

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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D'NOUNCE TECHNOLOGY BHD
[Registration No. 200001000687 (503292-K)]
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

- (I) **PROPOSED ACQUISITION BY D'NOUNCE TECHNOLOGY BHD ("DTB") OF 99.9991% EQUITY INTEREST IN KOMARK (THAILAND) COMPANY LIMITED ("KTCL") FROM GENERAL LABELS & LABELLING (M) SDN BHD FOR A PURCHASE CONSIDERATION OF RM9,100,000 TO BE SATISFIED ENTIRELY VIA THE ISSUANCE OF 58,709,677 NEW ORDINARY SHARES IN DTB ("DTB SHARES" OR "SHARES") AT AN ISSUE PRICE OF RM0.155 EACH ("CONSIDERATION SHARES") ("PROPOSED ACQUISITION");**
- (II) **PROPOSED DIVERSIFICATION OF THE PRINCIPAL ACTIVITIES OF DTB AND ITS SUBSIDIARIES TO INCLUDE MANUFACTURING AND SELLING OF SELF-ADHESIVE LABELS ("PROPOSED DIVERSIFICATION");**
- (III) **PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 434,690,877 DTB SHARES ("RIGHTS SHARES") ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 1 EXISTING SHARE HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("ENTITLEMENT DATE"), TOGETHER WITH UP TO 434,690,877 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF 1 WARRANT FOR EVERY 1 RIGHTS SHARE SUBSCRIBED FOR ("PROPOSED RIGHTS ISSUE");**
- (IV) **PROPOSED TERMINATION OF THE EXISTING EMPLOYEES' SHARE OPTION SCHEME OF DTB ("PROPOSED ESOS TERMINATION");**
- (V) **PROPOSED ESTABLISHMENT OF A NEW SHARE ISSUANCE SCHEME OF UP TO 15% OF THE TOTAL NUMBER OF ISSUED SHARES (EXCLUDING TREASURY SHARES, IF ANY) AT ANY POINT IN TIME DURING THE DURATION OF THE SCHEME FOR THE ELIGIBLE EMPLOYEES, EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS OF THE COMPANY AND ITS NON-DORMANT SUBSIDIARIES ("PROPOSED NEW SIS" OR "SCHEME"); AND**
- (VI) **PROPOSED ALLOCATIONS OF SIS OPTIONS TO THE DIRECTORS OF DTB UNDER THE PROPOSED NEW SIS ("PROPOSED ALLOCATIONS")**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

PRINCIPAL ADVISER FOR (I), (II), (III) AND (V)



AN UNWAVERING COMMITMENT

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

The Extraordinary General Meeting ("**EGM**") of DTB will be conducted on virtual basis through live streaming from the Broadcast Venue at Lot 18.2, 18th Floor, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 1 November 2022 at 10:30 a.m., or at any adjournment thereof. The Notice of the EGM and Proxy Form are enclosed in this Circular.

You are entitled to attend and vote at the EGM or appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you may deposit the Proxy Form with DTB's Share Registrar at Workshire Share Registration Sdn Bhd of A1-2-2 Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, Wilayah Persekutuan, Malaysia not less than 48 hours before the time for holding the meeting or any adjournment thereof.

The lodgment of the Proxy Form shall not preclude you from attending and voting at the EGM should you subsequently wish to do so and in such event, your Proxy Form shall be deemed to have been revoked.

| | | |
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| Last day, date and time for lodging the Proxy Form | : | Sunday, 30 October 2022 at 10:30 a.m. |
| Date and time of the EGM | : | Tuesday, 1 November 2022 at 10:30 a.m. |

This Circular is dated 17 October 2022

DEFINITIONS

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

| | | |
|----------------------------------|---|---|
| 5D-VWAP | : | 5-day volume weighted average market price |
| 11M-FPE | : | 11-month financial period ended |
| Act | : | Companies Act 2016 of Malaysia |
| Additional Undertaking(s) | : | Unconditional and irrevocable written undertaking by the Undertaking Shareholder to a subscription amount of RM6.49 million to subscribe for 108,233,333 excess Rights Shares (based on the assumed issue price of RM0.06 per Rights Share) under the Proposed Rights Issue |
| ASB | : | AT Systematization Berhad, a company listed on ACE Market of Bursa Securities |
| AVKL | : | Attractive Venture (KL) Sdn Bhd, the Company's wholly-owned subsidiary |
| AVSB | : | Attractive Venture Sdn Bhd, the Company's wholly-owned subsidiary |
| Base Case Scenario | : | Comprising 434,462,377 Rights Shares and 434,462,377 Warrants. Based on 375,752,700 issued Shares as at the LPD and assuming: <ul style="list-style-type: none">• the Proposed Acquisition is completed prior to the implementation of the Proposed Rights Issue;• none of the 228,500 outstanding ESOS Options are exercised into new Shares prior to the Entitlement Date; and• all Entitled Shareholders and/ or their renounee(s) fully subscribe for their entitlements of the Rights Shares. |
| Board | : | Board of Directors of DTB |
| Bursa Depository | : | Bursa Malaysia Depository Sdn. Bhd. |
| Bursa Securities | : | Bursa Malaysia Securities Berhad |
| By-Laws | : | By-Laws governing the Proposed New SIS, as amended, modified and supplemented from time to time in accordance with the provisions of the By-Laws |
| Circular | : | This circular to the shareholders of DTB dated 17 October 2022 |
| CMSA | : | Capital Markets and Services Act 2007 of Malaysia |
| Code on Take-Overs | : | Malaysian Code on Take-Overs and Mergers 2016 |
| Conditions | : | Conditions of the SSA as set out in Section 3 of Appendix II of this Circular |
| Consideration Shares | : | 58,709,677 new DTB Shares to be issued at an issue price of RM0.155 each |

DEFINITIONS (Cont'd)

| | | |
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| COVID-19 | : | Coronavirus disease 2019, an infectious disease which affects the respiratory system, and is a global pandemic |
| Deed Poll | : | The deed poll constituting the Warrants and governing the rights of the Warrants to be executed by the Company in relation to the Proposed Rights Issue |
| Director(s) | : | A natural person who holds a directorship in the Company for the time being, whether in an executive or non-executive capacity, falling within the meaning given in Section 2(1) of the CMSA and Section 2(1) of the Act |
| DTB or Company | : | D'nonce Technology Bhd |
| DTB Group or Group | : | DTB and its subsidiaries, collectively |
| DTB Share(s) or Share(s) | : | Ordinary share(s) in DTB |
| E&E | : | Electrical and electronics |
| EGM | : | Extraordinary general meeting |
| Eligible Person(s) | : | Employee(s), executive directors(s) and non-executive director(s) of DTB Group (excluding dormant subsidiaries) who fulfil the eligibility criteria for participation in the Proposed New SIS as set out in the By-Laws |
| Entitled Shareholders | : | The shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date |
| Entitlement Date | : | A date (to be determined by the Board and announced by the Company later) as at the close of business at 5.00 p.m. of which the names of shareholders must appear in the Record of Depositors in order to be entitled to the Proposed Rights Issue |
| Entitlement Undertaking | : | <p>Unconditional and irrevocable written undertaking by the Undertaking Shareholder to subscribe in full for his entitlement of the Rights Shares.</p> <p>In this respect, the Undertaking Shareholder has undertaken to commit a subscription amount of RM6,000 (based on the assumed issue price of RM0.06 per Rights Share)</p> |
| EPS | : | Earnings per share |
| ESOS Grantee | : | Eligible persons who have accepted the offer of the ESOS Options in the manner provided in the Existing By-Laws |
| ESOS Options | : | Options granted pursuant to the Existing ESOS Scheme |
| Existing By-Laws | : | Existing By-Laws governing the Existing ESOS Scheme |

DEFINITIONS (Cont'd)

| | | |
|-------------------------------------|---|---|
| ESOS or Existing ESOS Scheme | : | Existing employees' share options scheme of DTB of up to 15% of the total issued and paid-up share capital of the Company for the eligible directors and employees of the DTB Group, which took effect on 18 May 2016 for a period of 5 years and extended for another 5 years until 17 May 2026. 75% of the total number of DTB Shares to be issued pursuant to the ESOS, in aggregate, is earmarked to the eligible directors and senior management |
| FMCG | : | Fast-moving consumer goods such as hair care products, wet tissues and soap |
| FYE | : | Financial year ended/ ending, as the case may be |
| FPE | : | Financial period ended |
| Grantee | : | An Eligible Person who has accepted an offer of the SIS Options in the manner provided in the By-Laws |
| IMR or Infobusiness | : | Infobusiness Research & Consulting Sdn Bhd, the Independent Market Researcher |
| IMR Report(s) | : | Independent market research report prepared by Infobusiness on the overview of the E&E industry, overview of the rubber gloves industry, overview of the thermoformed plastics packaging industry, overview of the plastic injection moulding industry, overview of the paper and paperboard packaging industry as well as overview of the self-adhesive label industry dated 11 August 2022 |
| ISCM Thailand | : | ISCM Technology (Thailand) Co., Ltd., the Company's wholly-owned subsidiary |
| KECL | : | Komark Enterprise Co Ltd, a 49% owned associate company of KISB |
| KISB | : | Komark International (M) Sdn Bhd, a wholly-owned subsidiary of Komarkcorp |
| Komarkcorp | : | Komarkcorp Berhad, a company listed on the Main Market of Bursa Securities |
| Komarkcorp Group | : | Komarkcorp and its group of companies |
| KTCL | : | Komark (Thailand) Company Limited |
| KTCL Share(s) | : | Ordinary share(s) in KTCL |
| Labelling Business | : | Manufacturing and selling of self-adhesive labels |
| Listing Requirements | : | Main Market Listing Requirements of Bursa Securities |
| LPD | : | 30 September 2022, being the latest practicable date prior to the printing of this Circular |
| LTD | : | 10 August 2022, being the last trading date prior to the SSA Date |

DEFINITIONS (Cont'd)

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|---|---|
| Maximum Scenario | : Comprising 434,690,877 Rights Shares and 434,690,877 Warrants. Based on 375,752,700 issued Shares as at the LPD and assuming: (i) the remaining 228,500 outstanding ESOS Options are exercised into new Shares prior to the Entitlement Date; (ii) the Proposed Acquisition is completed prior to the implementation of the Proposed Rights Issue; and (iii) all Entitled Shareholders and/ or their renouncee(s) fully subscribe for their entitlements of the Rights Shares. |
| MCO(s) | : Movement control order(s) which includes but is not limited to the conditional movement control order, recovery movement control order, full control movement order issued under the Prevention and Control Infectious Diseases Act 1988 and the Police Act 1967. |
| Minimum Scenario or Minimum Subscription Level | : Comprising 108,333,333 Rights Shares and 108,333,333 Warrants. Based on 375,752,700 issued Shares as at the LPD and assuming: (i) the Proposed Acquisition is completed prior to the implementation of the Proposed Rights Issue; (ii) none of the 228,500 outstanding ESOS Options are exercised into new Shares prior to the Entitlement Date; (iii) the Undertaking Shareholder subscribes in full to his entitlement and additional Rights Shares, pursuant to his Undertaking; and (iv) no other shareholder subscribes for the Rights Shares. |
| NA | : Net assets |
| Offer | : Offer of SIS Options made under the Proposed New SIS at the discretion of the SIS Committee, to an Eligible Person from time to time within the duration of the Scheme to participate in the Proposed New SIS in the manner provided in the By-Laws |
| Option 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 |
| Outstanding ESOS Options | : The outstanding ESOS Options that have yet to be exercised into new DTB Shares as at the LPD |
| PBR | : Price-to-book ratio |
| Placement Shares | : 62,625,400 new DTB Shares issued pursuant to the Private Placement |

DEFINITIONS (Cont'd)

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| Private Placement | : Private placement of 62,625,400 new DTB Shares, representing not more than 20% of the total number of issued shares of DTB (excluding treasury shares, if any) in accordance with a general mandate pursuant to Section 75 and Section 76 of the Act. The Private Placement was completed on 14 December 2021. |
| Proposals | : Proposed Acquisition, Proposed Diversification, Proposed Rights Issue, Proposed ESOS Termination and Proposed New SIS, collectively |
| Proposed Acquisition | : Proposed acquisition of 99.9991% equity interest in KTCL comprising 333,997 KTCL Shares for a purchase consideration of RM9,100,000 to be satisfied entirely via issuance of Consideration Shares |
| Proposed Allocations | : Proposed allocations of SIS Options to the Directors of DTB under the Proposed New SIS |
| Proposed Diversification | : Proposed diversification of the principal activities of DTB Group to include Labelling Business |
| Purchase Consideration | : Purchase consideration of RM9,100,000 pursuant to the Proposed Acquisition |
| Proposed ESOS Termination | : Proposed termination of the Existing ESOS Scheme |
| Proposed New SIS or Scheme | : Proposed establishment of a new share issuance scheme of up to 15% of the total number of issued Shares (excluding treasury shares, if any) at any point in time during the duration of the scheme for the Eligible Persons |
| Proposed Rights Issue | : Proposed renounceable rights issue of up to 434,690,877 Rights Shares on the basis of 1 Rights Share for every 1 existing Share held on the Entitlement Date, together with up to 434,690,877 Warrants on the basis of 1 Warrant for every 1 Rights Share subscribed for |
| Record of Depositors | : A record consisting of names of depositors established by Bursa Malaysia Depository Sdn Bhd |
| Rights Share(s) | : Up to 434,690,877 new DTB Shares to be issued pursuant to the Proposed Rights Issue |
| RM and sen | : Ringgit Malaysia and sen respectively, being the lawful currency of Malaysia |
| Rules on Take-Overs | : Rules on Take-Overs, Mergers and Compulsory Acquisitions issued by the SC |
| Sale Share(s) | : 333,997 KTCL Shares, representing 99.9991% equity interest in KTCL, to be acquired by DTB from the Vendor pursuant to the Proposed Acquisition |
| SC | : Securities Commission Malaysia |
| SIS Committee | : A committee to be duly appointed and authorised by the Board from time to time to administer the Proposed New SIS in accordance with the By-Laws |

DEFINITIONS (Cont'd)

| | | |
|---------------------------------|---|--|
| SIS Option(s) | : | The right of a Grantee to subscribe for such number of new Shares pursuant to the contract constituted by the acceptance of an Offer by an Eligible Person in the manner provided in the By-Laws |
| SSA | : | Conditional share sale agreement dated 11 August 2022 entered into by DTB and the Vendor for the Proposed Acquisition |
| SSA Date | : | 11 August 2022, being the date of the SSA |
| TA Securities or Adviser | : | TA Securities Holdings Berhad |
| TEAP | : | Theoretical ex-all price |
| THB | : | Thailand Baht, being the lawful currency of Thailand |
| Undertaking | : | Entitlement Undertaking and Additional Undertaking, collectively totaling RM6,500,000 |
| Undertaking Shareholder | : | Low Chee Min, the Company's Chief Operating Officer |
| Vendor or GLLSB | : | General Labels & Labelling (M) Sdn Bhd, a wholly-owned subsidiary of Komarkcorp |
| VWAP | : | Volume weighted average market price |
| Warrants | : | Up to 434,690,877 Warrants to be allotted and issued pursuant to the Proposed Rights Issue |

All references to “**you**” in this Circular are references to shareholders of DTB.

Words denoting the singular shall, where applicable, include the plural and *vice versa*. Words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and *vice versa*. References to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any provision of a statute, rule, regulation, enactment, or rule of a stock exchange shall (where the context admits) be construed as a reference to the provision of such statute, rule, regulation, enactment or rule of a stock exchange (as the case may be) as modified by any written law, or, if applicable, any amendment of re-enactment to the statute, rule, regulation, enactment or rule of a stock exchange for the time being in force. Any reference to a time of day in this Circular is a reference to Malaysian time, unless otherwise specified.

