Offers, unless and until such time when the total number of Shares to be issued under the Scheme falls below fifteen percent (15%) of the Company's prevailing total number of issued shares (excluding treasury shares), at any one time throughout the duration of the Scheme as provided in **By-Law 19.3**.

5. ELIGIBILITY

5.1 To qualify as an Eligible Person for participation in the Scheme, a person must, as at the Date of Offer fulfil the following conditions:

- (a) in respect of an Employee, the Employee must fulfil the following criteria as at the Date of Offer:
 - (i) he/she is at least eighteen (18) years of age and he/she is not an undischarged bankrupt or subject to any bankruptcy proceedings;
 - (ii) he/she is employed on the Date of Offer –
 - (1) on a full-time basis and is on the payroll of any company in the Group and his/her employment has been confirmed by any company in the Group on the Date of Offer; or
 - (2) under an employment contract for a fixed duration and has been in the employment of any company in the Group for such period as may be determined by the SIS Committee; and
 - (iii) such Employee falls within any other eligibility criteria (including variations to the eligibility criteria under By-Law 5.1(a)(i) or (ii) above) that may be determined by the SIS Committee from time to time at its sole discretion, whose decision shall be final and binding.
- (b) in respect of an Eligible Director, the Eligible Director must fulfil the following criteria as at the Date of Offer:
 - (i) he/she is at least eighteen (18) years of age and he/she is not an undischarged bankrupt or subject to any bankruptcy proceedings;
 - (ii) he/she has been appointed as a Director of any company within the Group which is not dormant; and
 - (iii) such Director fulfils any other criteria as may be determined by the SIS Committee from time to time at its sole discretion, whose decision shall be final and binding.
- (c) In respect of a Director, a chief executive officer of the Company or a person connected with a Director or chief executive officer, the specific allocation of SIS Options granted under the Scheme must have been approved by the shareholders of the Company at a general meeting.
- (d) If the Eligible Person is employed by a company which is acquired by the Group during the duration of the Scheme and becomes a subsidiary whether directly or indirectly held by the Company upon such acquisition, the Eligible Person must fulfil the following as at the Date of Offer:

APPENDIX II – DRAFT BY-LAWS (CONT'D)

- (i) he/she is at least eighteen (18) years of age and he/she is not an undischarged bankrupt or subject to any bankruptcy proceedings; and
- (ii) he/she is employed full time basis and is on the payroll of the newly acquired company for a continuous period of at least one (1) year and his/her employment has been confirmed by the newly acquired company.

The Eligible Person must fulfil any other criteria and/or fall within such category / designation of employment as may be determined by the SIS Committee from time to time at its sole discretion, whose decision shall be final and binding.

Notwithstanding that, the selection of any Eligible Person for participation in the Scheme as well as the allocation of SIS Options to any Eligible Person shall be at the sole and absolute discretion of the SIS Committee and that the decision of the SIS Committee shall be final and binding.

- 5.2 The Eligible Employees or Eligible Directors of the subsidiaries of the Company which are dormant shall not be eligible to participate in the Scheme.
- 5.3 Subject to **By-Law 6.1**, in the event that the SIS Committee has determined that certain Eligible Persons are entitled to be offered additional SIS Options and the Available Balance is insufficient to grant their full additional entitlements, the Available Balance may be distributed on such basis as the SIS Committee may determine and such decision shall be final and binding.
- 5.4 The SIS Committee has the sole and absolute discretion not to make further additional Offers regardless of the amount of the Available Balance.
- 5.5 Each Eligible Director can only participate in the Scheme in one (1) capacity irrespective of the number of directorships or positions he holds in the Group.
- 5.6 Eligibility under the Scheme does not confer a claim or right to participate in the Scheme unless the SIS Committee has made an Offer to the Eligible Person under **By-Law 7**, and an Eligible Person does not acquire or has any rights over or in connection with any SIS Options or the Shares comprised therein unless an Offer has been made by the SIS Committee and has been accepted by the Eligible Person in accordance with the terms of the Offer and the Scheme.
- 5.7 A set of criteria on eligibility and criteria for allocation as determined by the Board from time to time shall be made available to the Eligible Persons. The allocation of the SIS Options pursuant to the Scheme shall be verified by the audit committee of the Company at the end of each financial year and a statement made by the audit committee on the verification of such allocation shall be included in the annual report of the Company.
- 5.8 Where an Offer is made to an Eligible Person who is a member of the SIS Committee, such grant of SIS Option shall be decided and carried out by the SIS Committee PROVIDED ALWAYS that such Eligible Person and persons connected to him/her who are also members of the SIS Committee shall abstain from all deliberations and voting in respect of the Offer proposed to be granted to him/her at the relevant SIS Committee meetings.

6. BASIS OF ALLOCATMENT AND MAXIMUM ALLOWABLE ALLOTMENT

6.1 Subject to **By-law 4** and any adjustment which may be made under the By-Laws, the aggregate maximum number of new Shares comprised in the SIS Options to be offered to an Eligible Person shall be at the sole and absolute discretion of the SIS Committee after taking into consideration, the performance, targets, position, annual appraised performance, seniority and length of service, contribution, category or grade of employment of the Eligible Person and such other factors that the SIS Committee may deem relevant, subject to the following:

- (a) any Eligible Person shall not participate in the deliberation or discussion of their own allocation under the Scheme;
- (b) the allocation to an Eligible Person who, either singly or collectively through persons connected with him, holds twenty percent (20%) or more of the total number of issued shares (excluding treasury shares. If any) of FITTERS, does not exceed ten percent (10%) of the total number of new Shares to be issued under the Scheme; and
- (c) not more than seventy percent (70%) of the new Shares to be issued under the Scheme shall be allocated in aggregate to the Eligible Directors and Senior Management,

provided always that it is in accordance with any prevailing guidelines, rules or regulations issued by Bursa Securities, the Listing Requirements or any other requirements of the relevant authorities as may be amended from time to time.

The term “**Senior Management**” shall refer to an Employee of the Group holding the position of senior manager (including Director) and above or other senior position and shall be subject to criteria to be determined by the SIS Committee that may change from time to time and the term “**person(s) connected**” shall have the same meaning as defined in Paragraph 1.01 of the Listing Requirements.

- 6.2
- (a) An Offer by the SIS Committee to an Eligible Person shall be subject to a minimum of one hundred (100) Shares for each SIS Option and in multiples of one hundred (100) Shares for each SIS Option.
 - (b) For avoidance of doubt, the SIS Committee shall have the sole and absolute discretion in determining whether the Shares available for vesting under this Scheme are to be offered to the Eligible Person via:
 - (i) one single Offer (as the case may be) at a time to be determined by the SIS Committee; or
 - (ii) several Offers (as the case may be) where the vesting of Shares comprised in those Offers is staggered or made in several tranches at such times and on terms determined by the SIS Committee

provided always that the aggregate number of new Shares in respect of the Offers granted to any Eligible Person shall not exceed an amount equivalent to fifteen percent (15%) of the prevailing total number of issued shares of the Company (excluding treasury shares, if any) at any one (1) time. In deciding between (i) and (ii) above, the SIS Committee shall consider, amongst others, whether it wishes to provide a one-off reward for the relevant Grantee’s contribution to the Group to incentivise the Grantee’s continued employment with the Group, or to motivate the relevant Grantee to achieve certain milestones throughout the course of the Grantee’s career progression with the Group moving forward.

APPENDIX II – DRAFT BY-LAWS (CONT'D)

- (c) The SIS Committee also has the discretion to determine, amongst others:-
 - (i) whether or not to stagger the Offer over the duration of the SIS for which each Offer shall be separate and independent from the others, including the maximum allocation of the Offer for each financial year in the event the Offer is staggered over the duration of the SIS;
 - (ii) the number of SIS Options to be offered in each Offer;
 - (iii) whether or not the SIS Options are subject to any vesting period and if so, the vesting conditions and whether such vesting is subject to performance target; and
 - (iv) such other terms and conditions as it shall deem fit and appropriate to be imposed for the participation in the Scheme.
 - (d) In the event that an Eligible Person is moved to a higher category of employment or entitlement within the Scheme, his/her Maximum Allowable Allocation shall be increased accordingly with the scale of such category upon his/her confirmation in the higher category. However, the SIS Committee has the sole and absolute discretion in deciding whether to grant SIS Options or further SIS Options, as the case may be, notwithstanding any such change in the Employee's Maximum Allowable Allocation.
 - (e) In the event that an Eligible Person is moved to a lower category, the following provisions shall apply:
 - (i) his/her Maximum Allowable Allocation shall be reduced accordingly with the scale of such category;
 - (ii) in the event that the total number of SIS Options which have been offered to him/her up to the date he/she is moved to the lower category is greater than his/her Maximum Allowable Allocation under such lower category, he/she shall be entitled to continue to hold and to exercise all unexercised SIS Options held by him/her on such date but he/she shall not be entitled to be offered any further SIS Options unless and until he/she is subsequently moved to a higher category or there is an increase to his/her Maximum Allowable Allocation under such lower category, so that his/her new Maximum Allowable Allocation is increased to an amount greater than the total number of SIS Options which have already been offered to him/her; and
 - (iii) in the event that the total number of SIS Options which have been offered to him/her as of the date he/she is moved to the lower category is less than his/her Maximum Allowable Allocation under such lower category, he/she shall be entitled to continue to hold and to exercise all unexercised SIS Options held by him/her on such date and, subject to **By-Law 6.1** to be offered further SIS Options up to his/her Maximum Allowable Allocation under such lower category.
- 6.3 The SIS Committee shall not be obliged in any way to offer to an Eligible Person all of the specified Maximum Allowable Allocation. The decision of the SIS Committee shall be final and binding.

- 6.4 The SIS Committee may at its sole and absolute discretion introduce additional categories of Eligible Persons which it shall deem necessary during the duration of the Scheme provided always that the Maximum Allowable Allocation in respect of these additional categories are in compliance with the relevant Listing Requirements and applicable laws.
- 6.5 The SIS Committee may make more than one (1) Offer to an Eligible Person provided that the aggregate number of SIS Options offered to an Eligible Person throughout the entire duration of the Scheme does not exceed his Maximum Allowable Allocation.

7. OFFER

- 7.1 During the existence of the Scheme, the SIS Committee may at its sole and absolute discretion at any time and from time to time make Offers in writing to an Eligible Person, subject to the Eligible Person's Maximum Allowable Allocation.
- 7.2 The SIS Committee shall state the following particulars in the Offer:
- (a) date of the Offer;
 - (b) the vesting conditions of the SIS Options (if any/if applicable);
 - (c) the vesting date(s) of the SIS Options (if any/if applicable);
 - (d) the number of SIS Options that are being offered to the Eligible Person;
 - (e) the number of Shares which the Eligible Person shall be entitled to subscribe for upon the exercise of the SIS Options being offered;
 - (f) the SIS Option Period;
 - (g) the Subscription Price;
 - (h) the Offer Period as defined in **By-Law 7.3**; and
- may include such / any other conditions as may be stipulated by the SIS Committee.
- 7.3 An Offer shall be valid for a period of thirty (30) days from the Date of Offer or such period as may be determined by the SIS Committee on a case-to-case basis ("**Offer Period**").
- 7.4 No Offer shall be made to any Eligible Person who is a Director, chief executive officer of the Company or who is a person connected with a Director or chief executive officer of the Company, unless such Offer and the grant of SIS Options have previously been approved by the shareholders of the Company in a general meeting.
- 7.5 Without prejudice to **By-Law 21**, in the event of an error on the part of the Company in stating any of the particulars referred to in **By-Law 7.2**, the following provisions shall apply:
- (a) within one (1) month after the discovery of the error, the Company shall issue a supplemental Offer, stating the correct particulars referred to in **By-Law 7.2**;
 - (b) in the event that the error relates to particulars other than the Subscription Price, the Subscription Price applicable in the supplemental Offer shall remain as the Subscription Price as set out in the original Offer; and

- (c) in the event that the error relates to the Subscription Price, the Subscription Price applicable in the supplemental Offer shall be the correct Subscription Price applicable as at the date of the initial Offer (as determined in accordance with **By-Law 11**), but it shall not apply to any SIS Options which have already been exercised as at the date of issue of the supplemental Offer.

- 7.6 The Company shall keep and maintain at its expense a register of Grantees and shall enter in that register the names and addresses of the Grantees, the Maximum Allowable Allocation, the number of SIS Options offered and accepted, the number of SIS Options exercised, the Date of Offer and the Subscription Price.

8. ACCEPTANCE

- 8.1 An Offer must be accepted by an Eligible Person within the Offer Period by written notice to the SIS Committee accompanied by a payment of a nominal non-refundable consideration of Ringgit Malaysia One (RM1.00) only for the grant of the SIS Options. The date of receipt by the SIS Committee of such written notice shall constitute the Date of Acceptance.

- 8.2 If an Offer is not accepted in the foregoing manner, the Offer shall automatically lapse upon the expiry of the Offer Period and shall be null and void and be of no further force and effect. The number of SIS Options offered in the lapsed Offer shall be deducted from the Maximum Allowable Allocation or the balance of the Maximum Allowable Allocation of that Eligible Person, and that Eligible Person shall not be entitled to be offered the number of SIS Options offered in the lapsed Offer, in any Offers made in the future unless otherwise decided by the SIS Committee. However, SIS Options not taken up resulting from the non-acceptance of Offers within the Offer Period shall thereafter form part of the balance of SIS Options available under the Scheme for future Offers.

- 8.3 The Offer shall automatically lapse and be null and void in the event of death of an Eligible Person or in the event an Eligible Person shall cease to be an Eligible Director or an Eligible Employee within the Group for any reason whatsoever, or become a bankrupt prior to the acceptance of the Offer by the Eligible Person in the manner set out in **By-Law 8**.

9. NON-TRANSFERABILITY

- 9.1 An SIS Option is personal to the Grantee and subject to the provisions of **By-Laws 14.1, 14.2 and 14.3**, is exercisable only by the Grantee personally during his lifetime.

- 9.2 An SIS Option shall not be transferred, assigned, disposed of or made subject to any encumbrances by the Grantee save and except in the event of the death of the Grantee as provided under **By-Law 14.3**. Any such transfer, assignment, disposal or encumbrance shall result in the automatic cancellation of the SIS Option.

10. EXERCISE OF OPTIONS

- 10.1 Subject to **By-Laws 14, 16 and 17**, an SIS Option granted to an Eligible Person under the Scheme is exercisable by the Eligible Person in full or in part as the Eligible Person may be entitled under the SIS Option at any time during the SIS Option Period. There will be no restriction to the Eligible Person on the percentage of SIS Options exercisable during the SIS Option Period. Any partial exercise of an SIS Option shall not preclude the Eligible Person from exercising the SIS Option in respect of the balance of the Shares comprised in the SIS Option.

APPENDIX II – DRAFT BY-LAWS (CONT'D)

- 10.2 Any SIS Options which remain unexercised at the expiry of the SIS Option Period shall be automatically terminated without any claim against the Company.
- 10.3 A Grantee shall exercise his SIS Options by notice in writing to the Company in the prescribed form stating the number of SIS Options exercised, the number of new Shares relating thereto and the Grantee's individual/nominee CDS Account number ("**Exercise Notice**"). The procedure for the exercise of SIS Options to be complied with by a Grantee shall be determined by the SIS Committee from time to time. The SIS Options shall be exercised in multiples of and not less than one hundred (100) new Shares. The exercise by a Grantee of some but not all of the SIS Options which have been offered to and accepted by him/her shall not preclude the Grantee from subsequently exercising any other SIS Options which have been or will be offered to and accepted by him/her, during the SIS Option Period. In the event that the balance of the SIS Options exercisable by a Grantee in accordance with these By-Laws shall be less than one hundred (100) new Shares, the said balance shall, if exercised, must be exercised in a single tranche.
- 10.4 Every Exercise Notice shall be accompanied by a remittance in Ringgit Malaysia as may be determined by the SIS Committee in the form of a banker's draft or banker's cheque for the full amount of the subscription money in relation to the number of new Shares in respect of which the Exercise Notice is given.
- 10.5 Within eight (8) Market Days of the receipt by the Company of such Exercise Notice and payment, or such other period as may be prescribed by Bursa Securities, and subject to the Constitution, the Company shall allot the relevant number of new Shares to the Grantee. The said new Shares will be credited directly into the Grantee's individual/nominee CDS Account as stipulated by the Grantee in the Exercise Notice, and a notice of allotment stating the number of new Shares so credited will be issued to the Grantee. No physical certificates will be issued. An application will be made by the Company for the listing of and quotation for such new Shares to Bursa Securities.
- 10.6 The Company, the Board and the SIS Committee shall not under any circumstances be held liable to any person for any costs, losses, expenses, damages or liabilities howsoever arising in the event of any delay on the part of the Company in allotting and issuing the new Shares or in procuring Bursa Securities to list and quote the new Shares subscribed for by a Grantee or any delay in receipt or non-receipt by the Company of the Exercise Notice or for any errors in any Offers.
- 10.7 Any failure to comply with the procedures specified by the SIS Committee or to provide information as required by the Company in the Exercise Notice or inaccuracy in the CDS Account number provided shall result in the Exercise Notice being rejected at the discretion of the SIS Committee, and the SIS Committee shall inform the Grantee of the rejection of the Exercise Notice within fourteen (14) Market Days from the date of rejection and the Grantee shall be deemed to not have exercised his/her SIS Option.
- 10.8 Every SIS Options shall be subjected to the condition that no new Shares shall be issued pursuant to the SIS Options if such issue would be contrary to any law, enactment, rule and/or regulation of any legislative or non-legislative body which may be in force during the duration of the Scheme or such period as may be extended.