Unless stated otherwise, the exchange rate of THB100: RM12.2739, being Bank Negara Malaysia's middle rate as at 5.00 p.m. on the LPD, is used throughout this Circular.

Any discrepancies in the figures included in this Circular between the amount stated, actual figures and the totals thereof are due to rounding.

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EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY REPRESENTS ONLY A SUMMARY OF THE PERTINENT INFORMATION ON THE PROPOSALS AS SET OUT IN THIS CIRCULAR. YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR AND THE APPENDICES CONTAINED HEREIN IN ITS ENTIRETY FOR FURTHER DETAILS BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

| Key information | Description | Reference to the Circular | | | | | | | | | | | | | | | | | | | | | | | | | |
|--------------------------------|--|---------------------------|------------------|------|--|--------------|--|------------------|------|------|------|---------|---------|---------|---------|---------|---------|---------|----------------|----------|----------|----------|----|--------|--------|--------|-----------|
| Brief details of the Proposals | <p><u>Proposed Acquisition</u></p> <ul style="list-style-type: none">The Proposed Acquisition entails the acquisition by DTB of 99.9991% equity interest in KTCL from the Vendor for the purchase consideration of RM9,100,000, to be satisfied entirely via the issuance of 58,709,677 new DTB Shares at RM0.155 each.KTCL was incorporated in Thailand and is principally involved in the manufacturing and selling of self-adhesive labels.The key financial information of KTCL for the FYE 30 April 2020, FYE 30 April 2021 and 11M-FPE 31 March 2022 are as follows: <table><tr><th rowspan="4"></th><th colspan="3">Audited</th></tr><tr><th colspan="2">FYE 30 April</th><th>11M-FPE 31 March</th></tr><tr><th>2020</th><th>2021</th><th>2022</th></tr><tr><th>THB'000</th><th>THB'000</th><th>THB'000</th></tr><tr><td>Revenue</td><td>131,462</td><td>115,338</td><td>113,164</td></tr><tr><td>Loss after tax</td><td>(16,956)</td><td>(22,393)</td><td>(14,778)</td></tr><tr><td>NA</td><td>61,516</td><td>39,123</td><td>24,345</td></tr></table> <ul style="list-style-type: none">The Proposed Acquisition is not a related party transaction. <p><u>Proposed Diversification</u></p> <ul style="list-style-type: none">Based on KTCL's historical financial performance and position, the Board takes cognisance that the Labelling Business may not contribute 25% or more of the net profits of the Group and/ or diversion of 25% or more of the net assets of the Group in the near term. Nevertheless, the Board views it would be more cost effective and in the interest of DTB to seek its shareholders' approval upfront in view of the potential synergistic benefits that are expected to be accrued to both DTB Group and KTCL's businesses, which are expected to contribute positively to the future performance of the enlarged DTB Group in the longer term.As such, the Board proposes to seek the approval of DTB's shareholders for the diversification of the principal activities of the Group to include the Labelling Business. | | Audited | | | FYE 30 April | | 11M-FPE 31 March | 2020 | 2021 | 2022 | THB'000 | THB'000 | THB'000 | Revenue | 131,462 | 115,338 | 113,164 | Loss after tax | (16,956) | (22,393) | (14,778) | NA | 61,516 | 39,123 | 24,345 | Section 2 |
| | Audited | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | FYE 30 April | | 11M-FPE 31 March | | | | | | | | | | | | | | | | | | | | | | | | |
| | 2020 | | 2021 | 2022 | | | | | | | | | | | | | | | | | | | | | | | |
| | THB'000 | THB'000 | THB'000 | | | | | | | | | | | | | | | | | | | | | | | | |
| Revenue | 131,462 | 115,338 | 113,164 | | | | | | | | | | | | | | | | | | | | | | | | |
| Loss after tax | (16,956) | (22,393) | (14,778) | | | | | | | | | | | | | | | | | | | | | | | | |
| NA | 61,516 | 39,123 | 24,345 | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Section 3 | | | | | | | | | | | | | | | | | | | | | | | | | |

EXECUTIVE SUMMARY (Cont'd)

| Key information | Description | Reference to the Circular | | | | | | | | | |
|------------------------------|--|--|-------------------------------|--|---------------------------|--|---|----------------------|---------------------|---|-----------|
| | <p>Proposed Right Issue</p> <ul style="list-style-type: none"> The Company proposes to issue up to 434,690,877 Rights Shares together with up to 434,690,877 Warrants. The Proposed Rights Issue is to be implemented on a renounceable basis of 1 Rights Share for every 1 existing Share held by the Entitled Shareholders, together with 1 Warrant for every 1 Rights Share subscribed for, at an issue price to be determined and announced by the Board at a later date. For illustrative purposes, the Proposed Rights Issue shall be based on the following 3 scenarios: <table border="1"> <tr> <td>Minimum Minimum Level</td><td>Scenario/ Subscription</td><td>Comprising 108,333,333 Rights Shares and 108,333,333 Warrants to be issued pursuant to the Proposed Rights Issue to raise minimum gross proceeds of RM6,500,000.</td></tr> <tr> <td>Base Case Scenario</td><td></td><td>Comprising up to 434,462,377 Rights Shares and 434,462,377 Warrants to be issued pursuant to the Proposed Rights Issue.</td></tr> <tr> <td>Maximum Level</td><td>Subscription</td><td>Comprising up to 434,690,877 Rights Shares and 434,690,877 Warrants to be issued pursuant to the Proposed Rights Issue.</td></tr> </table> The issue price of the Rights Shares shall be fixed and announced by the Board at a later date before the announcement of the Entitlement Date, after taking into consideration the following: <ul style="list-style-type: none"> (i) the rationale for the Proposed Rights Issue as set out in Section 9.2 of this Circular; (ii) the funding requirements of the Group as set out in Section 7.1 of this Circular; and (iii) the TEAP of DTB Shares based on the 5D-VWAP of DTB Shares up to and including the last trading day prior to the price-fixing date. <p>Notwithstanding the Proposed Rights Issue is undertaken on the Minimum Subscription Level, it is the intention of the Company to raise the maximum proceeds possible. The Company intends to raise minimum gross proceeds of RM6,500,000 from the Proposed Rights Issue under the Minimum Scenario after taking into consideration the funding requirements of the Group as set out in Section 7.1 of this Circular and the availability of the financial resources of the Undertaking Shareholder.</p> <p>No underwriting arrangement will be procured for the balance portion of the Rights Shares that remain unsubscribed. The Board intends to fix the issue price of the Rights Shares at a discount of not more than 20% to the TEAP of the Shares.</p> | Minimum Minimum Level | Scenario/ Subscription | Comprising 108,333,333 Rights Shares and 108,333,333 Warrants to be issued pursuant to the Proposed Rights Issue to raise minimum gross proceeds of RM6,500,000. | Base Case Scenario | | Comprising up to 434,462,377 Rights Shares and 434,462,377 Warrants to be issued pursuant to the Proposed Rights Issue. | Maximum Level | Subscription | Comprising up to 434,690,877 Rights Shares and 434,690,877 Warrants to be issued pursuant to the Proposed Rights Issue. | Section 4 |
| Minimum Minimum Level | Scenario/ Subscription | Comprising 108,333,333 Rights Shares and 108,333,333 Warrants to be issued pursuant to the Proposed Rights Issue to raise minimum gross proceeds of RM6,500,000. | | | | | | | | | |
| Base Case Scenario | | Comprising up to 434,462,377 Rights Shares and 434,462,377 Warrants to be issued pursuant to the Proposed Rights Issue. | | | | | | | | | |
| Maximum Level | Subscription | Comprising up to 434,690,877 Rights Shares and 434,690,877 Warrants to be issued pursuant to the Proposed Rights Issue. | | | | | | | | | |

EXECUTIVE SUMMARY (Cont'd)

| Key information | Description | Reference to the Circular | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|-----------------------------|---------------------------|---|---------------------------|---|--|---|-------|-------|------------------|---|---|-------|-------|------------------|------------------------------|-------|--------|--------|------------------|-----------------|-------|-------|-------|------------------|--|---|-------|-------|------------------|---|-------|-------|-------|----------------|--------------|--------------|---------------|---------------|--|-------------|
| | <ul style="list-style-type: none">Based on an assumed issue price of RM0.06 per Rights Share, the gross proceeds to be raised from the Proposed Rights Issue are intended to be utilised in the following manner: <table><tr><th>Details of the utilisation</th><th>Minimum Scenario (RM'000)</th><th>Base Case Scenario (RM'000)</th><th>Maximum Scenario (RM'000)</th><th>Expected time frame for the utilisation of proceeds (from the date of the listing of the Rights Shares)</th></tr><tr><td>Construction of a new warehouse and additional production area/ Purchase of a separate factory building, in Penang</td><td>-</td><td>2,000</td><td>2,000</td><td>Within 24 months</td></tr><tr><td>Capital expenditure for purchase of machinery and equipment and installation of enterprise resource planning system</td><td>-</td><td>4,200</td><td>4,200</td><td>Within 24 months</td></tr><tr><td>Repayment of bank borrowings</td><td>3,000</td><td>10,000</td><td>10,000</td><td>Within 12 months</td></tr><tr><td>Working capital</td><td>2,050</td><td>2,418</td><td>2,431</td><td>Within 24 months</td></tr><tr><td>Construction of new factory building in Thailand</td><td>-</td><td>6,000</td><td>6,000</td><td>Within 24 months</td></tr><tr><td>Estimated expenses in relation to the Proposals</td><td>1,450</td><td>1,450</td><td>1,450</td><td>Within 1 month</td></tr><tr><td>Total</td><td>6,500</td><td>26,068</td><td>26,081</td><td></td></tr></table> <p>The gross proceeds to be raised from the exercise of the Warrants is dependent on the total number of Warrants exercised during the tenure of the Warrants as well as the exercise price of the Warrants.</p> <p><u>Proposed ESOS Termination</u></p> <ul style="list-style-type: none">Proposed termination of the Company's Existing ESOS Scheme which took effect on 18 May 2016 and extended until 17 May 2026.Upon the Proposed ESOS Termination coming into effect, no further offers shall be made by the Existing ESOS Scheme committee under the Existing ESOS Scheme and the Existing ESOS Scheme together with all its related matters shall have no further force and effect. <p><u>Proposed New SIS and Proposed Allocations</u></p> <ul style="list-style-type: none">The Proposed New SIS involves the establishment of a new share issuance scheme of up to 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 Scheme for the eligible employees, executive directors and non-executive directors of DTB and its subsidiaries (excluding dormant subsidiaries) who fulfil the eligibility criteria for participation in the Proposed New SIS as set out in the By-Laws governing the Proposed New SIS. | Details of the utilisation | Minimum Scenario (RM'000) | Base Case Scenario (RM'000) | Maximum Scenario (RM'000) | Expected time frame for the utilisation of proceeds (from the date of the listing of the Rights Shares) | Construction of a new warehouse and additional production area/ Purchase of a separate factory building, in Penang | - | 2,000 | 2,000 | Within 24 months | Capital expenditure for purchase of machinery and equipment and installation of enterprise resource planning system | - | 4,200 | 4,200 | Within 24 months | Repayment of bank borrowings | 3,000 | 10,000 | 10,000 | Within 12 months | Working capital | 2,050 | 2,418 | 2,431 | Within 24 months | Construction of new factory building in Thailand | - | 6,000 | 6,000 | Within 24 months | Estimated expenses in relation to the Proposals | 1,450 | 1,450 | 1,450 | Within 1 month | Total | 6,500 | 26,068 | 26,081 | | Section 7.1 |
| Details of the utilisation | Minimum Scenario (RM'000) | Base Case Scenario (RM'000) | Maximum Scenario (RM'000) | Expected time frame for the utilisation of proceeds (from the date of the listing of the Rights Shares) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Construction of a new warehouse and additional production area/ Purchase of a separate factory building, in Penang | - | 2,000 | 2,000 | Within 24 months | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Capital expenditure for purchase of machinery and equipment and installation of enterprise resource planning system | - | 4,200 | 4,200 | Within 24 months | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Repayment of bank borrowings | 3,000 | 10,000 | 10,000 | Within 12 months | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Working capital | 2,050 | 2,418 | 2,431 | Within 24 months | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Construction of new factory building in Thailand | - | 6,000 | 6,000 | Within 24 months | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Estimated expenses in relation to the Proposals | 1,450 | 1,450 | 1,450 | Within 1 month | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 6,500 | 26,068 | 26,081 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Section 5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Section 6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

EXECUTIVE SUMMARY (Cont'd)

| Key information | Description | Reference to the Circular |
|------------------|---|---------------------------|
| | <ul style="list-style-type: none"> The Scheme shall be in force for a period of 5 years from its effective date and may be extended for a further period of 5 years pursuant to the By-Laws. The maximum number of DTB Shares that may be issued under the Scheme shall not exceed 15% of the total number of DTB Shares (excluding treasury shares, if any) at any point in time during the duration of the Scheme. In accordance to the By-Laws, where a specific allotment is to be made to any Eligible Person who is a Director, major shareholder or chief executive of the Company or holding company of the Company ("Interested Party(ies)") or a person connected with any of the Interested Parties, the specific allocation of SIS Options granted by the Company to him/ her under the Scheme must be approved by the shareholders of the Company at a general meeting unless such approval is no longer required under the Listing Requirements provided always that such Interested Party and persons connected with them shall not have voted on the resolution approving their respective allocation. | |
| Rationale | <p><u>Proposed Acquisition and Proposed Diversification</u></p> <ul style="list-style-type: none"> The Proposed Acquisition and Proposed Diversification are to facilitate the Group's plans to expand its stream of income and diversify its earnings base. The Proposed Acquisition serves as a strategic entry for DTB Group into the Labelling Business sector. The Board views that the Proposed Acquisition is an attractive business proposition as it allows the DTB Group to gain an immediate access into an on-going Labelling Business entity that serves the market in Thailand. The Proposed Acquisition and Proposed Diversification are expected to contribute positively to the Group's earnings after taking into consideration growth potential of the Labelling Business and the favourable growth of the self-adhesive label industry in Thailand as set out in Section 10.7 of this Circular. <p><u>Proposed Rights Issue</u></p> <ul style="list-style-type: none"> The Proposed Rights Issue will enable the Group to raise the funds for the purpose as set out in Section 7.1 of this Circular without incurring interest costs associated with bank borrowings or the issuance of debt instruments, thereby minimising any potential cash outflow arising from interest servicing costs. In addition, the Board has also considered the following and is of the opinion that the Proposed Rights Issue is an appropriate option as: | Section 9 |