10A. DISCIPLINARY PROCEEDING

10A.1 Notwithstanding anything to the contrary contained in these By-Laws, the SIS Committee shall have the discretion by giving notice in writing to any Grantee who is being subjected to any disciplinary proceeding (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service) to suspend his rights to exercise his SIS Option pending the outcome of such disciplinary proceeding. In addition to this rights of suspension, the SIS Committee may impose such terms and conditions as it shall deem appropriate in its discretion, on the rights of exercise of the SIS Option having regard to the nature of the charges made or brought against such Grantee, provided always that:

- (a) in the event such Grantee is found not guilty of the charges which gave rise to such disciplinary proceeding at the end of its proceedings, the SIS Committee shall reinstate the rights of such Grantee to exercise his SIS Option as if such disciplinary proceeding had not been instituted in the first place;
- (b) in the event the disciplinary proceeding resulted in a recommendation for the dismissal or termination of service of such Grantee, the SIS Option shall be immediately terminated and be null and void and be of no further force and effect upon the Grantee being served the notice of the dismissal or termination of service notwithstanding that such recommendation may be subsequently challenged (successfully or otherwise) by the Grantee in any other forum; and
- (c) in the event such Grantee is found guilty but is not dismissed or terminated, the SIS Committee shall have the rights to determine at its discretion whether or not the Grantee may continue to exercise his SIS Option and if so, to impose such limits, terms and conditions as it deems appropriate, on such exercise rights; and
- (d) in the event that no decision is made and/or the disciplinary proceedings are not concluded prior to the Date of Expiry, the SIS Options of such Grantee shall immediately lapse on the Date of Expiry without notice,

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

For the purpose of this By-Law, a Grantee shall be deemed to be subject to **"disciplinary proceedings"** if:

- (i) the Grantee is suspended from work pending investigation into his/her conduct;
- (ii) the Grantee is issued with a letter requiring him/her to attend an internal domestic inquiry; or
- (iii) such other instances as the Board may deem as being subject to disciplinary proceedings.

11. EXERCISE PRICE

The Exercise Price of each new Share comprised in any SIS Option shall be determined by the Board upon recommendation of the SIS Committee and fixed based on the five (5)-day weighted average market price of the Shares, at the Date of Offer, with a discount of not more than ten percent (10%), subject to such adjustments as stipulated under **By-Law 15** or as may be amended, varied or supplemented from time to time.

12. RANKING OF THE NEW SHARES TO BE ISSUED PURSUANT TO THE EXERCISE OF THE OPTIONS

The new Shares to be issued upon the exercise of any SIS Options shall, upon allotment and issuance, rank *pari passu* in all respects with the existing Shares, save and except that the new Shares shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid, for which 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 distributions) is prior to the date of allotment of the new Shares to be issued upon the exercise of any SIS Options.

The new Shares will be subject to all the provisions of the Constitution including those relating to the transfer, transmission and otherwise of the Shares.

13. RETENTION/RESTRICTION OF SHARES

The new Shares to be allotted and issued to a Grantee (save for an Eligible Director who is a non-executive Director) pursuant to the exercise of SIS Options under the Scheme will not be subject to any retention period or restriction on transfer unless stated otherwise in the Offer as may be determined by the SIS Committee from time to time at its discretion. However, the Company encourages the Grantee to hold such Shares for as long as possible although a Grantee may sell such Shares at any time after such Shares have been credited to the Grantee's individual/nominee CDS Account. The Shares allocated under the Scheme are intended for the Grantee to hold as an investment rather than for realisation to yield quick profit.

A Grantee, who is a non-executive Director shall not sell, transfer or assign the new Shares obtained through the exercise of SIS Options offered to him pursuant to the Scheme within one (1) year from the Date of Offer, as per Listing Requirements or such period as may be prescribed by Bursa Securities.

14. TERMINATION OF OPTION

14.1 Any SIS Option which has not been exercised by a Grantee shall be automatically terminated in the following circumstances:

- (a) cessation of directorship or employment of the Grantee with the Group for any reason whatsoever, in which event the SIS Option shall be automatically terminated on the day which the SIS Committee shall at its absolute discretion determine on a case to case basis; or
- (b) upon the happening of any event which results in the Grantee being deprived of the beneficial ownership of the SIS Option; or
- (c) if the Grantee becomes a bankrupt in which event the SIS Option shall be automatically terminated on the day the Grantee is adjudicated bankrupt; or

APPENDIX II – DRAFT BY-LAWS (CONT'D)

- (d) winding up or liquidation of the Company, in which event the SIS Options shall be automatically terminated and/or cease to be valid on the following date:
 - (i) in the case of a voluntary winding up, the date on which a provisional liquidator is appointed by the Company; or
 - (ii) in the case of an involuntary winding up, the date on which a petition for winding up is served on the Company; or
- (e) termination of the Scheme pursuant to By-Law 19.6, in which event the SIS Options shall be automatically terminated and cease or cease to be valid without any claim against the Group on the Termination Date (as defined in By-Law 19.6).

Upon the termination of SIS Options pursuant to **By-Law 14.1** above, the Grantee shall have no right to compensation or damages or any claim against the Company for any loss of any right or benefit or prospective right or benefit under the Scheme which he might otherwise have enjoyed, whether for wrongful dismissal or breach of contract or loss of office or otherwise howsoever arising from his ceasing to hold office or employment or from the suspension of his right to exercise his SIS Options or his SIS Options ceasing to be valid on having been terminated.

- 14.2 Notwithstanding **By-Law 14.1** above, the SIS Committee may at its sole and absolute discretion allow an SIS Option to remain exercisable during the SIS Option Period on such terms and conditions as it shall deem fit if the cessation occurs as a result of:
- (a) retirement in accordance with the applicable retirement policy of the Group, as may be amended from time to time, on attaining the Group's then prevailing retirement age;
 - (b) retirement before attaining the Group's then prevailing retirement age with the consent of his/her employer;
 - (c) ill-health, injury, physical or mental disability;
 - (d) redundancy, retrenchment or voluntary separation scheme;
 - (e) secondment or transfer to any company outside the Group at the direction of the Company; or
 - (f) any other circumstances which are acceptable to the SIS Committee in its sole and absolute discretion.
- 14.3 In the event that a Grantee dies before the expiry of the SIS Option Period and, at the date of death, holds any SIS Options which are unexercised, such SIS Options may be exercised by the personal or legal representative of the deceased Grantee within the SIS Option Period or within twelve (12) months after the Grantee's death, whichever expires first, subject to the approval of the SIS Committee and/or terms and conditions as set out by the SIS Committee.
- 14.4 Unless otherwise agreed in writing by the SIS Committee at its sole discretion, upon the resignation of the Grantee from his/her employment or directorship with the Group (as the case may be) or on the Grantees last day of employment, an SIS Option shall lapse forthwith on the date the Grantee tenders his/her resignation. Any SIS Option which lapses upon the resignation of the Grantee from his/her employment or directorship with Group (as the case may be), at the discretion of the SIS Committee, shall be offered to other Eligible Persons.

- 14.5 In the event of the liquidation of the Company, all unexercised or partially exercised SIS Options shall lapse.

15. ALTERATION OF SHARE CAPITAL DURING THE SIS OPTION PERIOD

15.1 Subject to **By-Law 15.3**, in the event of any alteration in the capital structure of the Company during the SIS Option Period, whether by way of a rights issue, bonus issue or other manner of capitalisation, consolidation or subdivision of shares or reduction of capital or otherwise howsoever implemented, the Company shall cause such adjustment to be made to:

- (a) the number of SIS Options granted to each Grantee (excluding SIS Options already exercised); and/or
- (b) the Subscription Price,

for purposes of ensuring that the capital outlay to be incurred by the Grantee in subscribing for the same proportion of the total number of issued shares to which he was entitled prior to the event giving rise to such adjustment (i.e. not taking into account any SIS Options already exercised) shall remain unaffected. Notwithstanding the above, the SIS Committee may, at its discretion, determine whether the Subscription Price and/or the number of unexercised SIS Options shall be adjusted, and if so, the manner in which such adjustments should be made. Any such adjustment must be confirmed in writing by the external auditors or the adviser (acting as experts and not as arbitrators) of the Company to be in their opinion, fair and reasonable.

The computation for the adjustment to the number of SIS Options granted to each Grantee and/or the Subscription Price is set out in **Attachment 1** to these By-Laws.

15.2 **By-Law 15.1** shall not be applicable where an alteration in the capital structure of the Company arises from any of the following:

- (a) an issue of new Shares pursuant to the exercise of SIS Options under the Scheme;
- (b) an issue of securities as consideration for an acquisition;
- (c) an issue of securities as a private placement;
- (d) an issue of securities as a special issue approved by the relevant governmental authorities;
- (e) a restricted issue of securities;
- (f) an issue of warrants, convertible loan stocks or other instruments by the Company which give a right of conversion into new Shares arising from the conversion of such securities;
- (g) an issue of new Shares arising from the exercise of any conversion rights in respect of securities convertible into new Shares including but not limited to warrants, convertible loan stocks and convertible preference shares;
- (h) an issue of further SIS Options to Eligible Persons under these By-Laws; or

- (i) a purchase by the Company of its own Shares pursuant to Section 127 of the Act. In such event, the following provisions shall apply:
 - (i) if the number of Shares in respect of SIS Options granted by the Company as at the date of designation of the Shares so purchased as treasury shares or cancellation of such purchased Shares is greater than fifteen percent (15%) of the prevailing total number of issued shares of the Company after such designation or cancellation, the SIS Committee shall not make any further Offers; and
 - (ii) if the number of Shares in respect of SIS Options granted by the Company as at the date of designation of the Shares so purchased as treasury shares or cancellation of such purchased Shares is less than fifteen percent (15%) of the prevailing total number of issued shares of the Company after such designation or cancellation, the SIS Committee may make further Offers only until the total number of SIS Options granted by the Company but which remains unexercised is equivalent to fifteen percent (15%) of the prevailing total number of issued shares of the Company after such designation or cancellation.

- 15.3 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to Division 7, Subdivision 2 of the Act, **By-Law 15.1** 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 provided always that **By-Law 15.1** 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 15.2** applies.

- 15.4 Upon any adjustment being made in accordance with **By-Law 15.1**, the SIS Committee shall give notice in writing within a period of thirty (30) days from the date of the adjustment, to the Grantee, or his legal or personal representative where the Grantee is deceased, to inform him of the adjustment and the event giving rise thereto. Any adjustments must be confirmed in writing by the Company's external auditors or an adviser. Nevertheless, for the avoidance of doubt, by virtue of **By-Law 26**, the decision of the Board shall be final and binding in all respects.

- 15.5 In the event of a dispute in respect of any adjustment, any Grantee may request the Company to seek the opinion of an approved company auditor or an adviser, acting as an expert and not as an arbitrator, as to its fairness and that this be confirmed in writing. In addition, the Company shall in such situations, at the request of any Grantee, furnish such Grantee with a certificate from an approved company auditor or an adviser stating the opinion of such auditor/adviser, acting as an expert and not as an arbitrator. For the purposes of this By-Law, an approved company auditor shall have the meaning given in Section 263 of the Act and an adviser shall be a person who is permitted to carry on regulated activities of advising corporate finance under the Capital Markets and Services Act, 2007 which includes an adviser under the Guidelines on Submission of Corporate and Capital Market Product Proposals issued by the Securities Commission Malaysia. Nevertheless, for the avoidance of doubt, by virtue of **By-Law 26**, the decision of the Board shall be final and binding in all respects.

16. TAKE-OVERS, SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION, ETC.

- 16.1 In the event of a take-over offer being made for the Shares under the Malaysian Code on Take-Overs and Mergers, 2016 and such offer being declared unconditional, or such other period as the Board/SIS Committee may determine, the following provisions shall apply:
- (a) a Grantee shall be entitled to exercise all or any of the SIS Options held by him as at the date of such take-over offer being declared unconditional, after such date and in accordance with the provisions of **By-Law 10.3**. In the event that the Grantee elects not to so exercise some or all of the SIS Options held by him, the unexercised SIS Options shall be automatically terminated on the expiry of the said period of three (3) months; and/or
 - (b) if during the said period of three (3) months, the offeror becomes entitled or bound to exercise any rights of compulsory acquisition in respect of the Shares under the provisions of the Capital Market and Services Act, 2007 or the then prevailing applicable laws, and gives notice to the Grantee that he intends to exercise such rights on a specific date ("**Specified Date**"), the Grantee shall be entitled to exercise all or any of the SIS Options held by him at any time prior to the expiry of the said period of three (3) months or the Market Day immediately preceding the Specified Date, whichever is the earlier, and in accordance with the provisions of **By-Law 10.3**. In the event that the Grantee elects not to so exercise some or all of the SIS Options held by him within this period, the unexercised SIS Options shall be automatically terminated on the expiry of the said period of three (3) months or on the Specified Date, whichever is the earlier.
- 16.2 In the event that the take-over offer is made on the basis that acceptance is unconditional, a Grantee shall within three (3) months of the date the take-over offer is made or before the first (1st) closing date of the take-over offer, whichever is earlier, be entitled to exercise all or any of the SIS Options held by him as at the date of such take-over offer was made, and in accordance with the provisions of **By-Law 10.3**. In the event that the Grantee elects not to so exercise some or all of the SIS Options held by him, the unexercised SIS Options shall be automatically terminated on the expiry of the said period of three (3) months or the first (1st) closing date of the take-over offer, whichever is the earlier.
- 16.3 In the event the court has sanctioned a compromise or arrangement between the Company and its members for the purpose of, or in connection with, a scheme for reconstruction of the Company or amalgamation with any other company or companies under the provisions of the Act, then the Grantee shall immediately become entitled at any time upon which compromise or arrangement is sanctioned by the court and ending on the date upon which it becomes effective to exercise in whole or in part his SIS Options. All unexercised SIS Options held by a Grantee shall be automatically terminated on the date such scheme of compromise or arrangement becomes effective.

17. DIVESTMENT FROM AND TRANSFER TO/FROM THE GROUP

17.1 In the event that a company within the Group shall be divested from the Group, a Grantee who is holding directorship in or employed by such company shall be entitled to continue to hold and to exercise all the SIS Options held by him on the date of completion of such divestment until the expiry of three (3) months from the date of completion of such divestment subject to such exercise being made within the SIS Option Period and in accordance with the provisions of **By-Law 10.3**. In the event that the Grantee does not so exercise some or all of such SIS Options, the unexercised SIS Options shall be automatically terminated upon the expiry of the said three (3) months period.

17.2 For the purposes of **By-Law 17.1**, a company shall be deemed to be divested from the Group in the event that such company would no longer be a subsidiary of the Company pursuant to Section 4 of the Act.

17.3 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 Financial Reporting Standard issued by the Malaysian Accounting Standards Board) or to any related companies (as defined in Section 6 of the Act) of the Company which have an existing employees' share issuance scheme in which the Grantee will be entitled to participate, unless approved by the SIS Committee in writing, the SIS Options unexercised on the date of transfer shall be null and void and be of no effect.

17.4 In the event that:

- (a) an Eligible Person who was employed in a company which is related to the Company pursuant to Section 6 of the Act (that is to say, a company which does not fall within the definition of "**the Group**") and is subsequently transferred from such company to any company within the Group; or
- (b) an Eligible Person who was in the employment of a company which subsequently becomes a member of the Group as 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 abovementioned company in (a) and (b) herein referred to as the "**Previous Company**"), such Eligible Person of the Previous Company will be eligible to participate in this Scheme for its remaining SIS Option Period, if the affected Eligible Person becomes an "**Eligible Person**" within the meaning under these By-Laws.

For the avoidance of doubt, in the event of any acquisition or incorporation of any company into the Group pursuant to part (b) above as a subsidiary as defined in Section 5 of the Act or any other statutory regulation in place thereof during the tenure of the Scheme, the Scheme shall apply to the Eligible Person 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 3** and the provisions of the By-Laws shall apply.

18. WINDING UP

All outstanding SIS Options shall be automatically terminated in the event that a resolution is passed or a court order is made for the winding up of the Company.

19. DURATION, TERMINATION AND EXTENSION OF THE SCHEME

- 19.1 The effective date for the implementation and launching of the Scheme shall be the date of full compliance with all the relevant requirements of the Listing Requirements including the following:
- (a) the submission of the final copy of the By-Laws to Bursa Securities pursuant to the Listing Requirements;
 - (b) the receipt of approval-in-principle from Bursa Securities for the listing of and quotation for the new Shares to be issued from the exercise of the SIS Options under the Scheme;
 - (c) the approval of the Company's shareholders in a general meeting for the Scheme;
 - (d) the approval(s) of any other relevant authorities, if any; and
 - (e) the fulfilment of all conditions attaching to the aforesaid approvals, if any.
- 19.2 The Adviser of the Company shall submit a confirmation letter to Bursa Securities of full compliance pursuant to the Listing Requirements stating the Effective Date of the Scheme together with a certified true copy of the relevant resolution passed by the shareholders of the Company in a general meeting. The confirmation letter must be submitted to Bursa Securities no later than five (5) Market Days after the Effective Date.
- 19.3 The Scheme shall be in force for a period of five (5) years from the Effective Date, provided always that on or before the expiry thereof, the Board shall have the absolute discretion, without the approval of the Company's shareholders in a general meeting, to extend the duration of the Scheme (as the Board may deem fit) for up to a further five (5) years provided that the Company shall serve appropriate notices on each Grantee and/or make the necessary announcements to Bursa Securities (if required). 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 avoidance of doubt, the duration of the Scheme shall not in aggregate exceed ten (10) years from the Effective Date.
- 19.4 Offers can only be made during the existence of the Scheme and before the Date of Expiry.
- 19.5 Notwithstanding anything to the contrary, all unexercised SIS Options shall lapse on the Date of Expiry.
- 19.6 Notwithstanding the provisions of **By-Law 19.3**, and subject always to compliance with Bursa Securities and any other regulatory authorities' requirements, guidelines or directives, the Scheme may be terminated at any time during the duration of the Scheme by the SIS Committee upon approval of the Board without obtaining the consents from the Grantees or approvals from the shareholders of the Company provided that the Company makes an announcement which shall include the effective date of termination ("**Termination Date**"), number of SIS Options exercised or Shares vested and reasons for termination immediately to Bursa Securities pursuant to the Listing Requirements.

- 19.7 Upon termination of the Scheme, the following shall apply:
- (a) the SIS Committee shall make no further Offers;
 - (b) all Offers which have yet to be accepted by the Eligible Persons shall automatically lapse on the Termination Date;
 - (c) all Offers which have yet to be vested in the Eligible Persons shall automatically lapse on the Termination Date; and
 - (d) all outstanding SIS Options which have yet to be exercised by the Grantees and/or vested (if applicable) shall be automatically terminated and be null and void on the Termination Date.