EXECUTIVE SUMMARY (Cont'd)

| Key information | Description | Reference to the Circular |
|-----------------|---|---------------------------|
| | <p>(i) the proceeds from the issuance of Rights Shares will improve the cash flow of the Group and the usage of proceeds are expected to contribute positively to the Group's future earnings and improve its financial performance;</p> <p>(ii) the issuance of new Shares via Proposed Rights Issue will not dilute the existing shareholders' equity interest, assuming all Entitled Shareholders fully subscribe for their respective entitlements;</p> <p>(iii) subscription to the Rights Shares provides an opportunity for the Company's existing shareholders to increase their equity participation in the Company; and</p> <p>(iv) the Undertaking will enable the Company to raise the minimum required funds without incurring additional cost in the form of underwriting commission.</p> <ul style="list-style-type: none"> The Warrants attached to the Rights Shares are intended to provide the Entitled Shareholders with additional incentive to subscribe for the Rights Shares. The Warrants will potentially allow the Entitled Shareholders who subscribe for the Rights Shares to benefit from the possible capital appreciation of the Warrants and increase their equity participation in the Company at a predetermined price over the tenure of the Warrants. The Group would also be able to raise additional proceeds as and when the Warrants are exercised. <p><u>Proposed ESOS Termination and Proposed New SIS</u></p> <p>The Group believes that it is important to continue rewarding, to retain and motivate its employees in the long term. In this respect, the Group is proposing to undertake the Proposed ESOS Termination and implement the Proposed New SIS to provide the Company with a fresh scheme for a maximum period of 10 years (i.e., 5 years from the effective date or subject to further extension of up to 5 years (at the sole and absolute discretion of the Board upon the recommendation by the SIS Committee)) to facilitate the alignment of the Group's rewards and compensation package for its employees against the long-term growth objectives of the Group.</p> <p>The Proposed New SIS is established to achieve the following objectives:</p> <ul style="list-style-type: none"> (i) to continue to motivate, retain and reward Eligible Persons whose services are vital to the operations and continued growth and success of the Group; (ii) to continue to drive and motivate the Eligible Persons to work towards achieving the Group's goals and objectives; (iii) to provide an opportunity for the eligible employees to participate in the equity growth of the Company and performance of the Group; | |

EXECUTIVE SUMMARY (Cont'd)

| Key information | Description | Reference to the Circular |
|---------------------------|--|---------------------------|
| | <p>(iv) 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;</p> <p>(v) 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</p> <p>(vi) to attract and retain high-calibre Eligible Persons.</p> <p>The non-executive Directors are also eligible to participate in the Scheme. This is to recognise their contribution to the Company, their independent views in the decision making process and maintaining good corporate practices.</p> | |
| Approvals required | <p>The Proposals are subject to the following approvals being obtained:</p> <p>(i) the approval of Bursa Securities for the:</p> <p>(a) listing and quotation of 58,709,677 Consideration Shares to be issued pursuant to the Proposed Acquisition;</p> <p>(b) admission to the Official List and listing and quotation of up to 434,690,877 Warrants to be issued pursuant to the Proposed Rights Issue;</p> <p>(c) listing and quotation of up to 434,690,877 Rights Shares to be issued pursuant to the Proposed Rights Issue;</p> <p>(d) listing and quotation of up to 434,690,877 new DTB Shares arising from the exercise of the Warrants; and</p> <p>(e) listing of such number of additional new DTB Shares, representing up to 15% of the total number of issued shares of DTB (excluding treasury shares, if any) at any point in time during the duration of the Scheme to be issued pursuant to the Proposed New SIS, on the Main Market of Bursa Securities;</p> <p>(ii) the approval of the Company's shareholders at an EGM to be convened;</p> <p>(iii) the written consent from all the ESOS Grantees who have yet to exercise their ESOS Options, either in part or in whole, for the Proposed ESOS Termination; and</p> <p>(iv) the approvals/ consents of any other relevant authorities/ parties, if required.</p> | Section 13 |

EXECUTIVE SUMMARY (Cont'd)

| Key information | Description | Reference to the Circular |
|---|--|---------------------------|
| <p>Interests of directors, major shareholders, chief executive and/ or persons connected with them</p> | <p><u>Proposed Acquisition, Proposed Diversification and Proposed Rights Issue</u></p> <p>None of the Company's Directors, major shareholders, chief executive and/ or persons connected with them has any interest, direct or indirect, in the Proposed Acquisition, Proposed Diversification and Proposed Rights Issue other than their respective entitlements under the Proposed Rights Issue as shareholders of the Company, to which all Entitled Shareholders are similarly entitled to, including the right to apply for additional Rights Shares under the excess applications.</p> <p><u>Proposed New SIS</u></p> <p>All the Company's Directors are deemed interested in the Proposed New SIS by virtue of their eligibility for the SIS Options and in respect of their allocations as well as allocations to persons connected with them under the Proposed New SIS.</p> | <p>Section 15</p> |
| <p>Board's recommendation</p> | <p>The Board, after having considered all aspects of the Proposals including, the salient terms of the SSA, the utilisation of the proceeds to be raised from the Proposed Rights Issue, the rationale and effects of the Proposals, is of the opinion that the Proposals are in the best interests of the Company. The Board recommends that you vote IN FAVOUR of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.</p> <p>In view that individual Directors on the Board are deemed interested in the Proposed New SIS to the extent of their respective allocations, as well as allocations to persons connected with them (if any) under the Proposed New SIS, they abstain from forming an opinion and making any recommendation on the resolutions to be tabled at the forthcoming EGM on their respective allocations as well as allocations to persons connected to them (if any) under the Proposed New SIS.</p> | <p>Section 16</p> |

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D'nonce Technology Bhd
[Registration No. 200001000687 (503292-K)]
(Incorporated in Malaysia)

Registered Office:
A1-2-2 Solaris Dutamas
No. 1, Jalan Dutamas 1
50480 Kuala Lumpur
Wilayah Persekutuan
Malaysia

17 October 2022

Board of Directors

Dato' Moktar Bin Mohd Noor (*Independent Non-Executive Chairman*)
Choong Lee Aun (*Executive Director*)
Datuk Sham Shamrat Sen Gupta (*Independent Non-Executive Director*)
Kang Teik Yih (*Independent Non-Executive Director*)

To: Shareholders of D'nonce Technology Bhd

Dear Sir/ Madam,

- (I) **PROPOSED ACQUISITION;**
- (II) **PROPOSED DIVERSIFICATION;**
- (III) **PROPOSED RIGHTS ISSUE;**
- (IV) **PROPOSED ESOS TERMINATION;**
- (V) **PROPOSED NEW SIS; AND**
- (VI) **PROPOSED ALLOCATIONS**

1. INTRODUCTION

On 11 August 2022, TA Securities had, on behalf of the Board announced that the Company proposes to undertake the Proposals.

On 27 September 2022, TA Securities had, on behalf of the Board announced that Bursa Securities had, vide its letter dated 27 September 2022, resolved to approve the following:

- (i) listing and quotation of 58,709,677 Consideration Shares to be issued pursuant to the Proposed Acquisition;
- (ii) admission to the Official List and listing and quotation of up to 434,690,877 Warrants to be issued pursuant to the Proposed Rights Issue;
- (iii) listing and quotation of up to 434,690,877 Rights Shares to be issued pursuant to the Proposed Rights Issue;
- (iv) listing and quotation of up to 434,690,877 new DTB Shares arising from the exercise of the Warrants; and
- (v) listing of such number of additional new DTB Shares, representing up to 15% of the total number of issued shares of DTB (excluding treasury shares, if any) at any point in time during the duration of the Scheme to be issued pursuant to the Proposed New SIS,

on the Main Market of Bursa Securities.

The approval of Bursa Securities is subject to the conditions as set out in **Section 13** of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH DETAILS OF THE PROPOSALS AND PROPOSED ALLOCATIONS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS AND PROPOSED ALLOCATIONS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE FORTHCOMING EGM AND THE PROXY FORM 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 PERTAINING TO THE PROPOSALS AND PROPOSED ALLOCATIONS TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED ACQUISITION

The Company had on 11 August 2022 entered into a SSA with the Vendor for the Proposed Acquisition. The Proposed Acquisition entails the Company's acquisition of the Sale Shares, for the Purchase Consideration to be satisfied entirely via the issuance of Consideration Shares. The information of the Vendor is set out in **Section 3.1** of **Appendix I** of this Circular.

Upon completion of the Proposed Acquisition, KTCL will become a 99.9991%-owned subsidiary of the Company. As at the LPD, the remaining 3 KTCL Shares (representing 0.0009% equity interest in KTCL) are held equally by Karnrawee Waitruardrok, Roy Ho Yew Kee and Chan Jee Peng. For information purpose, Roy Ho Yew Kee and Chan Jee Peng will be transferring their 2 KTCL Shares to Choong Lee Aun*, the Executive Director of the Company as part of the completion obligation for the Proposed Acquisition. The 2 KTCL Shares shall, upon the completion of the transfer, rank equally with the Sale Shares.

Note:

* *Pursuant to the SSA, he is the designated person of the Company to hold the said 2 KTCL Shares ("Designated Person"). The transfer of the 2 KTCL Shares is for the purpose of complying with the relevant law in Thailand for the shareholdings of a private limited company.*

Subject to the terms and conditions of the SSA, the Sale Shares shall be acquired free from all claims, liens, charges and encumbrances and with full legal and beneficial title and with all rights and benefits attaching thereto at the completion of the SSA. The salient terms of the SSA are set out in **Appendix II** of this Circular.

For the avoidance of doubt, it is the intention of the Board to implement the Proposed Acquisition and Proposed Diversification before the Proposed Rights Issue, Proposed ESOS Termination and Proposed New SIS.

2.1 Information on KTCL

KTCL was incorporated in Thailand on 29 June 1995 as a private company limited by shares under its present name. KTCL is principally involved in the manufacturing and selling of self-adhesive labels.

As at the LPD, KTCL has an issued share capital of THB33,400,000 comprising 334,000 KTCL Shares of THB100 each, all of which have been fully paid-up.

As at the LPD, KTCL does not have any convertible securities and does not have any subsidiaries or associated company. Further information on KTCL is set out in **Appendix I** of this Circular.

2.2 Mode of settlement of the Purchase Consideration

Pursuant to the terms of the SSA, the Purchase Consideration is to be satisfied entirely via the issuance of Consideration Shares at an issue price of RM0.155 each to the Vendor.

2.3 Liabilities to be assumed

Save for the obligations and liabilities stated in and arising from or in connection with the SSA as well as liabilities arising as consequence of consolidating KTCL as a subsidiary of DTB (i.e., including but not limited to on-going cost of operations and maintenance including license fees and the loss or damage to facilities and liabilities to third parties (including tax liabilities which are subject to a limitation of liability stated in the SSA)), there are no other additional liabilities (including contingent liabilities and/or guarantees) to be assumed by DTB arising from the Proposed Acquisition.

2.4 Additional financial commitment required

There is no other additional financial commitment required by DTB to put the business of KTCL on-stream as KTCL is already in operations and is an on-going business.

Notwithstanding that KTCL is already in operations and is an on-going business, after completion of the Proposed Acquisition, as set out in **Section 10.9** of this Circular, DTB intends to relocate KTCL's operations from KTCL's existing factory to the new labelling factory which is closer to DTB Group's existing operations in Thailand for ease of management and co-ordination. Such additional financial commitment include, amongst others, estimated construction cost of RM10.00 million for the new labelling factory and relocation expenses (i.e., relocation of KTCL's machineries to the new labelling factory). The relocation expenses can only be determined after completion of the Proposed Acquisition and further assessment to be conducted by the management of the Group.

2.5 Basis and justification for the Purchase Consideration

The Purchase Consideration was arrived at on a "willing-buyer willing-seller" basis between the Company and the Vendor after taking into consideration the following:

- (i) the asset-based approach, being the latest unaudited NA of KTCL in arriving at the fair value of the entire equity interest of KTCL. The Board considers the latest unaudited NA (derived from the latest available unaudited statement of financial position of KTCL as at 31 May 2022 prior to the date of signing of the SSA) to be the best method to approximate the fair value of the entire equity interest in KTCL.

The Purchase Consideration is computed based on the exchange rate of THB100: RM12.5399, being Bank Negara Malaysia's middle rate as at 5.00 p.m. on 10 August 2022, being the last trading date prior to the SSA Date ("**SSA Exchange Rate**"), as follows:

| | THB in value | RM equivalent |
|--|-------------------|------------------|
| Unaudited NA of KTCL as at 31 May 2022 | 25,555,634 | 3,204,651 |
| <i>Add: Settlement of net amount owing by KTCL to Komarkcorp Group</i> | 46,689,448 | 5,854,810 |
| Subtotal | 72,245,082 | 9,059,461 |
| <i>Add: Premium mutually agreed between the Vendor and DTB</i> | | 40,539 |
| Total Purchase Consideration | | 9,100,000 |

Note:

* The net amount owing by KTCL to the Komarkcorp Group as at 31 May 2022 was arrived at based on the SSA Exchange Rate, as follows:

| Intercompany balances as at 31 May 2022 | THB in value | RM equivalent |
|---|---------------------|----------------------|
| Being amount owing by KECL to KTCL: | | |
| - KECL | (9,944,808) | (1,247,069) |
| Add amounts owing by KTCL to: | | |
| - GLLSB | 54,700,834 | 6,859,430 |
| - KISB | 395,877 | 49,642 |
| - Komarkcorp | 1,537,545 | 192,807 |
| | 56,634,256 | 7,101,879 |
| Net amount owing by KTCL to the Komarkcorp Group ("Existing Amount Owing") | 46,689,448 | 5,854,810 |

For information purpose, pursuant to one of the conditions of the SSA as set out in **Section 3 of Appendix II** of this Circular, the completion of the Proposed Acquisition is subject to, amongst others, the receipt by DTB of the legally binding, complete, executed and valid agreements or documentations that evidence the novation, transfer, assumption or assignment of:

- (a) the relevant amount owing by KTCL to KISB, Komarkcorp and GLLSB; and
- (b) the amount owing by KECL to KTCL,

directly to GLLSB, whereby GLLSB shall assume all the Existing Amount Owing.

Upon completion of the Proposed Acquisition and allotment and issuance of the Consideration Shares to GLLSB, the net amount owing by KTCL to the Komarkcorp Group will be fully satisfied. GLLSB will settle such amounts with KECL, KISB and Komarkcorp while the settlement of net amount owing by KTCL to the Komarkcorp Group will form part of the total Purchase Consideration.

The premium of RM40,539 or 0.45% to the subtotal of RM9,059,461 was mutually agreed between the Vendor and DTB to roundup the subtotal to the nearest hundred thousand. The Board is of the view that the said premium is justifiable and reasonable, after taking into consideration, among others, the following:

- (a) the issue price of RM0.155[^] per Consideration Share, represents a premium of approximately 1.04% to the 5D-VWAP of DTB Shares up to and including the LTD; and
- (b) the implied PBR[^] of 1.01 times for the Proposed Acquisition is below the lower PBR of the comparable companies as set out below.

Note:

^ For illustration purposes only, had the issue price been based on the 5D-VWAP of DTB Shares up to and including the LTD of RM0.1534 instead, the purchase consideration based on the 58,709,677 Consideration Shares would effectively be RM9,006,064. This would represent a discount of RM53,397 or 0.59% to the subtotal of RM9,059,461. The implied PBR would effectively be 0.98 times computed as follows:

| | | RM equivalent |
|---|--------------|------------------------|
| Purchase consideration (computed based on the illustrative issue price of RM0.1534 and 58,709,677 Consideration Shares) | | 9,006,064 |
| <u>Minus:</u> Settlement of net amount owing by KTCL to Komarkcorp Group | | (5,854,810) |
| Unaudited NA of KTCL as at 31 May 2022 | A B | 3,151,254 3,204,651 |
| Implied PBR | A / B | 0.98 |

(ii) the latest unaudited NA of KTCL is deemed as the best available proxy for valuation purpose as compared to earnings-based approach such as (a) Price to Earnings (“**PE**”) multiple, (b) Enterprise Value (“**EV**”) over the earnings/ loss before interest, taxation, depreciation and amortisation (“**EBITDA**”/ “**LBITDA**”), and (c) discounted cash flow method in view of the following reasons:

- (a) KTCL has registered loss after tax for the FYEs 30 April 2020, 30 April 2021 and the 11M-FPE 31 March 2022;
- (b) KTCL has registered negative cash flows from operating activities in the FYEs 30 April 2020, 30 April 2021 and the 11M-FPE 31 March 2022; and
- (c) KTCL’s sales are mainly derived from purchase orders. KTCL does not have long term contracts with its customers, and therefore it is not expected to have a constant or predictable stream of future cash flow.