For the avoidance of doubt, SIS Options which have been exercised but where the new Shares have yet to be issued or registered in the name of the Eligible Person or his estate as at the date of the resolution to terminate the Scheme shall remain effective and the Company shall issue and register the new Shares accordingly.

20. SUBSEQUENT EMPLOYEE SHARES ISSUANCE SCHEME

Subject to the approval of the relevant authorities and compliance with the requirements of the relevant authorities, the Company may establish a new employees share issuance scheme after the Date of Expiry or after the termination of the Scheme pursuant to **By-Law 19.6**, provided that the aggregate number of shares available under all the Schemes does not breach the maximum limit prescribed in the prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as amended from time to time.

21. ADMINISTRATION

- 21.1 The Scheme shall be administered by the SIS Committee. The SIS Committee shall, subject to these By-Laws, administer the Scheme in such manner as it shall think fit.
- 21.2 Without limiting the generality of **By-Law 21.1**, the SIS Committee may, for the purpose of administering the Scheme, do all acts and things and enter into any transaction, agreement, deed, documents or arrangement, and make rules, regulations or impose terms and conditions, rectify any errors in Offers, execute all documents and delegate any of its powers and duties relating to the Scheme as it may in its discretion consider to be necessary or desirable for giving effect to the Scheme.
- 21.3 The Board shall have power at any time and from time to time to rescind the appointment of any person appointed to the SIS Committee as it shall deem fit.

22. MODIFICATION, VARIATION AND/OR AMENDMENT TO THE BY-LAWS

- 22.1 Subject to **By-Law 22.2**, the SIS Committee may at any time and from time to time recommend to the Board any additions or amendments to or deletions of these By-Laws as it shall in its discretion think fit and the Board shall have the power by resolution to add to, amend or delete all or any of these By-Laws upon such recommendation subject to the Company submitting a confirmation letter to Bursa Securities for the amendment made, that the said amendment is in compliance with the provisions of the Listing Requirements pertaining to employees share issuance scheme and Rules of the Depository (as defined under the Listing Requirements) pursuant to the Listing Requirements.

APPENDIX II – DRAFT BY-LAWS (CONT'D)

- 22.2 The approval of the shareholders of the Company in general meeting shall not be required for any amendments to the By-Laws PROVIDED THAT no additions or amendments to or deletions of these By-Laws shall be made which will:
- (a) prejudice any rights then accrued to any Grantee without the prior consent or sanction of that Grantee;
 - (b) increase the number of Shares available under the Scheme beyond the maximum imposed by **By-Law 6.1**; or
 - (c) alter to the advantage to the Eligible Person and/or Grantee any provisions of the Scheme without the prior approval of the Company's shareholders in a general meeting.
- 22.3 For the purpose of complying with the provisions of Appendix 6E of the Listing Requirements, the provisions of **By-Laws 4, 5, 6, 8, 10, 11, 12, 13, 15, 18, 19, 22** and **Attachment 1** shall not be amended or altered in any whatsoever to the advantage of Eligible Persons or Grantees without the prior approval of the Company's shareholders in a general meeting.

23. RIGHTS OF GRANTEE

- 23.1 The SIS Options shall not carry any right to attend and vote at any general meeting of the Company. The Grantee shall not in any event be entitled to any dividends, distributions, rights or other entitlement on his unexercised SIS Options.
- 23.2 Subject to the Constitution, all Grantees are entitled to inspect the latest audited financial statements of the Company during the usual business hours on any working day at the Registered Office of the Company.

24. SCHEME NOT A TERM OF EMPLOYMENT

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

25. NO COMPENSATION FOR TERMINATION

No Eligible Persons shall be entitled to any compensation for damages arising from the termination of any SIS Options or this Scheme pursuant to the provisions of these By-Laws. Notwithstanding any provisions of these By-Laws:

- (a) this Scheme shall not form part of any contract of employment between the Company or any company within the Group and any Eligible Person. The rights of any Eligible Person under the terms of his/her employment with any company in the Group shall not be affected by his/her employment participation in the Scheme nor shall such participation or the SIS Options afford such Eligible Person any additional rights to compensation or damages due to the termination of such employment for any reason whatsoever;

APPENDIX II – DRAFT BY-LAWS (CONT'D)

- (b) this Scheme shall not confer on any legal or equitable right or other rights under any other laws (other than those constituting the SIS Options) against the Company or any company(ies) in the Group, or give rise to any course of legal action or in equity or under any other laws against the Company or company(ies) in the Group;
- (c) no Grantee or his/her personal or legal representative or any third party shall bring any claim action or proceeding against the Company, company in the Group, the SIS Committee or the Board for any compensation, loss or damage whatsoever arising from the termination, suspension or cancellation of his/her rights to exercise of his/her SIS Options or his/her SIS Options ceasing to be valid pursuant to the provision of these By-Laws; and
- (d) the Company, the Board or the SIS Committee or the company in the Group shall not in any event be liable to the Grantee and/or his/her personal or legal representative or any third party claim, loss of profits, loss of opportunity, loss of savings or any punitive, incidental or consequential damage/loss arising from the termination, breach or non-performance of these By-Laws or any loss suffered by reason of any change/adjustment in the price of the Share any other cause or reason whatsoever.

26. DISPUTES

Any disputes arising hereunder shall be referred for decision by the Board, whose decision shall be final and binding in all respects, provided that any Directors of such Board meeting convened to determine the dispute who are also in the SIS Committee shall abstain from deliberations and voting, and no person shall be entitled to dispute any decision or certification which is stated to be final and binding under these By-Laws.

27. COSTS AND EXPENSES

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 SIS Options, shall be borne by the Company.

28. TAXES

Any income tax arising from the exercise of any SIS Option under the Scheme shall be borne by the Grantee.

29. CONSTITUTION

In the event of a conflict between any of the provisions of these By-Laws and the Constitution, the Constitution shall prevail.

30. SEVERABILITY

Any term, condition, stipulation, provision in these By-Laws which is illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability without invalidating the remainder thereof, and any such illegality, voidness, prohibition or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation, provision herein contained.

31. DISCLOSURES IN ANNUAL REPORT

The Company will make such disclosures in its annual report for as long as the Scheme continues in operation as from time to time required by the Listing Requirements including (where applicable) a statement by the audit committee verifying that the allocation of SIS Options pursuant to the Scheme is in compliance with the criteria for allocation disclosed by the Company to the Eligible Persons.

32. GOVERNING LAW

The Scheme and these By-Laws and all SIS Options granted hereunder shall be governed by and construed in accordance with the laws of Malaysia.

33. NOTICE

33.1 Any notice or request which the Company is required to give, or may desire to give, to any Eligible Person or the Grantee pursuant to the Scheme shall be in writing and shall be deemed to be sufficiently given:-

- (a) if it is sent by ordinary post by the Company to the Eligible Person or the Grantee at the last address known to the Company as being his address, such notice shall be deemed to have been received three (3) Market Days after posting;
- (b) if it is given by hand to the Eligible Person or the Grantee, such notice or request shall be deemed to have been received on the date of delivery; or
- (c) if it is sent by electronic media, including but not limited to electronic mail, to the Eligible Person or the Grantee, such notice or request shall be deemed to have been received upon the date of delivery in the timestamp in such electronic media.

Any change of address of the Eligible Person or the Grantee shall be communicated in writing to the Company and the SIS Option Committee.

33.2 Any certificate, notification or other notice required to be given to the Company or the SIS Committee shall be properly given if sent by registered post or delivered by hand to the Company at its registered address or any other business address which may be notified in writing by the SIS Committee from time to time.

Attachment 1

The Subscription Price and/or the number of Shares to be comprised in the SIS Options in respect of the right to subscribe for new Shares so far as unexercised to which a Grantee may be entitled from time to time be adjusted, calculated or determined by the SIS Committee and certified by the external auditors or an adviser (acting as experts and not as arbitrators) in accordance with the following relevant provisions:

- (a) If and whenever a consolidation or subdivision or conversion of the Shares occurs, the Subscription Price and the Shares comprised in the SIS Options so far as unexercised (“**Revised Number of Shares Under SIS Option**”) shall be adjusted, calculated or determined in the following manner:

$$\text{New Subscription Price} = \frac{S \times U}{V}$$

$$\text{Revised Number of Shares Under SIS Option} = \frac{T \times V}{U}$$

Where:-

S = Existing Subscription Price; and

T = Existing number of Shares comprised in the SIS Option in respect of the right to subscribe for new Shares so far as unexercised

U = Aggregate number of Shares (excluding Shares held as treasury shares, if any) in the share capital of the Company immediately preceding such consolidation, subdivision or conversion; and

V = Aggregate number of Shares in the share capital of the Company after such consolidation, subdivision or conversion.

Each such adjustment will be effective from the close of business of the Market Day next 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 after such consolidation or subdivision or conversion) or such other date as may be prescribed by Bursa Securities.

- (b) If and whenever the Company shall make an issue of new Shares credited as fully paid, by way of by way of bonus issue or capitalisation of profits or reserves (whether of a capital or income nature), the Subscription Price shall be adjusted by multiplying it by the following fraction:

$$\text{New Subscription Price} = \frac{S \times A}{A + B}$$

Whilst the additional Shares comprised in the SIS Options so far as unexercised (“**Additional Shares Under SIS Option**”) shall be calculated in the following manner:-

$$\text{Additional Shares Under SIS Option} = \frac{T \times (A + B)}{A} - T$$

Where:-

A = The aggregate number of issued Shares immediately before such capitalisation issue;

APPENDIX II – DRAFT BY-LAWS (CONT'D)

- B = The aggregate number of new Shares to be issued pursuant to any allotment credited as fully-paid by way of capitalisation of profits or reserves (whether of a capital or income nature);
- S = Existing Subscription Price; and
- T = Existing number of Shares comprised in the SIS Option in respect of the right to subscribe for new Shares so far as unexercised

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

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

then and in any such case, the Subscription Price shall be adjusted in the following manner:-

$$\text{New Subscription Price} = \frac{S \times (C - D)}{C}$$

Where:-

- S = Existing Subscription Price
- C = The Current Market Price (as defined in paragraph (h) below) of one (1) 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 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 = (A) In the case of an offer or invitation to acquire or subscribe for new Shares under paragraph (c)(ii) above or for securities convertible into new Shares or securities with rights to acquire or subscribe for new Shares under paragraph (c)(iii) above, the value of rights attributable to one (1) Share (as defined below); or
- (B) In the case of any other transaction falling within this paragraph (c), the fair market value, as determined (with the concurrence of the external auditors of the Company) by an adviser, of that portion of the Capital Distribution attributable to one (1) Share.

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

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

APPENDIX II – DRAFT BY-LAWS (CONT'D)

Where:-

- C = C in this paragraph (c);
- E = The subscription price of one (1) additional Share under the terms of such offer or invitation to acquire or one (1) additional security convertible into new Shares or one (1) additional security with rights to acquire or subscribe for new 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) new Share or security convertible into new Shares or right to acquire or subscribe for new Shares; and
- 1 = One (1)

In the case of paragraphs (c)(ii) and (c)(iii) above, the Additional Shares Under SIS Option shall be calculated as follows:

$$\text{Additional Shares Under SIS Option} = T \times \frac{(C)}{(C - D^*)} - T$$

Where:-

- T = Existing number of Shares comprised in the SIS Option in respect of the right to subscribe for new Shares so far as unexercised;
- C = C in this paragraph (c); and
- D* = The “value of the rights attributable to one (1) Share” (as defined below)

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

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

Where:-

- C = C in this paragraph (c);
- E* = The subscription consideration of one (1) new Share under the terms of such offer or invitation to acquire or subscribe for one (1) new Share;
- 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) new Share; and
- 1 = One (1).

For the purpose of this paragraph (c), “**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 paragraph (b) above) credited as fully or partly paid up by way of capitalisation of profits or reserves (whether of a capital or income nature). Any dividend charged or provided for in the accounts of any period or made shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the ordinary shareholders as shown in the audited consolidated income statement of the Company.

APPENDIX II – DRAFT BY-LAWS (CONT'D)

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the day next following the entitlement date for the above transaction.

- (d) If and whenever the Company makes any allotment to its ordinary shareholders as provided in paragraph (b) above and also makes any offer or invitation to its ordinary shareholders as provided in paragraph (c)(ii) or paragraph (c)(iii) above and the entitlement date for the purpose of the allotment is also the entitlement date for the purpose for the offer or invitation, the Subscription Price shall be adjusted in the following manner:

$$\text{New Subscription Price} = \frac{S \times [(G \times C) + (H \times I)]}{(G + H + B) \times C}$$

and in respect of each case referred to in paragraph (b) and paragraph (c)(ii) above, the Additional Shares Under SIS Option shall be calculated in the following manner:-

$$\text{Additional Shares Under SIS Option} = \frac{T \times [(G + H^* + B) \times C]}{(G \times C) + (H^* \times I^*)} - T$$

Where:-

- G = The aggregate number of issued Shares on the entitlement date;
- C = C in paragraph (c) above;
- H = The aggregate number of new Shares under an offer or invitation to acquire or subscribe for new Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into new Shares or with rights to acquire or subscribe for new Shares as the case may be;
- H* = The aggregate number of Shares under an offer or invitation to acquire or subscribe for new Shares by way of rights;
- I = The subscription price of one (1) new Share under an offer or invitation to acquire or subscribe for new Shares or the exercise price on conversion of securities or exercise of such rights to acquire or subscribe for one (1) new Share as the case may be;
- I* = The subscription price of one (1) new Share under the offer or invitation to acquire or subscribe for new Shares;
- B = B in paragraph (b) above;
- S = Existing Subscription Price; and
- T = Existing number of Shares comprised in the SIS Option in respect of the right to subscribe for new Shares so far as unexercised.

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

APPENDIX II – DRAFT BY-LAWS (CONT'D)

- (e) If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for new Shares as provided in paragraph (c)(ii) above together with an offer or invitation to acquire or subscribe securities convertible into new Shares or securities with rights to acquire or subscribe for new Shares as provided in paragraph (c)(iii) above, the Subscription Price shall be adjusted in the following manner:-

$$\text{New Subscription Price} = \frac{S \times (G \times C) + (H \times I) + (J \times K)}{(G + H + J) \times C}$$

and the Additional Shares Under SIS Option shall be calculated in the following manner:-

$$\text{Additional Shares Under SIS Option} = \frac{T \times (G + H^*) \times C}{(G \times C) + (H^* \times I^*)} - T$$

Where:-

- G = G as in paragraph (d) above;
- C = C as in paragraph (c) above;
- H = H as in paragraph (d) above;
- H* = H* as in paragraph (d) above;
- I = I as in paragraph (d) above;
- I* = I* as in paragraph (d) above;
- J = The aggregate number of new Shares to be issued to its ordinary shareholders upon conversion of such exercise of such rights to subscribe for new Shares by the ordinary shareholders;
- K = The exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) new Share;
- S = Existing Subscription Price; and
- T = Existing number of Shares comprised in the SIS Option in respect of the rights to subscribe for new Shares so far as unexercised.

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

- (f) If and whenever the Company makes an allotment to its ordinary shareholders as provided in paragraph (b) above and also makes an offer or invitation to acquire or subscribe for new Shares to its ordinary shareholders as provided in paragraph (c)(ii) above together with rights to acquire or subscribe for securities convertible into or with rights to acquire or subscribe for new Shares as provided in paragraph (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 Subscription Price shall be adjusted in the following manner:

$$\text{New Subscription Price} = \frac{S \times [(G \times C) + (H \times I) + (J \times K)]}{(G + H + J + B) \times C}$$

and the Additional Shares Under SIS Option shall be calculated in the following manner:-

$$\text{Additional Shares Under SIS Option} = \frac{T \times [(G + H^* + B) \times C]}{(G \times C) + (H^* \times I^*)} - T$$

APPENDIX II – DRAFT BY-LAWS (CONT'D)

Where:-

G	=	G as in paragraph (d) above;
C	=	C as in paragraph (c) above;
H	=	H as in paragraph (d) above;
H*	=	H* as in paragraph (d) above;
I	=	I as in paragraph (d) above;
I*	=	I* as in paragraph (d) above;
J	=	J as in paragraph (e) above;
K	=	K as in paragraph (e) above;
B	=	B as in paragraph (b) above;
S	=	Existing Subscription Price; and
T	=	Existing number of Shares comprised in the SIS Option in respect of the right to subscribe for new Shares so far as unexercised.

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

- (g) If and whenever (otherwise than pursuant to a rights issue available to all ordinary shareholders alike and requiring an adjustment under paragraphs (c)(ii), (c)(iii), (d), (e) or (f) above), the Company shall issue either any Shares or any securities convertible into new Shares or with rights to acquire or subscribe for new Shares, and in any such case the Total Effective Consideration per Share (as defined below) is less than ninety percent (90%) of the Average Price for one (1) Share (as defined below) or, as the case may be, the price at which the Shares will be issued upon conversion of such securities or exercise of such rights is determined, the Subscription Price shall be adjusted in the following manner:

$$\text{New Subscription Price} = \frac{S \times (L + M)}{L + N}$$

Where:-

L	=	The number of Shares in issue at the close of business on the Market Day immediately preceding the date on which the relevant adjustment becomes effective;
M	=	The number of new Shares which the Total Effective Consideration (as defined below) would have purchased at the Average Price (exclusive of expenses);
N	=	The aggregate number of new Shares which so issued or in the case of securities convertible into new Shares or with rights to acquire or subscribe for new Shares, the maximum number assuming no adjustment of such rights) of new Shares issuable upon full conversion of such securities or the exercise in full of such rights; and
S	=	Existing Subscription Price

APPENDIX II – DRAFT BY-LAWS (CONT'D)

For the purposes of this paragraph (g) the “Total Effective Consideration” shall be determined by the Directors of the Company with the concurrence of the Company’s external auditors or an adviser and shall be:

- (i) In the case of the issue of new Shares, the aggregate consideration receivable by the Company on payment in full for such new Shares; or
- (ii) In the case of the issue by the Company of securities wholly or partly convertible into new Shares, the aggregate consideration receivable by the Company on payment in full for such securities or such part of the securities as is convertible together with the total amount receivable by the Company upon full conversion of such securities (if any); or
- (iii) In the case of the issue by the Company of securities with rights to acquire or subscription for new Shares, the aggregate consideration attributable to the issue of such rights together with the total amount receivable by the Company upon full exercise of such rights;

in each case without any deduction of any commission, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “Total Effective Consideration per Share” shall be the Total Effective Consideration divided by the number of new Shares issued as aforesaid or, in the case of securities convertible into new Shares by the maximum number of new Shares issuable on full conversion of such securities or on exercise in full of such rights.