Nevertheless, the Company has considered the auditor’s opinion set out in KTCL’s audited financial statements for the FYE 31 March 2022 which states, among others, that “*the financial statements of KTCL present fairly, in all material respects, the financial position of KTCL as at 31 March 2022 and its financial performance for the period as from 1 May 2021 to 31 March 2022 in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities*”. KTCL’s audited NA as at 31 March 2022 stood at approximately THB24.35 million (equivalent to RM3.07 million based on the exchange rate of THB100: RM12.6287, being Bank Negara Malaysia’s middle rate as at 5.00 p.m. on 31 March 2022).

Based on KTCL’s management accounts for the 2-month FPE 31 May 2022, KTCL demonstrated an improvement in performance where it recorded a slight PAT which has been reflected in the latest unaudited NA of KTCL as at 31 May 2022 of approximately THB25.56 million (equivalent to RM3.20 million based on the SSA Exchange Rate). As such, DTB views the unaudited NA as at 31 May 2022 as the best available proxy for valuation purposes.

- (iii) the rationale and synergistic benefits that are expected to be accrued from the Proposed Acquisition as set out in **Section 9.1** of this Circular, which include, amongst others, tapping into the existing labelling market of KTCL in Thailand; and
- (iv) the outlook, expected growth and prospects of the self-adhesive label industry in Thailand as set out in **Section 10.7** of this Circular, as well as the opportunity to derive business synergies and expand the Group's income stream by leveraging on KTCL's capabilities and networks, further details of which are set out in **Sections 9.1** and **10.9** of this Circular.

In addition to the above, a comparative analysis was carried out to benchmark the implied PBR of the Purchase Consideration against the PBR of selected comparable companies carrying out similar business activities as KTCL. For information purposes only, the table below sets out the PBR of companies listed on the Stock Exchange of Thailand that the Board deems to be broadly comparable ("**Comparable Companies**") to KTCL. None of these companies or any other companies listed on Stock Exchange of Thailand are exactly similar or directly comparable to KTCL in terms of, among others, composition of business, scale of operations, track record and future prospects. The PBRs of the Comparable Companies as at the LTD are set out below solely for illustrative and comparison purposes only:

| Name of company | Principal activities | Market capitalisation ⁽¹⁾ (THB'000) | Based on latest available audited financial results prior to the LTD ⁽²⁾ | | Based on latest available unaudited financial results prior to the LTD ⁽³⁾ | |
|--|--|---|---|-------------------------------|---|-------------------------------|
| | | | NA (THB'000) | PBR ⁽⁴⁾ (times) | NA (THB'000) | PBR ⁽⁴⁾ (times) |
| Shrinkflex (Thailand) Public Company Limited | Manufactures and distributes packaging labels as well as offers plastic shrink films and sleeve labels for gravure and digital printing. | 2,129,600 | 738,028 | 2.89 | 754,722 | 2.82 |
| Salee Printing Public Company Limited ⁽⁵⁾ | Provides packaging solutions and offers home and personal care, health care, food and beverage, and specialty labels. | 912,000 | 848,597 | 1.07 | 852,658 | 1.07 |
| Lower | | | | 1.07 | | 1.07 |
| Average | | | | 1.98 | | 1.95 |
| Higher | | | | 2.89 | | 2.82 |
| Implied PBR⁽⁶⁾ | | | | 1.01 | | 1.01 |

Notes:

- (1) Computed based on the closing market prices of the respective companies as at the LTD multiplied by the number of issued shares outstanding (i.e., number of issued shares after excluding treasury shares).
- (2) Both Comparable Companies' latest audited financial statements prior to the LTD are for the FYE 31 December 2021.
- (3) Both Comparable Companies' latest unaudited financial statements prior to the LTD are for the 3-month FPE 31 March 2022.
- (4) Computed based on market capitalisation as at the LTD over the latest audited/ unaudited NA (as the case may be).

- (5) Salee Printing Public Company Limited was in a loss making position for the FYEs 31 December 2019 to 2021.
- (6) The implied PBR was arrived at based on the following computation:

| | | RM equivalent |
|---|--------------|----------------------|
| Purchase Consideration | | 9,100,000 |
| <u>Minus:</u> Settlement of net amount owing by KTCL to Komarkcorp Group | | (5,854,810) |
| | A | 3,245,190 |
| Unaudited NA of KTCL as at 31 May 2022 | B | 3,204,651 |
| Implied PBR | A / B | 1.01 |

Based on the above, the implied PBR of 1.01 times is below the lower PBR of the Comparable Companies. Premised on the above, the Board is of the view that the Purchase Consideration is justifiable and reasonable.

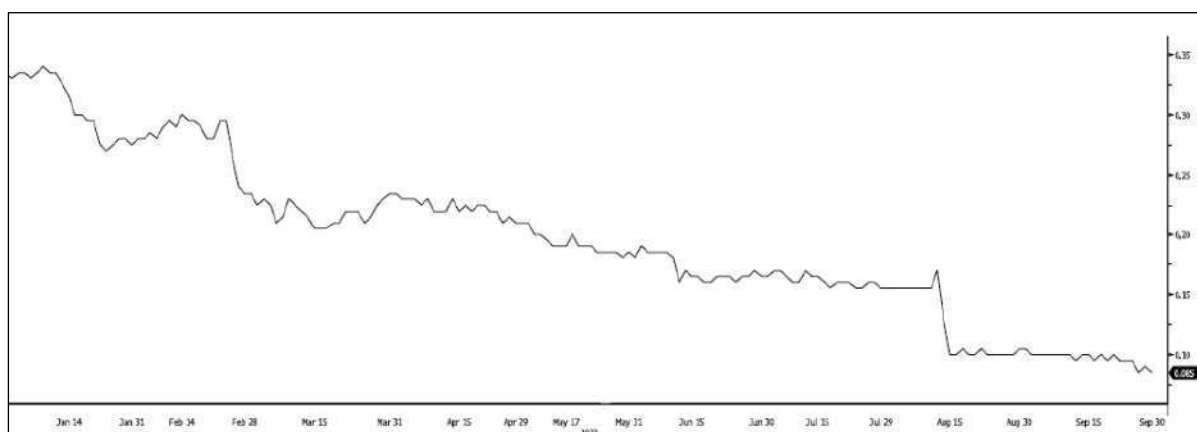
2.6 Basis and justification for the issue price for Consideration Shares

The issue price of RM0.155 per Consideration Share was arrived at on a negotiated basis after taking into consideration the 5D-VWAP of DTB Shares up to the LTD of RM0.1534. The issue price of the Consideration Shares represents a premium of approximately 1.04% to the 5D-VWAP of DTB Shares up to and including the LTD, which the Board deems to be justified and reasonable.

The issuance of the Consideration Shares at a premium is not detrimental to the Company's shareholders and is to be considered holistically with the basis and justification in arriving at the total Purchase Consideration of RM9,100,000 (as detailed **Section 2.5(i)** of this Circular).

In this regard, DTB and the Vendor also took cognisance of the following:

- (i) the share price of DTB has been on a declining trend since January 2022, notwithstanding that DTB remained profitable; and



- (ii) the historical losses and negative cash flows of KTCL, as set out in **Section 2.5(ii)** of this Circular.

As such, the issue price of RM0.155 per Consideration Share was arrived at on a negotiated basis where both DTB and the Vendor have mutually agreed to the premium, which they viewed to be acceptable to both parties.

For information purposes, the analysis of the issue price for Consideration Shares based on the following periods up to the LPD and LTD are as follows:

| | Share price | Premium / (Discount) of the issue price for Consideration Shares to the VWAP | |
|--|-------------|--|---------|
| | RM | RM | % |
| 5D-VWAP up to and including the LPD | 0.0891 | 0.0659 | 73.96 |
| <u>VWAP up to and including the LTD:</u> | | | |
| 5D-VWAP | 0.1534 | 0.0016 | 1.04 |
| 1-month VWAP | 0.1554 | (0.0004) | (0.26) |
| 3-month VWAP | 0.1736 | (0.0186) | (10.71) |
| 6-month VWAP | 0.2624 | (0.1074) | (40.93) |

Based on the above, the issue price for Consideration Shares represents:

- (i) premiums of approximately 73.96% over the 5D-VWAP up to and including the LPD and of approximately 1.04% over the 5D-VWAP up to and including the LTD; and
- (ii) discounts ranging from approximately 0.26% to approximately 40.93% over the 1-month VWAP, 3-month VWAP and 6-month VWAP up to and including the LTD.

For information purposes, the monthly highest and lowest prices of DTB Shares as traded on Bursa Securities for the past 12 months are set out in **Section 5 of Appendix VI** of this Circular.

The breakdown of the Consideration Shares to be issued is as follows:

| | RM equivalent | No. of Consideration Shares |
|--|------------------|-----------------------------|
| Unaudited NA of KTCL as at 31 May 2022 | 3,204,651 | - |
| <i>Add: Premium mutually agreed between the Vendor and DTB</i> | 40,539 | - |
| | 3,245,190 | 20,936,709 |
| Settlement of net amount owing by KTCL to the Komarkcorp Group | 5,854,810 | 37,772,968 |
| Total Purchase Consideration | 9,100,000 | 58,709,677 |

2.7 Ranking of Consideration Shares

The Consideration Shares shall, upon allotment and issuance, rank equally with the then existing DTB Shares. However, the Consideration Shares will not be entitled to any dividends, rights, allotments and/ or any other distributions which may be declared, made or paid to the Company's shareholders unless such Consideration Shares were allotted and issued on or before the entitlement date of such rights, allotments and/ or other distributions.

2.8 Listing and quotation for the Consideration Shares

Bursa Securities had, vide its letter dated 27 September 2022, given its approval for the listing of and quotation for the Consideration Shares to be issued pursuant to the Proposed Acquisition on the Main Market of Bursa Securities.

3. DETAILS OF THE PROPOSED DIVERSIFICATION

DTB Group is principally involved in (i) end-to-end packaging and design solutions; (ii) precision polymer engineering services; (iii) cleanroom and contract manufacturing services; and (iv) supply chain management and sales and distribution of products.

Set out below is a summary of DTB Group's segmental revenue and profit before tax ("**PBT**") or loss before tax ("**LBT**") for the FYEs 30 April 2020, 30 April 2021, 11M-FPE 31 March 2022 and the latest unaudited financial results of the Group for the 3-month FPE 30 June 2022.

| Segments | Audited | | Audited | | Audited | | Unaudited | |
|--|-------------------|---------------|-------------------|---------------|-----------------------|---------------|--------------------------|---------------|
| | FYE 30 April 2020 | % | FYE 30 April 2021 | % | 11M-FPE 31 March 2022 | % | 3-month FPE 30 June 2022 | % |
| Revenue | RM'000 | | RM'000 | | RM'000 | | RM'000 | |
| End-to-end packaging and design solutions | 110,723 | 48.43 | 94,337 | 51.20 | 89,404 | 53.73 | 24,391 | 54.62 |
| Precision polymer engineering services | 30,473 | 13.33 | 29,308 | 15.91 | 19,724 | 11.85 | 5,173 | 11.59 |
| Cleanroom and contract manufacturing services | 16,584 | 7.25 | 12,157 | 6.60 | 8,600 | 5.17 | 1,934 | 4.33 |
| Supply chain management and sales and distribution of products | 70,838 | 30.99 | 48,447 | 26.29 | 48,678 | 29.25 | 13,155 | 29.46 |
| Property development and construction business* | - | - | - | - | - | - | - | - |
| Others^ | - | - | - | - | - | - | - | - |
| Total | 228,618 | 100.00 | 184,249 | 100.00 | 166,406 | 100.00 | 44,653 | 100.00 |
| PBT/(LBT) | | | | | | | | |
| End-to-end packaging and design solutions | 8,396 | 349.98 | 13,752 | 89.48 | 9,811 | 104.74 | 1,735 | 112.88 |
| Precision polymer engineering services | 3,604 | 150.23 | 6,239 | 40.59 | 3,574 | 38.15 | 775 | 50.42 |
| Cleanroom and contract manufacturing services | (375) | (15.63) | 557 | 3.62 | 899 | 9.60 | 24 | 1.56 |
| Supply chain management and sales and distribution of products | 922 | 38.43 | 1,508 | 9.81 | 1,903 | 20.32 | 828 | 53.87 |
| Property development and construction business* | (448) | (18.67) | (298) | (1.94) | (315) | (3.36) | (139) | (9.04) |
| Others^ | (9,700) | (404.34) | (6,388) | (41.56) | (6,505) | (69.45) | (1,686) | (109.69) |
| Total | 2,399 | 100.00 | 15,370 | 100.00 | 9,367 | 100.00 | 1,537 | 100.00 |

Notes:

*

There is no revenue contribution from the property development and construction business despite the Company has obtained its shareholders approval for the diversification of the principal activities of the Group to include property development and construction business in October 2018.

D'nonce Properties Sdn Bhd ("**DPSB**"), a wholly-owned subsidiary company of DTB, had on 25 July 2018 accepted the development rights for the housing development on a parcel of freehold land measuring 6,774 square metres held under title identified as Lot No. 10320, GM No.1496 (formerly *PT 471, HSM 1598*), Mukim 10, Seberang Perai Tengah, Pulau Pinang ("**Subject Land**"). The Subject Land has been approved by Majlis Perbandaran Seberang Perai for the development of a block of 19-storey (281 units) affordable apartment and a block of 7-storey car park podium ("**Development Order**") valid until 1 July 2023. The Company intends to apply for further extension of the validity period of the Development Order.

On 17 May 2019, DPSB entered into a joint venture agreement ("**JV Agreement**") with Fajar Simfoni Sdn Bhd ("**FSSB**"), a wholly-owned subsidiary of OCR Group Berhad for both parties to jointly develop the Subject Land into a block of 19-storey (281 units) affordable apartment and a block of 7-storey car park podium. FSSB will, amongst others, undertake the development at its own cost and expense, in accordance with the JV Agreement. The JV Agreement was subsequently terminated on 10 March 2020.

In March 2020, Government of Malaysia imposed MCOs to reduce and control the spread of COVID-19 in Malaysia. After the termination of the JV Agreement and taking into consideration the market conditions of the property development and construction industry which has been impacted by COVID-19 and MCOs, the Board decided to temporarily halt the plan to undertake the development of the Subject Land at this juncture. It is noted from **Section 10.8** of this Circular that while there is slight improvement in the property market in year 2021, it has yet to recover to the pre COVID-19 pandemic levels. Furthermore, there is still a slight decline in demand for high rise residential.

As such, as at the LPD, the Company is still in the midst of evaluating the market conditions to determine an appropriate time to undertake the development of the Subject Land in light of the gradual economic recovery from the COVID-19 pandemic.

^

Others segment includes investment holding and dormant subsidiaries.

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The Group has been remained cautious in planning and seeking potential new businesses via strategic alliances or mergers and acquisitions to provide the Group with an additional stream of income to diversify its earnings base. Among the ventures that the Group had explored was the diversification into property development and construction business in 2018. The Group will make the necessary announcement(s) pursuant to the Listing Requirements, if required, for diversification into new business activities.

The Board and the management of DTB believes that it is synergistic to expand the operations of DTB Group's packaging and design solutions segment to include the Labelling Business, with the objective of creating diversity in/ to expand its product offerings, in order to increase the Group's revenue. As such, through the Proposed Acquisition, DTB Group will diversify its existing principal activities to include the Labelling Business. The Board views the diversification into the Labelling Business as an avenue for future growth potential and the Labelling Business will provide the Group with an additional stream of income to diversify its earnings base. Please refer to **Section 9.1** of this Circular for further details of the expected synergies arising from the Proposed Acquisition.