For the purpose of this paragraph (g), the Average Price of a Share shall be the average price of one (1) Share as derived from the last dealt prices for one (1) or more board lots of the Shares as quoted on the Bursa Securities on the Market Days comprised in the period used as a basis upon which the issue price of such Shares is determined.

Each such adjustment will be calculated (if appropriate, retroactively) from the close of business on the Bursa Securities on the Market Day next following the date on which the issue is announced, or (failing any such announcement) on the Market Day next following the date on which the Company determined the offering/issue price of such Shares. Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the Market Day next following the completion of the above transaction.

- (h) For the purpose of paragraphs (c), (d), (e) and (f), the “Current Market Price” in relation to one (1) Share for any relevant day shall be the average of the last dealt price for the five (5) consecutive Market Days before such date or other period as many be determined in accordance with any guidelines issued, from time to time, by Bursa Securities.

The foregoing provisions on adjustment of the Subscription Price shall be subject to the following:

- (a) On any such adjustment the resultant Subscription Price shall be rounded up to the nearest one (1) sen and in no event shall any adjustment (otherwise than upon the consolidation of Shares) involve an increase in the Subscription Price or reduce the number of Shares comprised in the SIS Option so far as unexercised to which the Grantee is already entitled to;
- (b) No adjustment shall be made to the Subscription Price in any case in which the amount by which the same would be reduced in accordance with the foregoing provisions of “would be less than one (1) sen” or the number of Shares comprised in the SIS Option so far as unexercised is less than one (1) Share and any adjustment that would otherwise be required then to be made will not be carried forward;

APPENDIX II – DRAFT BY-LAWS (CONT'D)

- (c) If an event giving rise to any such adjustment shall be capable of falling within any two (2) or more of paragraphs (a) to (g) of **By-Law 15.1** (both inclusive) or if such event is capable of giving rise to more than one adjustment, the adjustment shall be made in such manner as the Directors of the Company and the external auditors or an adviser may agree;
- (d) If for any reason an event giving rise to an adjustment to the Subscription Price and/or the number of Shares comprised in the SIS Option so far as unexercised to which a Grantee may be entitled to is cancelled, revoked or not completed, the adjustment shall not be required to be made or shall be reversed with effect from such date and in such manner as the Directors of the Company and the external auditors or an adviser may agree; and
- (e) In determining a Grantee's entitlements to subscribe for Shares, any fractional entitlements will be disregarded.



FITTERS DIVERSIFIED BERHAD
(Registration No. 198601000595 (149735-M))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (“**EGM**” or “**Meeting**”) of FITTERS Diversified Berhad (“**FITTERS**” or the “**Company**”) will be held on a fully virtual basis and entirely through live streaming and online remote voting using Remote Participation and Electronic Voting facilities via the online meeting platform at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC: D6A357657) on Friday, 28 January 2022 at 2.00 p.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the following ordinary resolutions with or without any modifications:-

ORDINARY RESOLUTION 1

PROPOSED PRIVATE PLACEMENT OF UP TO 144,149,100 NEW ORDINARY SHARES IN FITTERS, REPRESENTING APPROXIMATELY 30% OF THE TOTAL NUMBER OF ISSUED SHARES OF FITTERS (“PROPOSED PRIVATE PLACEMENT”)

“**THAT** subject to the approval of all the relevant authorities and parties (if required) being obtained, approval be and is hereby given to the Board to issue and allot up to 144,149,100 new ordinary shares in the Company (“**FITTERS Shares**” or “**Shares**”) (“**Placement Shares**”) by way of private placement to independent third-party investor(s), who qualify under Schedule 6 and Schedule 7 of the Capital Markets and Services Act, 2007 to be identified later, in one or more tranches at an issue price for each tranche to be determined at a later date by the Board (“**Price-Fixing Date**”) upon such terms and conditions as disclosed in the circular to the shareholders of the Company (“**Shareholders**”) dated 13 January 2022 (“**Circular**”).

THAT the issue price for each tranche of the Placement Shares will be determined based on a discount of not more than 20% to the 5-day volume-weighted average market price of FITTERS Shares up to and including the Price-Fixing Date.

THAT the Board be and is hereby authorised to utilise the proceeds to be derived from the Proposed Private Placement for such purposes as set out in the Circular and the Board be and is hereby authorised with full power to vary the manner and/or purpose of the utilisation of such proceeds from the Proposed Private Placement in the manner as the Board may deem fit, necessary and/or expedient, subject (where required) to the approval of the relevant authorities and in the best interest of the Company.

THAT such Placement Shares shall, upon allotment, issuance and full payment of the issue price, rank equally in all respects with the then existing issued Shares, save and except that the holders of such Placement Shares shall not be entitled to any dividend, rights, allotments and/or other distributions which may be declared, made or paid to the Shareholders, the entitlement date of which is prior to the date of allotment and issuance of the Placement Shares.

AND THAT the Board be and is hereby empowered and authorised to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or arrangements as may be necessary to give effect and complete the Proposed Private Placement and to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or as the Directors may deem necessary in the interest of the Company and to take such steps as they may deem necessary or expedient in order to implement, finalise, give full effect and to complete the Proposed Private Placement.”

ORDINARY RESOLUTION 2

PROPOSED ESTABLISHMENT OF A SHARE ISSUANCE SCHEME (“SIS”) OF UP TO 15% OF THE TOTAL NUMBER OF ISSUED SHARES OF FITTERS (EXCLUDING TREASURY SHARES, IF ANY) TO THE ELIGIBLE DIRECTORS AND ELIGIBLE EMPLOYEES OF FITTERS AND ITS SUBSIDIARIES (“GROUP”) (“PROPOSED SIS”)

“**THAT** subject to the approvals of all relevant regulatory authorities or parties having been obtained, approval be and is hereby given to the Board to:

- (i) establish, implement and administer the Proposed SIS for the benefit of eligible directors and eligible employees of the Group, excluding the subsidiaries which are dormant in accordance with the by-laws governing the SIS (“**By-laws**”), a draft of which is set out in Appendix II of the Circular, and to give full effect to the SIS with full powers to assent to any conditions, variations, modifications and/or amendments as may be deemed fit or expedient and/or imposed or required by the relevant regulatory authorities or as may be deemed fit or necessary by the Board at its discretion;
- (ii) make the necessary applications to Bursa Malaysia Securities Berhad (“**Bursa Securities**”) and do all the things necessary at the appropriate time or times for the listing and quotation of the new Shares which may from time to time be allotted and issued pursuant to the Proposed SIS;
- (iii) allot and issue and/or procure from time to time such number of new Shares as may be required to be issued pursuant to the exercise of the SIS Options under the Proposed SIS provided that the aggregate number of new Shares to be offered under the Proposed SIS shall not exceed in aggregate of 15% of the total number of issued shares of the Company (excluding treasury shares, if any) at any time during the duration of the SIS;
- (iv) add, delete, modify and/or amend all or any part of the terms and conditions as set out in the By-laws governing the Proposed SIS from time to time as may be required or permitted by the authorities or deemed necessary by the authorities or the Board or any committee of the Proposed SIS established or appointed by it provided that such modifications and/or amendments are effected and permitted in accordance with the provisions of the By-laws relating to modifications and/or amendments and to do all such acts, deeds and things and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to such modifications and/or amendments of the SIS;
- (v) extend the duration of the SIS, provided always that such extension of the SIS made pursuant to the By-laws shall not in aggregate exceed a duration of 10 years from the date on which the SIS shall take effect following full compliance of all relevant requirements or such longer period as may be permitted by Bursa Securities or any other relevant regulatory authorities from time to time without having to obtain any further sanction, approval, consent or authorisation of the shareholders of the Company in a general meeting; and
- (vi) do all such acts and things, to execute all such documents 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 SIS and terms of the By-laws;

AND THAT the Board be and is hereby authorised to give effect to the SIS with full powers to consent to and to adopt and implement such conditions, modifications, variations and/or amendments as may be required or imposed by the relevant regulatory authorities or as the Board may deem fit or necessary at its absolute discretion.”