The Group has not considered other companies of similar business activities as the Group has not encountered such potential opportunities/ sales by other vendor(s). The Company decided to diversify into Labelling Business via the Proposed Acquisition notwithstanding that KTCL registered loss after tax for the FYEs 30 April 2020, 30 April 2021 and the 11M-FPE 31 March 2022 mainly due to the following:

- (i) KTCL's Labelling Business is an extension of the entire end-to-end packaging and design solutions provided by the Group. The Proposed Acquisition is part of DTB Group's long-term strategy to venture into the Labelling Business and be a one-stop provider for packaging and labelling solutions in Thailand. This would enable DTB Group to strengthen its foothold and enhance its competitiveness in the end-to-end packaging and labelling segments in Thailand;
- (ii) The Proposed Acquisition serves as a strategic entry for DTB Group into the Labelling Business sector. The Board views that the Proposed Acquisition is an attractive business proposition as it allows the DTB Group to gain an immediate access into an on-going Labelling Business entity that serves the market in Thailand.

For the 11M-FPE 31 March 2022, 47.42% of the Group's revenue was derived from Thailand. Thus, KTCL (with its Thailand operations), provides the "right-fit" as it would complement the Group's operations in Thailand and the Group would also be able to tap into KTCL's customer base from other industry segments within Thailand. Similarly, KTCL would be able to tap into the Group's customer base.

- (iii) The Board takes cognisance that KTCL registered loss after tax for the FYEs 30 April 2020, 30 April 2021 and the 11M-FPE 31 March 2022. Based on the Board's understanding, it has been challenging for KTCL in recent years to operate its business in Thailand solely within the labelling industry due to, among others, competitive pricing, intense competition and the COVID-19 pandemic. However, as DTB is involved in providing end-to-end packaging solutions for segments ranging from E&E, healthcare and other industries primarily in Thailand and Malaysia, the Proposed Acquisition would provide a platform for KTCL to improve its business as KTCL's labelling business would be an extension of the Group's business.

Furthermore, based on KTCL's management accounts for the 2-month FPE 31 May 2022, KTCL demonstrated an improvement in performance where it recorded a slight PAT which has been reflected in the latest unaudited NA of KTCL as at 31 May 2022 of approximately THB25.56 million (equivalent to RM3.20 million based on the SSA Exchange Rate). KTCL's audited NA as at 31 March 2022 stood at approximately THB24.35 million (equivalent to RM3.07 million based on the exchange rate of THB100: RM12.6287, being Bank Negara Malaysia's middle rate as at 5.00 p.m. on 31 March 2022).

Based on KTCL's historical financial performance and position, the Board takes cognisance that the Labelling Business may not contribute 25% or more of the net profits of the Group and/or diversion of 25% or more of the net assets of the Group in the near term. Nevertheless, the Board views it would be more cost effective and in the interest of DTB to seek its shareholders' approval upfront in view of the potential synergistic benefits that are expected to be accrued to both DTB Group and KTCL's businesses as detailed in **Section 9.1** of this Circular which are expected to contribute positively to the future performance of the enlarged DTB Group in the longer term. Moving forward, after completion of the Proposed Acquisition, the Board anticipates the Labelling Business may contribute 25% or more of the net profits of the Group and/or diversion of 25% or more of the net assets of the Group in the future. In this regard, in accordance with Paragraph 10.13 of the Listing Requirements, the Board proposes to seek Company's shareholders' approval at an EGM to be convened for, among others, the Proposed Diversification. Notwithstanding the Proposed Diversification, the Board will continue with the existing business activities of the DTB Group.

The Board believes that DTB Group has the capacity, capability and resources to diversify into the Labelling Business by leveraging on the experience of Jimmy Teo Tin Jien, DTB's existing Managing Director for Thailand Division. The Board has identified Jimmy Teo Tin Jien as the key management who will be responsible for overseeing the strategic planning of KTCL's operations (which includes integrating KTCL's business as part of the enlarged Group's business) after completion of the Proposed Acquisition. Notwithstanding that Jimmy Teo Tin Jien (DTB's Managing Director for Thailand Division) does not have direct experience in the Labelling Business, he has been with DTB Group for more than 15 years and involved in, amongst others, the entire end-to-end packaging and design solutions segment provided by the Group in Thailand. The Board views that his experience in DTB Group's business in Thailand is relevant, as KTCL's Labelling Business would be an extension of the end-to-end packaging and design solutions business provided by the Group.

After completion of the Proposed Acquisition, the Group intends to leverage on the competency and experience of KTCL's existing Branch Manager, namely Cheong Kok Hin, who will continue to be involved in the day-to-day operational and business activities of KTCL. Their profiles are set out below:

(i) Jimmy Teo Tin Jien
DTB's Managing Director for Thailand Division

He graduated with a Diploma in Mechanical Engineering from Ngee Ann Polytechnic in Singapore.

He started his career as a Quality Assurance engineer with Polymicro Precision Technology Pte Ltd ("**Polymicro Precision**") in 1988. He left Polymicro Precision as an Operation Director in 2001. During his tenure with Polymicro Precision, he was involved in setting up a precision machining joint venture operation in China-DongGuan and later he was tasked to set up another operation in Thailand Navanakorn Industrial Zone under the privilege of the BOI (Board of Investment) license, gaining a significant amount of experience in management of production factory and product management.

He joined DTB Group in July 2006 as plant manager and was responsible for all factory operations, including but not limited to, overseeing existing and new customers development, administration policy management for both internal corporate office requirements and Thailand government requirements. Prior to joining DTB Group, he was the Senior Technical Consultant for San-Ei (Thailand) Ltd, a Japan based micro electronic manufacturing company, where he oversaw the products development, quality assurance and new production line investment.

Presently, as DTB's Managing Director for Thailand Division, he oversees the operations of DTB Group's subsidiaries in Thailand where such subsidiaries are involved in end-to-end packaging and design solutions, precision polymer engineering services, cleanroom and contract manufacturing services and supply chain management and sales and distribution of products.

(ii) Cheong Kok Hin
KTCL's Branch Manager

Cheong Kok Hin graduated with a Bachelor of Chemical Engineering from the University of Kentucky College of Engineering of the United States of America in 1995. He has more than 20 years of experience within the printing and packaging industry in Thailand through KTCL.

After graduation in 1995, Cheong Kok Hin began his career at Guolene Packaging & Printing Sdn Bhd (*now known San Miguel Yamamura Packaging & Printing Sdn Bhd*) as a Technical Sales and Services Executive where he was responsible for sales and technical services for flexible gravure printing and packaging products.

In 1997, he left Guolene Packaging & Printing Sdn Bhd and joined National Starch & Chemical (M) Sdn Bhd (*now known as Henkel (Malaysia) Sdn Bhd*) as a Regional Technical Sales Executive where he was responsible for the sales and technical aspects for glue adhesive and varnish market in the South East Asia region.

He joined KTCL as Business Development Manager in January 2002, where he was responsible for the management and day-to-day sales and operations of KTCL. In 2008, he was promoted to Branch Manager where his responsibilities expanded to include overseeing the branch's sales and factory operations. He assumed the position of Branch Manager for KTCL until to-date.

The Board believes that the existing team of KTCL led by Cheong Kok Hin, will be ideally placed to work alongside the management of DTB Group in realising the synergistic benefits available to the enlarged DTB Group. The Group intends to retain the management and personnel of KTCL upon completion of the Proposed Acquisition. As at the LPD, there are no management agreements between Jimmy Teo Tin Jien and Cheong Kok Hin with DTB Group and KTCL. As part of the Group's succession plan for the Labelling Business, the Group will continue to:

- (i) train, develop and educate the enlarged Group's existing employees to ensure better understanding of the Labelling Business and equip them with the necessary knowledge and skillset to succeed in a senior management role; and
- (ii) identify potential successors and facilitate skills transfer and/ or recruit qualified personnel with experience and expertise in relation to the Labelling Business. This would reduce the Group's reliance on its key management personnel to grow its Labelling Business moving forward, and ensure smooth running and transition of the Labelling Business in the event of resignation of any of the key management personnel.

The 2 key management personnel, namely Jimmy Teo Tin Jien and Cheong Kok Hin whom have been identified to oversee the strategic planning as well as manage the operations and business activities of KTCL, respectively, would be supported by the existing management team of KTCL comprising of amongst others, the production manager, accounts manager and human resource manager. In addition, DTB intends to setup a working committee where representatives will be appointed from both the DTB Group and KTCL to address matters relating to customers, products, financials and employees in order to facilitate the integration process. In addition, the working committee will provide input for the formation of business and financial objectives of the Labelling Business to drive the future success and long term sustainability of the Labelling Business.

Premised on the above, DTB views that there are sufficient qualified personnel in the existing DTB Group and KTCL at this juncture. Thus, there is no immediate plan to employ additional personnel for the Labelling Business. If the need arises in future, the Group will recruit qualified personnel with the relevant qualification, experience and network to support the business needs of KTCL and to assist the enlarged Group to further expand its Labelling Business. Nevertheless, upon the completion of the Proposed Acquisition, DTB will review the requirements and skillsets of the existing employees of KTCL.

In order to retain the existing management and attract suitable qualified personnel, DTB will adopt appropriate approaches including providing competitive remuneration and incentives packages as well as providing a good working environment to ensure long term sustainability of the Labelling Business.

As such, notwithstanding that the existing DTB Group does not have a track record in the Labelling Business, the Labelling Business would be an extension of DTB's existing end-to-end packaging and design solutions business. DTB believes that by leveraging on the expertise of the aforesaid key management personnel and having a succession plan as well as an integration process in place, the Group is ready to diversify into the Labelling Business and to drive the future success of the Labelling Business.

4. DETAILS OF THE PROPOSED RIGHTS ISSUE

4.1 Basis and number of Rights Shares and Warrants to be issued

As at the LPD, the Company has an issued share capital of RM111,159,207 comprising 375,752,700 Shares and 228,500 outstanding ESOS Options. The Company does not have treasury shares as at the LPD.

It is the intention of the Company to complete the Proposed Acquisition prior to the implementation of the Proposed Rights Issue.

Based on the enlarged number of 434,690,877 Shares (assuming full exercise of the outstanding ESOS Options into new Shares and after completion of the Proposed Acquisition prior to the Entitlement Date), the Proposed Rights Issue entails the issuance of up to 434,690,877 Rights Shares together with up to 434,690,877 Warrants (assuming all Entitled Shareholders fully subscribe to their entitlements of the Rights Shares). The Proposed Rights Issue is to be implemented on a renounceable basis of 434,690,877 Rights Shares for every 1 existing DTB Share held by the Entitled Shareholders, together with 434,690,877 Warrants for every 1 Rights Share subscribed for, at an issue price to be determined and announced by the Board at a later date.

The basis of 1 Rights Share for every 1 existing DTB Share together with 1 Warrant for every 1 Rights Share was arrived at after taking into consideration, among others, the following:

- (i) the amount of proceeds to be raised from the subscription of the Rights Shares which is to be utilised for the purposes set out in **Section 7.1** of this Circular. The actual amount of proceeds to be raised are subject to the final issue price of the Rights Shares, further details of which are set out in **Section 4.4** of this Circular; and
- (ii) the number of new DTB Shares arising from the exercise or conversion of all outstanding convertible equity securities* must not exceed 50% of the Company's total number of issued shares (excluding treasury shares and before the exercise of convertible equity securities*) at all times, in compliance with Paragraph 6.50 of the Listing Requirements.

Note:

* *“convertible equity securities” shall mean warrants and convertible preference shares, as defined in Paragraph 6.49(2) of the Listing Requirements.*

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

The actual number of Rights Shares and Warrants to be issued will depend on the total number of issued Shares held by the Entitled Shareholders on the Entitlement Date, after taking into consideration of any new Shares that may be issued arising from the exercise of any outstanding ESOS Options and the eventual subscription level for the Proposed Rights Issue.

The Rights Shares and Warrants will be provisionally allotted and issued to the Entitled Shareholders. The Entitlement Date shall be determined by the Board after obtaining all approvals for the Proposed Rights Issue.

The Warrants are attached to the Rights Shares without any cost and will be issued only to the Entitled Shareholders and/ or their renouncee(s) who subscribe for the Rights Shares. Each Warrant will entitle its holder to subscribe for 1 new Share at an exercise price to be determined by the Board at a later date. The Warrants will be immediately detached from the Rights Shares upon issuance and will be traded separately. The Warrants will be issued in registered form and constituted by the provisions of the Deed Poll constituting the Warrants to be executed by the Company.

The entitlements for the Rights Shares together with Warrants are renounceable in full or in part. Accordingly, the Entitled Shareholders may fully or partially renounce their entitlements under the Proposed Rights Issue.

However, the Rights Shares and Warrants cannot be renounced separately and only the Entitled Shareholders who subscribe for the Rights Shares will be entitled to the Warrants. As such, the Entitled Shareholders who renounce all of their Rights Shares entitlements shall be deemed to have renounced all the accompanying entitlements to the Warrants to be issued together with the Rights Shares. If the Entitled Shareholders accept only part of their Rights Share entitlements, they shall be entitled to the Warrants in proportion to their acceptance of their Rights Share entitlements.

Any Rights Shares which are not validly taken up shall be offered to other Entitled Shareholders and/ or their renouncee(s) under excess shares application and to such other persons as the Board shall determine. It is the intention of the Board to reduce the incidence of odd lots and to allocate excess Rights Shares in a fair and equitable manner and on a basis to be determined by the Board later.

Fractional entitlements arising from the Proposed Rights Issue, if any, will be disregarded and/ or dealt with by the Board in such manner and on such terms and conditions as the Board in its absolute discretion may deem fit or expedient and in the best interest of the Company.

4.2 Salient terms of the Warrants

The Warrants shall have a tenure of 5 years at an exercise price to be determined later. The Warrants will be issued in registered form and constituted by the provisions of the Deed Poll. The salient terms of the Warrants are set out in **Appendix IV** of this Circular.

4.3 Minimum Subscription Level, undertaking and take-over implications

The Company intends to raise minimum gross proceeds of RM6.50 million from the Proposed Rights Issue under the Minimum Scenario after taking into consideration the funding requirements of the Group as set out in **Section 7.1** of this Circular and the availability of the financial resources of the Undertaking Shareholder.

In view of the above, the Board resolved to undertake the Proposed Rights Issue based on the Minimum Subscription Level of 108,333,333 Rights Shares together with 108,333,333 Warrants, based on the assumption that the Rights Shares are issued at an assumed issue price of RM0.06 per Rights Share.

To meet the Minimum Subscription Level, the Company had on 11 August 2022 obtained an unconditional and irrevocable written undertaking from the Undertaking Shareholder to apply and subscribe for:

- (i) his entitlement of the Rights Shares; and
- (ii) if required, additional Rights Shares not taken up by other Entitled Shareholders by way of excess Rights Shares application,

to the extent such that the aggregate subscription proceeds of the Rights Shares received by the Company arising from the subscription by all Entitled Shareholders and/ or their renouncee(s) amount to not less than RM6.50 million. For the avoidance of doubt, the subscription of Rights Shares (including excess Rights Shares, where applicable) by the Undertaking Shareholder pursuant to the undertaking is for an amount of up to RM6.50 million.

For illustrative purposes, based on the assumed issue price of RM0.06 per Rights Share, the Undertaking Shareholder:

- (i) shall be obliged to subscribe in full for his entitlement of the Rights Shares. In this respect, the Undertaking Shareholder has undertaken to commit a subscription amount of RM6,000 (based on the assumed issue price of RM0.06 per Rights Share);
- (ii) shall be obliged to subscribe for additional Rights Shares not taken up by other Entitled Shareholders and/ or their renouncee(s) by way of excess application, if necessary, to the extent such that the Minimum Subscription Level is met. In this respect, the Undertaking Shareholder has undertaken to commit an aggregate subscription amount of RM6.49 million to subscribe for excess Rights Shares (based on the assumed issue price of RM0.06 per Rights Share) under the Proposed Rights Issue;
- (iii) has sufficient financial resources to fulfil his Undertaking; and
- (iv) will not transfer, dispose of or reduce his existing shareholding of Shares or any part thereof from the date of the written undertaking and up to the completion of the Proposed Rights Issue.

Details of the Undertaking is as follows:

| Shareholder | Existing direct shareholdings as at the LPD | | Minimum Rights Shares to be subscribed pursuant to the Undertaking | | Total Rights Shares subscribed for | |
|--------------|---|------------------|--|------------------------|------------------------------------|------------------|
| | No. of Shares | % ⁽¹⁾ | Entitlement Undertaking | Additional Undertaking | No. of Shares | % ⁽²⁾ |
| Low Chee Min | 100,000 | 0.03 | 100,000 | 108,233,333 | 108,333,333 | 100.00 |

Notes:

- (1) Based on the issued share capital of 375,752,700 DTB Shares as at the LPD.
- (2) Based on the total of 108,333,333 Rights Shares to be subscribed for under the Minimum Subscription Level.

Assuming that only the Undertaking Shareholder subscribed for the Rights Shares pursuant to his Undertaking and no other Entitled Shareholders subscribed for their Rights Shares under the Minimum Scenario, his equity interest in the Company will be as follows:

| Shareholder | As at the LPD | | After the Proposed Rights Issue | | After the full exercise of the Warrants | |
|--------------|---------------|------|---------------------------------|------------------|---|------------------|
| | No. of Shares | % | No. of Shares | % ⁽¹⁾ | No. of Shares | % ⁽²⁾ |
| Low Chee Min | 100,000 | 0.03 | 108,433,333 | 19.98 | 216,766,666 | 33.29 |

Notes:

- (1) Based on the Company's enlarged number of 542,795,710 Shares under the Minimum Scenario and after the Proposed Acquisition and Proposed Rights Issue.
- (2) Based on the Company's enlarged number of 651,129,043 Shares under the Minimum Scenario and after full exercise of Warrants.

For illustrative purposes, assuming none of the other Entitled Shareholders subscribe for their entitlements of the Rights Shares, the Undertaking Shareholder will be subscribing for a total of 108,333,333 Rights Shares based on an assumed issue price of RM0.06 per Rights Share.

Pursuant to the Undertaking, the Undertaking Shareholder has confirmed that he has sufficient financial resources to fulfil his obligations under his Undertaking.

TA Securities has verified the sufficiency of financial resources of the Undertaking Shareholder for the purpose of subscribing for the Rights Shares and excess Rights Shares pursuant to his Undertaking.

In the event the final issue price of Rights Share is higher or lower than the assumed issue price, the total number of Rights Shares to be subscribed by the Undertaking Shareholder (which is computed based on RM6.50 million divided by the actual issue price of Rights Share) will be adjusted accordingly in order to arrive at a total gross proceeds of not less than RM6.50 million.

As the Minimum Subscription Level will be fully satisfied via the Undertaking, the Company will not procure any underwriting arrangement for the remaining Rights Shares not subscribed for by other Entitled Shareholders.

The Undertaking is not expected to result in any breach in the public shareholding spread requirement by the Company under Paragraph 8.02(1) of the Listing Requirements, which stipulates that a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders. As at the LPD, the Company does not hold any treasury shares.

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The pro forma public shareholding spread is illustrated as follows:

Minimum Scenario

| Particulars | As at the LPD | | (I) After the Proposed Acquisition | | (II) After (I) and Proposed Rights Issue | | (III) After (II) and assuming full exercise of Warrants | |
|---|---|---------------------|--|---------------------|--|---------------------|---|---------------------|
| | No. of Shares (⁽¹⁾ '000) | (⁽¹⁾)% | No. of Shares (⁽²⁾ '000) | (⁽²⁾)% | No. of Shares (⁽³⁾ '000) | (⁽³⁾)% | No. of Shares (⁽⁴⁾ '000) | (⁽⁴⁾)% |
| Issued share capital | 375,753 | 100.00 | 434,462 | 100.00 | 542,796 | 100.00 | 651,129 | 100.00 |
| Less: | | | | | | | | |
| Directors ⁽⁵⁾ and substantial shareholders | 113,857 | 30.30 | 172,566 | 39.72 | 280,900 | 51.75 | 389,233 | 59.78 |
| Associates of directors ⁽⁵⁾ and substantial shareholders | - | - | - | - | - | - | - | - |
| Public shareholding spread | 261,896 | 69.70 | 261,896 | 60.28 | 261,896 | 48.25 | 261,896 | 40.22 |

Notes:

* Negligible.

- (1) Based on the issued share capital of 375,752,700 DTB Shares as at the LPD.
- (2) Based on the Company's enlarged number of 434,462,377 Shares after the Proposed Acquisition.
- (3) Based on the Company's enlarged number of 542,795,710 Shares after the Proposed Rights Issue.
- (4) Based on the Company's enlarged number of 651,129,043 Shares after full exercise of the Warrants.
- (5) Including the directors of subsidiaries of the Company.

Base Case Scenario

| Particulars | As at the LPD | | (I) After the Proposed Acquisition | | (II) After (I) and Proposed Rights Issue | | (III) After (II) and assuming full exercise of Warrants | |
|---|---|---------------------|--|---------------------|--|---------------------|---|---------------------|
| | No. of Shares (⁽¹⁾ '000) | (⁽¹⁾)% | No. of Shares (⁽²⁾ '000) | (⁽²⁾)% | No. of Shares (⁽³⁾ '000) | (⁽³⁾)% | No. of Shares (⁽⁴⁾ '000) | (⁽⁴⁾)% |
| Issued share capital | 375,753 | 100.00 | 434,462 | 100.00 | 868,925 | 100.00 | 1,303,387 | 100.00 |
| Less: | | | | | | | | |
| Directors ⁽⁵⁾ and substantial shareholders | 113,857 | 30.30 | 172,566 | 39.72 | 345,133 | 39.72 | 517,700 | 39.72 |
| Associates of directors ⁽⁵⁾ and substantial shareholders | - | - | - | - | - | - | - | - |
| Public shareholding spread | 261,896 | 69.70 | 261,896 | 60.28 | 523,792 | 60.28 | 785,687 | 60.28 |

Notes:

* Negligible.

- (1) Based on the issued share capital of 375,752,700 DTB Shares as at the LPD.
- (2) Based on the Company's enlarged number of 434,462,377 Shares after the Proposed Acquisition.
- (3) Based on the Company's enlarged number of 868,924,754 Shares after the Proposed Rights Issue.
- (4) Based on the Company's enlarged number of 1,303,387,131 Shares and after full exercise of the Warrants.
- (5) Including the directors of subsidiaries of the Company.

Maximum Scenario

| Particulars | (I) As at the LPD | | (II) After (I) and Proposed Acquisition | | (III) After (II) and Proposed Rights Issue | | (IV) After (III) and assuming full exercise of Warrants | |
|---|----------------------|--------------|--|--------------|---|--------------|--|--------------|
| | No. of Shares ('000) | (1)% | No. of Shares ('000) | (3)% | No. of Shares ('000) | (4)% | No. of Shares ('000) | (5)% |
| Issued share capital | 375,753 | 100.00 | 434,690 | 100.00 | 869,382 | 100.00 | 1,304,073 | 100.00 |
| Less: | | | | | | | | |
| Directors ⁽⁶⁾ and substantial shareholders | 113,857 | 30.30 | 172,566 | 39.70 | 345,133 | 39.70 | 517,700 | 39.70 |
| Associates of directors ⁽⁶⁾ and substantial shareholders | - | - | - | - | - | - | - | - |
| Public shareholding spread | 261,896 | 69.70 | 262,124 | 60.30 | 524,249 | 60.30 | 786,373 | 60.30 |

Notes:

* Negligible.

- (1) Based on the issued share capital of 375,752,700 DTB Shares as at the LPD.
- (2) Based on the issued share capital of 375,981,200 Shares after full exercise of the outstanding ESOS Options.
- (3) Based on the Company's enlarged number of 434,690,877 Shares after the Proposed Acquisition.
- (4) Based on the Company's enlarged number of 869,381,754 Shares after the Proposed Rights Issue.
- (5) Based on the Company's enlarged number of 1,304,072,631 Shares after full exercise of the Warrants.
- (6) Including the directors of subsidiaries of the Company.

Take-over implications

The Undertaking Shareholder has confirmed that:

- (i) his subscription for the Rights Shares and excess Rights Shares (as the case may be) pursuant to his Undertaking will not give rise to any consequence of mandatory take-over offer obligation under the Code on Take-Overs and the Rules on Take-Overs immediately after completion of the Proposed Rights Issue (based on an assumed issue price of RM0.06 per Rights Share); and
- (ii) he will observe and comply at all times with the provision of the Code on Take-Overs and the Rules on Take-Overs and will seek from the SC the necessary exemptions from undertaking such mandatory take-over offer, if required.

Pursuant to subparagraph 4.08(1) of the Rules on Take-Overs, an offeror may apply for an exemption from a mandatory offer obligation when the issue of new securities as consideration for an acquisition, or a cash subscription, or the taking of a scrip dividend, would otherwise result in an obligation to make a mandatory offer. In the event that the Undertaking Shareholder triggers an obligation to undertake a mandatory take-over offer under the Code on Take-Overs and Rules on Take-Overs pursuant to the Undertaking, a separate announcement will be made.

4.4 Basis and justification of determining the issue price of the Rights Shares and the exercise price of the Warrants

(i) Issue price of the Rights Shares

The issue price of the Rights Shares shall be fixed and announced by the Board at a later date before the announcement of the Entitlement Date, after taking into consideration the following:

- (a) the rationale for the Proposed Rights Issue as set out in **Section 9.2** of this Circular;
- (b) the funding requirements of the Group as set out in **Section 7.1** of this Circular; and
- (c) the TEAP of DTB Shares based on the 5D-VWAP of DTB Shares up to and including the last trading day prior to the price-fixing date.

Notwithstanding the Proposed Rights Issue is undertaken on the Minimum Subscription Level, it is the intention of the Company to raise the maximum proceeds possible.

As such, given that there is no underwriting arrangement procured for the balance portion of the Rights Shares that remain unsubscribed, the Board intends to fix the issue price of the Rights Shares at a discount of not more than 20% to the TEAP of the Shares.

The discount was determined by the Board after taking into consideration the need of the Company to price the Rights Shares at an issue price deemed sufficiently attractive to encourage the Entitled Shareholders and/ or their renouncee(s) to subscribe for their respective entitlements of Rights Shares and to enable the Group to raise the necessary funds required for the proposed utilisation as set out in **Section 7.1** of this Circular.

For illustrative purpose only, the issue price per Rights Share is assumed at RM0.06 throughout this Circular.

The assumed issue price of RM0.06 per Rights Share represents a discount of approximately RM0.0097 or 13.92% to the TEAP of DTB Shares of RM0.0697, calculated based on the 5D-VWAP of DTB Shares up to and including the LPD of RM0.0891.

(ii) Exercise price of the Warrants

The exercise price of the Warrants shall be determined by the Board at a later date after obtaining all relevant approvals but prior to the Entitlement Date. The Board in determining the exercise price of the Warrants will take into consideration, amongst others, the following:

- (a) the Warrants will be issued at no cost to the Entitled Shareholders and/or their renouncee(s) who successfully subscribe for the Rights Shares; and
- (b) the TEAP of DTB Shares based on the 5D-VWAP of DTB Shares up to and including the last trading day prior to the price-fixing date.

The Board intends to fix the exercise price of the Warrants at a discount of not more than 20% to the TEAP of the Shares. This was determined by the Board after taking into consideration the future prospects of the Group (as set out in **Section 10.9** of this Circular) as well as the need to fix the exercise price which makes the Warrants attractive for the purpose of enhancing the subscription level of the Proposed Rights Issue.

For illustrative purpose only, the exercise price of Warrants is assumed at RM0.06 throughout this Circular. The assumed exercise price of RM0.06 per Warrant represents a discount of approximately RM0.0097 or 13.92% to the TEAP of DTB Shares of RM0.0697, calculated based on the 5D-VWAP of DTB Shares up to and including the LPD of RM0.0891.

4.5 Ranking of the Rights Shares and new Shares to be issued arising from the exercise of the Warrants

(i) Rights Shares

The Rights Shares shall, upon allotment, issuance and full payment of the issue price of the Rights Shares, rank equally in all respects with the then existing DTB Shares. However, such Rights Shares will not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid to the Company's shareholders unless such Rights Shares were allotted and issued on or before the entitlement date of such dividends, rights, allotments and/or other distributions.

(ii) New Shares to be issued arising from the exercise of the Warrants

The holders of the Warrants will not be entitled to any voting rights or participation in any form of dividends, distributions and/or offer of securities in DTB until and unless such holders of the Warrants exercise their Warrants into new DTB Shares.

The new Shares to be issued arising from the exercise of the Warrants shall, upon allotment, issuance and full payment of the exercise price of the Warrants, rank equally in all respects with the then existing DTB Shares. However, such new Shares will not be entitled to any dividends, rights, allotments and/ or any other distributions which may be declared, made or paid to the Company's shareholders unless such new Shares were allotted and issued on or before the entitlement date of such rights, allotments and/ or other distributions.

4.6 Listing and quotation for the Rights Shares and Warrants as well as new DTB Shares to be issued arising from the exercise of the Warrants

The Rights Shares, Warrants and new Shares to be issued pursuant to the exercise of the Warrants will be listed on the Main Market of Bursa Securities. Bursa Securities had, vide its letter dated on 27 September 2022, granted its approval for the:

- (i) listing of and quotation for the Rights Shares;
- (ii) admission, listing of and quotation for the Warrants to the Official List of the Main Market of Bursa Securities; and
- (iii) listing of and quotation for the new Shares to be issued pursuant to the exercise of the Warrants,

on the Main Market of Bursa Securities.

Further information is set out in **Section 13** of this Circular.

5. DETAILS OF THE PROPOSED ESOS TERMINATION

The Existing ESOS Scheme, which took effect on 18 May 2016 ("**ESOS Effective Date**") for a period of 5 years and was further extended for another 5 years in accordance with the Existing By-Laws, will expire on 17 May 2026. The Board proposes to terminate the Existing ESOS Scheme and replace it with the Proposed New SIS.

According to Existing By-Law 19, the Company may terminate the Existing ESOS Scheme at any time during the term (including in the mid-stream or any extension thereof), provided that:

- (i) the approvals of the relevant authorities have been obtained, if required;
- (ii) the approval of its shareholders at a general meeting have been obtained, wherein at least a majority of the shareholders present vote in favour of the termination; and
- (iii) the written consent of all ESOS Grantees who have yet to exercise their ESOS Options, either in part or in whole, have been obtained,

and in such an event, no further offer shall be made by Existing ESOS Scheme committee from the date of such resolution and any offers outstanding but not accepted by the selected eligible person and any unexercised ESOS Options or partially exercised ESOS Options shall be deemed to be terminated and be null and void at the date of such resolution.

The Company confirms that save for the approval/ written consents as set out in items (i) and (ii) above, there are no other approvals required from other relevant authorities.