ORDINARY RESOLUTION 3 – 8

PROPOSED ALLOCATION OF SIS OPTIONS TO DIRECTORS (“PROPOSED ALLOCATION”)

“**THAT**, subject to the passing of Ordinary Resolution 2 and the approvals of all relevant regulatory authorities (where required) having been obtained, approval be and is hereby given to the Board to authorise the committee appointed and authorised by the Board from time to time to administer the SIS in accordance with the By-laws, to offer and grant, from time to time throughout the duration of the SIS, such number of Shares in the Company which will be vested to the Directors at a future date and to allot and issue such number of options, Shares and/or the equivalent cash value or combinations thereof comprised in the Proposed SIS granted to the Directors from time to time, provided always that not more than 10% of the total FITTERS Shares available under the SIS, individually and collectively, shall be allocated to each of the Directors if they, either singly or collectively through persons connected with them, hold 20% or more of the total number of issued share of the Company (excluding treasury shares, if any), subject always to such terms and conditions of the By-laws and the Main Market Listing Requirements of Bursa Securities, or any prevailing guidelines issued by Bursa Securities or any other relevant authorities, as amended from time to time.

The Directors must not participate in the deliberation or discussion of their own allocation, as well as that of the persons connected with them, if any, under the Proposed SIS:

ORDINARY RESOLUTION 3

Dato’ Ir. Low Keng Kok, Chairman, Independent Non-Executive Director

ORDINARY RESOLUTION 4

Dato’ Sri Gan Chow Tee, Executive Director

ORDINARY RESOLUTION 5

Hoo Swee Guan, Executive Director

ORDINARY RESOLUTION 6

Chan Seng Fatt, Independent Non-Executive Director

ORDINARY RESOLUTION 7

Wong Kok Seong, Independent Non-Executive Director

ORDINARY RESOLUTION 8

Tan Li Sin, Non-Independent Non-Executive Director

AND THAT subject always to such terms and conditions and/or any adjustments which may be made in accordance with the By-laws, the Board be and is hereby authorised to take such steps as necessary or expedient to implement, finalise or to give full effect to the Proposed Allocation above 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 Allocation as above as well as 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 THE BOARD

TAN YIT CHAN (SSM PC NO.: 202008001023) (MAICSA 7009143)

TAN SEIW LING (SSM PC NO.: 202008000791) (MAICSA 7002302)

Company Secretaries

Kuala Lumpur
13 January 2022

Notes:

- (a) The EGM will be conducted on a fully virtual basis through live streaming and online remote voting using Remote Participation and Electronic Voting (“**RPEV**”) facilities which are available on the online meeting platform of LUMI AGM provided by Boardroom Share Registrars Sdn. Bhd. at <https://meeting.boardroomlimited.my>. Please refer to the Administrative Guide for Shareholders for the EGM on the procedures to register, participate and vote remotely via the RPEV facilities.
- (b) According to the revised Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 16 July 2021, an online meeting platform can be recognised as the meeting venue or place under Section 327 (2) of the Companies Act 2016 provided that the online platform is located in Malaysia and all meeting participants including the Chairman of the meeting, Board members, senior management and shareholders shall participate the meeting online.
- (c) Members may submit questions relating to resolutions to be tabled at the EGM to the Board via Boardroom Smart Investor Online Portal at <https://investor.boardroomlimited.com> no later than 2.00 p.m. on Wednesday, 26 January 2022. Alternatively, members may transmit questions to the Board via RPEV facilities during the live streaming of the EGM.
- (d) A member who is entitled to attend and vote at the Meeting shall be entitled to appoint more than one (1) proxy to attend and vote at the Meeting in his/her stead. Where a member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.
- (e) A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
- (f) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.
- (g) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- (h) 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. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.
- (i) For the purpose of determining a member who shall be entitled to attend the Meeting, the Company will be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 69 of the Company’s Constitution to issue the General Meeting Record of Depositors as at 20 January 2022. Only members whose names appear in the General Meeting Record of Depositors as at 20 January 2022 shall be regarded as members and entitled to attend, speak and vote at the Meeting.
- (j) The instrument appointing a proxy must be deposited with the Share Registrar of the Company situated at Boardroom Share Registrars Sdn Bhd, 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, or deposit the Form(s) of Proxy by electronic means through the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com> not less than 48 hours before the time set for holding the EGM.
- (k) The resolutions as set out in the Notice of the EGM will be put to vote by poll.
- (l) The EGM will be conducted on a fully virtual basis via remote participation and voting using Remote Participation and Electronic Voting facilities via the online meeting platform at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC: D6A357657). Members are advised to refer to the Administrative Guide on the registration and voting process for the EGM.
- (m) In view of the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our EGM at short notice. Kindly check Bursa Malaysia Securities Berhad’s website and the Company’s website at <http://www.fittersgroup.com> for the latest updates on the status of the EGM.



FITTERS DIVERSIFIED BERHAD
(Registration No. 198601000595 (149735-M))
(Incorporated in Malaysia)

FORM OF PROXY

CDS Account No.
No. of Shares held

I/We, Tel. No.:
(Full name as NRIC/Passport and NRIC No. / Registration No.)

of
(Address)

being a member of FITTERS DIVERSIFIED BERHAD, hereby appoint(s):

Full Name as per NRIC/Passport	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address	Email address		

and / or*

Full Name as per NRIC/Passport	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address	Email address		

or failing him/her*, the Chairman of the meeting as my/our* proxy to vote for me/us* on my/our* behalf at the Extraordinary General Meeting of the Company ("**EGM**" or "**Meeting**") to be held on a fully virtual basis and entirely through live streaming and online remote voting using Remote Participation and Electronic Voting facilities via the online meeting platform at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC: D6A357657) on Friday, 28 January 2022 at 2.00 p.m. or at any adjournment thereof, and to vote as indicated below:-

Item	Agenda	Resolution	FOR	AGAINST
1.	Proposed Private Placement	Ordinary Resolution 1		
2.	Proposed SIS	Ordinary Resolution 2		
3.	Proposed Allocation of SIS Options to Dato' Ir. Low Keng Kok	Ordinary Resolution 3		
4.	Proposed Allocation of SIS Options to Dato Sri Gan Chow Tee	Ordinary Resolution 4		
5.	Proposed Allocation of SIS Options to Hoo Swee Guan	Ordinary Resolution 5		
6.	Proposed Allocation of SIS Options to Chan Seng Fatt	Ordinary Resolution 6		
7.	Proposed Allocation of SIS Options to Wong Kok Seong	Ordinary Resolution 7		
8.	Proposed Allocation of SIS Options to Tan Li Sin	Ordinary Resolution 8		

Please indicate with an 'X' in the space provided whether you wish your votes to be cast for or against the resolution. In the absence of specific direction, your proxy may vote or abstain as he thinks fit.

Signed this _____ day of _____ 2022

Signature^
Member

* Delete whichever is not applicable

^ Manner of execution:

- If you are an individual member, please sign where indicated.
- If you are a corporate member which has a common seal, this Form of Proxy should be executed under seal in accordance with the constitution of your corporation.
- If you are a corporate member which does not have a common seal, this Form of Proxy should be affixed with the rubber stamp of your company (if any) and executed by:
 - at least two (2) authorised officers, of whom one shall be a director; or
 - any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.



Notes:

- (a) The EGM will be conducted on a fully virtual basis through live streaming and online remote voting using Remote Participation and Electronic Voting (“**RPEV**”) facilities which are available on the online meeting platform of LUMI AGM provided by Boardroom Share Registrars Sdn. Bhd. at <https://meeting.boardroomlimited.my>. Please refer to the Administrative Guide for Shareholders for the EGM on the procedures to register, participate and vote remotely via the RPEV facilities.
- (b) According to the revised Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 16 July 2021, an online meeting platform can be recognised as the meeting venue or place under Section 327 (2) of the Companies Act 2016 provided that the online platform is located in Malaysia and all meeting participants including the Chairman of the meeting, Board members, senior management and shareholders shall participate the meeting online.
- (c) Members may submit questions relating to resolutions to be tabled at the EGM to the Board via Boardroom Smart Investor Online Portal at <https://investor.boardroomlimited.com> no later than 2.00 p.m. on Wednesday, 26 January 2022. Alternatively, members may transmit questions to the Board via RPEV facilities during the live streaming of the EGM.
- (d) A member who is entitled to attend and vote at the Meeting shall be entitled to appoint more than one (1) proxy to attend and vote at the Meeting in his/her stead. Where a member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.
- (e) A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
- (f) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.
- (g) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- (h) 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. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.
- (i) For the purpose of determining a member who shall be entitled to attend the Meeting, the Company will be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 69 of the Company’s Constitution to issue the General Meeting Record of Depositors as at 20 January 2022. Only members whose names appear in the General Meeting Record of Depositors as at 20 January 2022 shall be regarded as members and entitled to attend, speak and vote at the Meeting.
- (j) The instrument appointing a proxy must be deposited with the Share Registrar of the Company situated at Boardroom Share Registrars Sdn Bhd, 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia or deposit the Form(s) of Proxy by electronic means through the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>, not less than 48 hours before the time set for holding the EGM.
- (k) The resolutions as set out in the Notice of the EGM will be put to vote by poll.
- (l) The EGM will be conducted on a fully virtual basis via remote participation and voting using Remote Participation and Electronic Voting facilities via the online meeting platform at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC: D6A357657). Members are advised to refer to the Administrative Guide on the registration and voting process for the EGM.
- (m) In view of the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our EGM at short notice. Kindly check Bursa Malaysia Securities Berhad’s website and the Company’s website at <http://www.fittersgroup.com> for the latest updates on the status of the EGM.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Share Registrar of
FITTERS DIVERSIFIED BERHAD

Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

1st fold here