A total of 24,678,000 ESOS Options have been exercised into 24,678,000 new DTB Shares since the ESOS Effective Date up to the LPD. There are 228,500 outstanding ESOS Options as at the LPD.

The Board does not intend to grant any further ESOS Options under the Existing ESOS Scheme.

The Company will obtain the written consents from all ESOS Grantees who have yet to exercise their ESOS Options for the Proposed ESOS Termination.

Upon the Proposed ESOS Termination coming into effect, no further offers shall be made by the Existing ESOS Scheme committee under the Existing ESOS Scheme and the Existing ESOS Scheme together with all its related matters shall have no further force and effect.

6. DETAILS OF THE PROPOSED NEW SIS AND PROPOSED ALLOCATIONS

It is the Company's intention to implement the Proposed New SIS after the Proposed ESOS Termination.

The Proposed New SIS involves the granting of SIS Options to the eligible employees, executive directors and non-executive directors of the DTB Group (excluding dormant subsidiaries) who fulfil the eligibility criteria for participation in the Proposed New SIS as set out in the By-Laws.

The number of SIS Options to be allocated to an Eligible Person shall be determined by the SIS Committee after taking into consideration, amongst other factors, the Eligible Person's performance, contribution, employment grade, seniority, length of service and/ or such other factors as the SIS Committee deems fit, and subject to the following conditions:

- the total number of Shares made available under the Proposed New SIS shall not exceed 15% of the total number of issued DTB Shares (excluding treasury shares, if any) at any point in time during the duration of the Scheme;
- not more than 10% of the total number of Shares to be issued under the Proposed New SIS shall be allocated to any Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds 20% or more of the total number of issued shares of the Company (excluding treasury shares); and
- not more than 75% of the total number of Shares to be issued under the Scheme shall be allocated, in aggregate, to the Directors and senior management of the Group who are Eligible Persons. This is intended to (a) incentivise the Directors of the Group for their contribution towards the development, growth and success and strategic direction of the Group, to drive long-term shareholder value enhancement of the Group; and (b) incentivise the senior management of the Group for their commitment, dedication and loyalty towards attainment of higher performance. The basis was determined by the Board taking into consideration:
 - (aa) the number of directors and senior management who are eligible to participate in the Proposed New SIS as well as their position, ranking, seniority, length of service and contribution to the Group; and
 - (bb) they are crucial to the performance of the Group as the Directors and senior management are key drivers of the Group's business and operations.

Furthermore, in order to align the rationale of implementing the Proposed New SIS as set out in **Section 9.3**, the basis of allocation of up to 75% of the Proposed New SIS is also consistent with the basis as set out in the Existing ESOS Scheme.

Further details on the basis of allocation and maximum allowable allotment of the Proposed New SIS are set out in **Section 6.1(3)** of this Circular.

(i) Proposed New SIS

The Company is proposing to grant SIS Options to Eligible Persons with the right to subscribe for new Shares at the Option Price, subject to the achievement of certain performance targets to be prescribed by the SIS Committee. Nevertheless, no performance target has been set for the vesting of SIS Options at this juncture.

Upon acceptance of the SIS Options by the Eligible Persons (i.e., Grantee), the SIS Options will be vested to the Grantee over the tenure of the Scheme, subject to the Grantee fulfilling certain vesting conditions as determined by the SIS Committee at a later date after the establishment of the Proposed New SIS. The SIS Options when vested and exercised under the Scheme will be satisfied by the allotment and issuance of new DTB Shares.

(ii) Proposed Allocations

In accordance to the By-Laws, where a specific allotment is to be made to any Eligible Person who is a Director, major shareholder or chief executive of the Company or holding company of the Company (“**Interested Party(ies)**”) or a person connected with any of the Interested Parties, the specific allocation of SIS Options granted by the Company to him/ her under the Scheme must be approved by the shareholders of the Company at a general meeting unless such approval is no longer required under the Listing Requirements provided always that such Interested Party and persons connected with them shall not have voted on the resolution approving their respective allocation.

Accordingly, the Board proposes to seek shareholders’ approval at the forthcoming EGM for the proposed allocation of SIS Options to the Directors of DTB as follows:

| No. | Name | Designation |
|-------|------------------------------|------------------------------------|
| (i) | Dato’ Moktar Bin Mohd Noor | Independent Non-Executive Chairman |
| (ii) | Choong Lee Aun | Executive Director |
| (iii) | Datuk Sham Shamrat Sen Gupta | Independent Non-Executive Director |
| (iv) | Kang Teik Yih | Independent Non-Executive Director |

The Proposed New SIS and Proposed Allocations will be administered by the SIS Committee. The members of the SIS Committee may comprise of Directors, senior management personnel of the Group and/ or other persons identified and appointed from time to time by the Board. At as the LPD, the composition of the SIS Committee has yet to be decided by the Board.

The SIS Committee will have the absolute discretion in administering the Proposed New 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. The decision as to whether or not to stagger the allocation of the SIS Options over the duration of the Proposed New SIS shall be determined by the SIS Committee at a later date. 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 Scheme.

6.1 Indicative principal features of the Proposed New SIS

| No. | Terms | Details |
|-----|---|--|
| (1) | Duration of the Scheme | <p>: Subject to the By-Laws, the Scheme when implemented, shall take effect on the date of full compliance with the relevant requirements of the Listing Requirements ("Effective Date") and shall be in force for a period of 5 years from the Effective Date and may be extended or renewed (as the case may be) for a further period of 5 years or such shorter period, at the sole and absolute discretion of the Board upon the recommendation by the SIS Committee, provided always that the initial Scheme period stipulated above and such extension of the Scheme made pursuant to the By-Laws shall not in aggregate exceed a duration of 10 years from the Effective Date. For the avoidance of doubt, no further sanction, approval or authorisation of the shareholders of the Company in a general meeting is required for any such extension or renewal (as the case may be).</p> <p>On expiry of the Scheme, SIS Options which have been vested but remained unexercised (whether fully or partially) shall be deemed terminated and be null and void.</p> |
| (2) | Maximum number of DTB Shares available under the Proposed New SIS | <p>: The maximum number of DTB Shares that may be issued under the Scheme shall not exceed 15% of the total number of issued DTB Shares (excluding treasury shares, if any) at any point in time during the duration of the Scheme.</p> |
| (3) | Basis of allocation and maximum allowable allotment | <p>: Subject to the By-Laws and any adjustment which may be made under the By-Laws, the number of SIS Options to be allocated to an Eligible Person at any time in each offer shall be at the sole and absolute discretion of the SIS Committee after taking into consideration, amongst other factors, the Eligible Person's performance, contribution, employment grade, seniority, length of service and/ or such other factors as the SIS Committee deems fit, and subject to the following conditions:</p> <ul style="list-style-type: none"> (i) the total number of Shares made available under the Proposed New SIS shall not exceed 15% of the total number of issued DTB Shares (excluding treasury shares, if any) at any point in time during the duration of the Scheme; (ii) not more than 10% of the total number of Shares to be issued under the Proposed New SIS shall be allocated to any Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds 20% or more of the total number of issued shares of the Company (excluding treasury shares); (iii) not more than 75% of the total number of Shares to be issued under the Scheme shall be allocated, in aggregate, to the Directors and senior management of the Group who are Eligible Persons (where "senior management" shall be subject to any criteria as may be determined by the SIS Committee from time to time). This is intended to (a) incentivise the Directors of the Group for their contribution towards the development, growth and success and strategic direction of the Group, to drive long-term shareholder value enhancement of the Group; and (b) incentivise the senior management of the Group for their commitment, dedication and loyalty towards attainment of higher performance. The basis was determined by the Board taking into consideration: <ul style="list-style-type: none"> (aa) the number of directors and senior management who are eligible to participate in the Proposed New SIS as well as their position, ranking, seniority, length of service and contribution to the Group; and (bb) they are crucial to the performance of the Group as the Directors and senior management are key drivers of the Group's business and operations; and |

| No. | Terms | Details |
|-----|-------------|---|
| | | <p>(iv) the directors and senior management of the Group and members of the SIS Committee who are Eligible Persons shall not participate in the deliberation or discussion of their respective allocations as well as to persons connected with them, if any,</p> <p>provided always that it is in accordance with the Listing Requirements or any prevailing guidelines issued by Bursa Securities or any other relevant authorities as amended from time to time.</p> <p>The SIS Committee shall have the discretion in determining:</p> <p>(i) the maximum number of SIS Options that can be offered under the Scheme in relation to each class or grade of the Directors and employees and the aggregate maximum number of SIS Options that can be offered to the Directors and senior management of the Group (excluding dormant subsidiaries) under the Scheme from time to time, and the decision of the SIS Committee shall be final and binding;</p> <p>(ii) whether the granting of the SIS Options to the Eligible Persons will be based on staggered granting over the duration of the Scheme or in 1 single grant or separate and independent with each other, including the maximum allocation of the offer of SIS Options for each financial year in the event the offer is staggered over the duration of the Scheme;</p> <p>(iii) whether the SIS Options are subject to any vesting period, and if so, to determine the vesting conditions for the SIS Options; and</p> <p>(iv) whether any vesting condition has been fully and duly satisfied. If applicable, where the SIS Committee has determined that the vesting conditions have been fully and duly satisfied, the SIS Committee shall notify the grantee the number of SIS Options vested or which will be vested to him/her on the vesting date.</p> <p>The Company shall ensure that allocation of SIS Options is verified by its Audit and Risk Management Committee at the end of each financial year as being in compliance with the criteria for allocation of SIS Options which have been disclosed to the Eligible Persons.</p> <p>No performance target has been set for the allocation of SIS Options at this juncture. The SIS Committee may from time to time at its own discretion decide on the performance targets.</p> |
| (4) | Eligibility | <p>: Subject to the discretion of the SIS Committee, only Eligible Persons who fulfil the following conditions shall be eligible to participate in the Scheme:</p> <p>(i) in respect of an employee, the employee must, as at the date of the offer of the SIS Option:</p> <p>(a) attained the age of 18 years and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;</p> <p>(b) entered into a full-time or fixed-term contract with, and is on the payroll of, any company within the Group (excluding dormant subsidiaries), and whose service has been confirmed and have not served a notice of resignation or received a notice of termination by the relevant company within the Group; and</p> <p>(c) fulfilled any other eligibility criteria as may be set by the SIS Committee at any time and from time to time.</p> <p>(ii) in respect of a Director, the Director must, as at the date of the offer of the SIS Option:</p> |

| No. | Terms | Details |
|-----|--|---|
| | | <p>(a) attained the age of 18 years and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;</p> <p>(b) has been appointed as a Director of any company within the Group (excluding dormant subsidiaries) for such period as may be determined by the SIS Committee prior and up to the date of offer; and</p> <p>(c) fulfilled any other eligibility criteria as may be set by the SIS Committee at any time and from time to time.</p> <p>(iii) the SIS Committee may in its absolute discretion determine any other eligibility criteria and/ or waive any of the eligibility criteria as set out above for the purpose of selecting an Eligible Person at any time and from time to time, and the decision of the SIS Committee shall be final and binding.</p> <p>Eligibility does not confer upon the Eligible Person a claim or right to participate in or any rights whatsoever under the Proposed New SIS and the Eligible Person does not acquire or have any rights over or in connection with the SIS Options unless the SIS Committee has made an offer to the Eligible Person in the manner set out in the By-Laws and the Eligible Person has accepted the offer in accordance with the terms of the By-Laws and satisfied all vesting conditions of the SIS Options, if any.</p> <p>The specific allotment to be made to any Eligible Person who is a Director, major shareholder or chief executive officer of the Company or holding company of the Company ("Interested Party(ies)") or a person connected with any of the Interested Parties, the specific allocation of SIS Options granted by the Company to him/ her under the Scheme must be approved by the shareholders of the Company at a general meeting unless such approval is no longer required under the Listing Requirements provided always that such Interested Party and persons connected with them shall not have voted on the resolution approving their respective allocation.</p> |
| (5) | Retention period | <p>: The Shares to be issued/ transferred to a Grantee (save for a Grantee who is a non-executive Director) under the Scheme, shall not be subject to any retention period or restriction on transfer. However, the Company encourages Grantees to hold the Shares subscribed for by them as a long-term investment and not for any speculative and/ or realisation to yield a profit. Notwithstanding the foregoing, the SIS Committee shall be entitled to prescribe or impose, in relation to any offer, any condition relating to any retention period or restrictions on transfer as it sees fit.</p> <p>A Grantee who is a non-executive Director shall be subject to the restrictions on dealing in accordance with any prevailing and applicable guidelines issued by Bursa Securities or any other relevant authorities as amended from time to time including, but not limited to Paragraph 8.20 of the Listing Requirements which prohibits a non-executive Director from selling, transferring or assigning the Shares obtained through the exercise of SIS Options offered to him pursuant to the Scheme within 1 year from the date of offer of such SIS Options.</p> |
| (6) | Alteration of share capital and adjustment | <p>: Subject to the By-Laws, in the event of any alteration in the share capital of the Company during the period of the Scheme (whether by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of Shares or reduction or any other variation of capital or if the Company shall make a capital distribution), the Company shall cause such adjustment to be made to the Option Price, the number of SIS Options granted to each Grantee (excluding the SIS Options already exercised) and/ or the number of Shares and/ or Option Price comprised in the Offer which is open for acceptance during the offer period of the SIS Option (if such Offer is subsequently accepted in accordance with the terms and conditions of the Offer and the By-Laws).</p> |

| No. | Terms | Details |
|-----|---|---|
| | | <p>Such adjustments (other than an adjustment pursuant to a bonus issue, subdivision or consolidation of Shares) must be confirmed in writing by the external auditors of the Company or an approved company auditor 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 recognised principal adviser under the Guidelines on Submission of Corporate and Capital Market Product Proposals issued by the Securities Commission Malaysia), acting as an expert and not as an arbitrator, to be in their opinion, fair and reasonable.</p> |
| (7) | Modifications, variations and/ or amendments to the By-Laws | <p>: Subject to the provisions of By-Laws and compliance with the Listing Requirements, the SIS Committee may at any time and from time to time recommend to the Board any additions, modifications or amendments to or deletions of the By-Laws as it shall, at its sole discretion, deems fit and the Board shall have the power at any time and from time to time by resolution to add to, amend, modify and/ or delete all or any of the terms in the By-Laws upon such recommendation and subject to the Company submitting the amended By-Laws and a letter of compliance to Bursa Securities each time an amendment and/ or modification is made, stating that the amendment and/ or modification is in compliance with the provisions of the Listing Requirements and the Rules of Bursa Malaysia Depository Sdn Bhd.</p> <p>Subject to the By-Laws, the approval of the shareholders of the Company in general meeting shall not be required in respect of additions, modifications or amendments to or deletions of these By-Laws (including any additions, modifications or amendments to or deletions of these By-Laws for purposes of complying with the Act provided that no additions, modifications or amendments to or deletions of these By-Laws shall be made which would:</p> <ul style="list-style-type: none"> (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 Scheme beyond the maximum imposed by item (2) above (under Maximum number of DTB Shares available under the Proposed New SIS); or (iii) prejudice any rights of the shareholders of the Company; or (iv) alter any matter which is required to be contained in the By-Laws by virtue of the Listing Requirements to the advantage of an Eligible Person and/ or Grantee unless prior approval of the shareholders of the Company in general meeting is obtained. |
| (8) | Termination of the Scheme | <p>: Subject to compliance with the Listing Requirements, other requirements of Bursa Securities and any other relevant authorities, the Scheme may be terminated by the SIS Committee at any time before the date of expiry provided that the Company makes an announcement immediately to Bursa Securities. The announcement shall include:</p> <ul style="list-style-type: none"> (i) the effective date of termination ("Termination Date"); (ii) the number of SIS Options exercised and/ or Shares vested; and (iii) the reasons for termination. <p>Notwithstanding anything to the contrary, all unexercised SIS Options shall lapse on the date of expiry.</p> <p>In the event of termination of the Proposed New SIS, the following provisions shall apply:</p> <ul style="list-style-type: none"> (i) no further offer shall be made by the SIS Committee from the Termination Date; (ii) all offers which have yet to be accepted by the Eligible Person(s) shall automatically lapse on the Termination Date; and |

| No. | Terms | Details |
|-----|-------|--|
| | | <p>(iii) all outstanding SIS Options which have yet to be exercised shall be automatically terminated on the Termination Date.</p> <p>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 effect the termination of the Scheme.</p> |

6.2 Basis of determining the Option Price

The Option Price of the SIS Options shall be a price to be determined by the SIS Committee based on the 5D-VWAP of the Shares immediately preceding the date of offer subject to a discount of not more than 10% or such other percentage or discount as may be permitted by Bursa Securities and/ or any other relevant authorities from time to time.

In addition to the above, the Option Price shall be subject to adjustment in accordance with the By-Laws.

6.3 Rights attaching to the SIS Options and ranking of the new DTB Shares

The SIS Options shall not carry any right to vote at any general meeting of the Company, or to participate in any dividends, rights, allotments or any other distributions that may be declared, made or paid, or offer of further securities in the Company unless and until the Grantee becomes a shareholder of the Company by exercising the SIS Options. The new DTB Shares to be issued arising from the exercise of SIS Options will be subject to the provisions of the Company's Constitution relating to transfer, transmission or otherwise of the Shares including the rights of the holder of the Shares on the winding up of the Company.

New DTB Shares to be issued arising from the exercise of SIS Options shall, upon allotment and issuance, carry the same rights with the then existing DTB Shares. However, such new Shares will not be entitled to any dividends, rights, allotments and/ or any other distributions which may be declared, made or paid to the Company's shareholders unless such new Shares were allotted and issued on or before the entitlement date of such rights, allotments and/ or other distributions.

6.4 Listing of shares issued under the Scheme

The Shares to be issued under the Proposed New SIS will be listed on the Main Market of Bursa Securities. Bursa Securities had, vide its letter dated on 27 September 2022, granted its approval for, among others, the listing of and quotation for such number of new DTB Shares, representing up to 15% of the total number of issued shares of DTB (excluding treasury shares, if any) at any point in time during the duration of the Scheme to be issued pursuant to the Proposed New SIS on the Main Market of Bursa Securities. Further information is set out in **Section 13** of this Circular.

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7. UTILISATION OF PROCEEDS

7.1 Proposed Rights Issue

Based on an assumed issue price of RM0.06 per Rights Share, the Company will raise gross proceeds of up to RM26.08 million under the Maximum Scenario. The gross proceeds to be raised from the Proposed Rights Issue are intended to be utilised in the following manner:

| Details of the utilisation | Notes | Minimum Scenario (RM'000) | Base Case Scenario (RM'000) | Maximum Scenario (RM'000) | Expected time frame for the utilisation of proceeds (from the date of the listing of the Rights Shares) |
|---|-------|---------------------------|-----------------------------|---------------------------|---|
| Construction of a new warehouse and additional production area/ Purchase of a separate factory building, in Penang | (1) | - | 2,000 | 2,000 | Within 24 months |
| Capital expenditure for purchase of machinery and equipment and installation of enterprise resource planning system | (2) | - | 4,200 | 4,200 | Within 24 months |
| Repayment of bank borrowings | (3) | 3,000 | 10,000 | 10,000 | Within 12 months |
| Working capital | (4) | 2,050 | 2,418 | 2,431 | Within 24 months |
| Construction of new factory building in Thailand | (5) | - | 6,000 | 6,000 | Within 24 months |
| Estimated expenses in relation to the Proposals | (6) | 1,450 | 1,450 | 1,450 | Within 1 month |
| Total | | 6,500 | 26,068 | 26,081 | |

Under the Minimum Scenario, the expenses for:

- (i) construction of a new warehouse and additional production area/ purchase of a separate factory building, in Penang; and
- (ii) capital expenditure for purchase of machinery and equipment and installation of enterprise resource planning system,

will be funded via a combination of the Group's internally generated funds, bank borrowings and/ or future fund-raising exercises to be undertaken by the Group (if required). The breakdown of such funding cannot be determined at this juncture as it will depend on, amongst others, the actual shortfall amount as well as the availability and suitability of other funding alternatives at the relevant time.

Notes:

(1) Construction of a new warehouse and additional production area/ Purchase of a separate factory building, in Penang

The Group (via the Company's wholly-owned subsidiary, AVSB), intends to utilise proceeds of up to RM2.00 million from the Proposed Rights Issue for either the construction of a new warehouse and additional production area or purchase of a separate factory building, in Penang.

AVSB is principally involved in the design and conversion of advanced packaging materials, precision polymer engineering service and contract manufacturing of electronic components in Penang. AVSB's customers are mainly Malaysian incorporated subsidiary companies of multinational corporations mostly based in the United States of America. AVSB also exports to their customers based in Singapore. AVSB provides the following products/ services for its customers in the following business:

| Product/ service classification | Type of products/services | Customers' business |
|---------------------------------|--|---|
| Paper and/ or foam | <ul style="list-style-type: none"> Corrugated carton boxes, nesting and paper reels Foam packaging | E&E |
| | | Other industries |
| Precision polymer engineering | Packaging trays (i.e., blisters, precision shipping trays and reels) | E&E |
| | | Healthcare Other industries (e.g.: automotive, food and beverage and other manufacturing industries) |

AVSB operates from the following premises located in Penang:

| Location of factory | Land size (sq. ft.) | Built up area (sq. ft.) | Description of production activity/ existing use | Production capacity ('000 units per month) ⁽ⁱⁱⁱ⁾ | Average production output ('000 units per month) ⁽ⁱⁱⁱ⁾ |
|---|---------------------|-------------------------|--|---|---|
| No.3 Puncak Perusahaan 1, Prai Industrial Estate ⁽ⁱ⁾ (referred to as " Prai Industrial Estate ") | 44,810 | 49,998 | Paper/ foam packaging | 142 | 110 |
| Plot 425, Tingkat Perusahaan 6A, Free Trade Zone, Prai Industrial Estate Penang ⁽ⁱⁱ⁾ (referred to as " Plot 425 ") | 46,800 | 29,614 | Precision polymer engineering (i.e., packaging trays – blisters, precision shipping trays and reels) | 2,700 | 1,600 |
| No. 2733, Tingkat Perusahaan 6A, 13600 Prai Penang ⁽ⁱⁱ⁾ (referred to as " Plot 2733 ") | 43,706 | 25,649 | Precision polymer engineering (i.e., packaging trays – blisters, precision shipping trays and reels) | 900 | 460 |

Notes:

- (i) Rented by AVSB.
- (ii) Owned by AVSB as the registered proprietor. Both Plot 425 and Plot 2733 are located adjacent to each other.
- (iii) Based on the products manufactured by the company for the past 12 months up to the LPD. The company's products undergo varied and different processes which are dependent on the shape, size, design and specifications of the products as required by different customers. Production capacity and output vary depending on the different designs and specification of products at any time. As such, the production capacity is an average of the total capacity of the various types of machines (including injection moulding machines, thermoforming machines and pressure forming machines). The average production output per month is computed based on actual units manufactured by all the machines during the said past 12 months.

Construction of new warehouse and additional production area

DTB intends to construct a new warehouse and additional production area with a floor space of approximately 15,300 sq ft and 2,700 sq ft, respectively ("**Extended Penang Factory**") on the two parcels of leasehold industrial lands namely Plot 425 And Plot 2733 which are adjacent to each other and are owned by AVSB, with a total land size of approximately 90,506 sq ft.

Currently, AVSB has fully occupied its designated warehouse facilities with a total floor space of approximately 6,500 sq ft at Plot 425 and Plot 2733 for storage of its raw materials and finished goods. With the construction of a new warehouse with floor space of approximately 15,300 sq ft, AVSB will have additional space to store its raw materials and finished goods.

The additional production area will house an additional of up to 4 manufacturing lines, which is in line with the Group's plan of gradually expanding the manufacturing business from 21 lines as at the LPD to up to 25 lines. In 2021, AVSB received requests from its existing and new customers to design and produce new specifications of packaging trays which require injection moulding machines (with different specifications) to produce. AVSB is currently working on the designs for various models of packaging trays for new customers operating in E&E industry.

The expected increase in the total production capacity of packaging trays (e.g., blisters, precision shipping trays and reels) is up to 0.30 million pieces per month. The combined production capacity of packaging trays by AVSB from Plot 425 and Plot 2733 as at the LPD and after the construction of Extended Penang Factory are as follows:

| | As at the LPD | After the construction of Extended Penang Factory |
|--|---------------|---|
| Number of manufacturing lines for packaging trays | 21 | 25 |
| Production capacity* ('000 units of packaging trays per month) | 3,600 | 3,900 |

Note:

- * Based on the products manufactured by AVSB for the past 12 months up to the LPD. The company's products undergo varied and different processes which are dependent on the shape, size, design and specifications of the products as required by different customers. Production capacity and output vary depending on the different designs and specification of products at any time.

As such, the production capacity is an average of the total capacity of the various types of machines (including injection moulding machines, thermoforming machines and pressure forming machines). Production output is the actual units manufactured/ to be manufactured by all the machines.

The 4 new manufacturing lines (consisting of 4 injection moulding machines to be acquired) of which 2 of the injection moulding machines with an estimated cost of RM0.60 million will be funded via the proceeds to be raised from the Proposed Rights Issue (for capital expenditure) as set out in **Note 2(i)** of **Section 7.1** of this Circular and the remaining 2 injection moulding machines will be funded via the combination of the Group's internally-generated funds and bank borrowings.

The construction of the Extended Penang Factory is estimated to be completed within 24 months after the completion of the Proposed Rights Issue.

The cost of construction of the Extended Penang Factory is estimated to be at approximately RM6.00 million, details of the breakdown are as follows:

| | RM'000 |
|--|--------------|
| New warehouse | 5,100 |
| Additional production area (for the 4 new manufacturing lines) | 900 |
| Total estimated cost | 6,000 |

DTB intends to utilise RM2.00 million of the proceeds raised from the Proposed Rights Issue for the said construction cost and the balance of RM4.00 million will be funded via a combination of the Group's internally generated funds and/or bank borrowings.

Any shortfall between the proceeds allocated for the construction of the Extended Penang Factory and the actual proceeds raised is intended to be met via internally generated funds, bank borrowings and/or future fund-raising exercises to be undertaken by the Group (if required). The breakdown of such funding cannot be determined at this juncture as it will depend on, amongst others, the actual shortfall amount as well as the availability and suitability of other funding alternatives at the relevant time.

Purchase of a separate factory building

Notwithstanding the above, as part of the Group's business strategies, the Group may instead decide to acquire a separate factory building ("**Alternate Factory**"), depending on the Group's operational requirements.

For the avoidance of doubt, the construction of new warehouse and additional production area (Extended Penang Factory) will be an extension/ addition to the 3 premises where AVSB is currently operating from in Penang, while the Alternate Factory is intended to consolidate AVSB's operations in Penang.

The decision on whether to purchase a separate factory building will take into consideration, amongst others, the following:

- (i) the location of the Alternate Factory is located at Prai, Penang;

- (ii) the size of the Alternate Factory with a total land size of more than 140,000 sq ft and total built up area of approximately 125,000 sq ft to carry out/ facilitate AVSB's day-to-day operations and for future business expansion and growth. Currently, AVSB operates its paper and/ or foam packaging production at a rented factory located at Prai Industrial Estate and operates its packaging trays production at factories located at Plot 425 and Plot 2733 which is owned by AVSB. The total land size and built-up areas of Prai Industrial Estate, Plot 425 and Plot 2733 amounted to 135,316 sq ft and 105,261 sq ft, respectively.

Hence, the Alternate Factory will be able to consolidate the operations for the different products which are currently produced at different locations for ease of management and co-ordination. Upon consolidation of the different manufacturing facilities and its warehouse facilities, the Group will cease operations in the other factories and will benefit from rental cost, time saving and potential rental income from renting out Plot 425 and Plot 2733. The Board may also consider disposing Plot 425 and Plot 2733 to realise such property investment.

The Company will make the necessary announcements in accordance with the Listing Requirements (if required) should there be such disposal(s). If the nature of such disposal(s) requires shareholders' approval pursuant to the Listing Requirements and/ or regulatory approvals, the Company will seek the necessary approval from its shareholders and regulator(s);

- (iii) the costs and timing of relocation of the existing factories and warehouses so as to minimize any disruptions to AVSB's on-going operations; and
- (iv) the property market value for the Alternate Factory which meets the Group's requirements.

The cost of purchase of a separate factory building is estimated to be at approximately RM20.00 million. DTB intends to utilise RM2.00 million of the proceeds raised from the Proposed Rights Issue for the said purchase and the balance of RM18.00 million will be funded via a combination of the Group's internally generated funds and/or bank borrowings.

Any shortfall between the proceeds allocated for the purchase of a separate factory building and the actual proceeds raised is intended to be met via internally generated funds, bank borrowings and/ or future fund-raising exercises to be undertaken by the Group (if required). The breakdown of such funding cannot be determined at this juncture as it will depend on, amongst others, the actual shortfall amount as well as the availability and suitability of other funding alternatives at the relevant time.

As at the LPD, the Group has identified 2 potential properties and has commenced discussions with the property agents/ vendors. Notwithstanding that the Group has identified the 2 potential properties, the Board will continue to explore and evaluate other options that may be available in the market which cater to the Group's operational requirements.

The Company will make the necessary announcement(s) as required under the Listing Requirements as and when it enters into such agreement in relation to the acquisition of the Alternate Factory. In the event that shareholders' approval and/ or other regulatory approval(s) are required under the Listing Requirements and/ or other relevant rules/ guidelines for the acquisition, the necessary approval(s) will be sought.

(2) Capital expenditure

| Proposed utilisation | Notes | Base Case Scenario/ Maximum Scenario |
|--|--------------|---|
| | | RM'000 |
| Purchase of machinery and equipment | (i) | 1,700 |
| Purchase and installation of enterprise resource planning ("ERP") system | (ii) | 2,500 |
| Total | | 4,200 |

(i) Purchase of machinery and equipment

To support the future growth and expansion of the Group as well as to improve the Group's operational capacity, efficiency and productivity, the Group intends to utilise proceeds of up to RM1.70 million from the Proposed Rights Issue for the purchase of additional precision polymer engineering machines (such as injection moulding machines and pressure forming machines) under Base Case Scenario and Maximum Scenario.

As at the LPD, the Group owns 27 units of precision polymer engineering machines (which includes injection moulding machines, thermoforming machines and pressure forming machines), with production capacity of up to 5.01 million pieces of packaging trays per month.

The Group plans to allocate up to RM1.70 million of the proceeds to purchase 1 additional unit of pressure forming machine and 2 units of injection moulding machines which would produce among others, various plastic trays, blisters and injection marks on the trays. Such machines will increase the Group's production capacity for precision polymer engineering products by 700,000 pieces of packaging trays per month which allows the Group to capture potential growth of the E&E industry.

The Group's total production capacity of packaging trays as at the LPD and after the purchase of 3 machines are as follows:

| | As at the LPD | After purchase of new machines via proceeds raised from the Proposed Rights Issue |
|---|--------------------------|--|
| <i>Number of manufacturing lines for packaging trays</i> | 27 | 30 ^{(aa)/(bb)} |
| <i>Production capacity* (*000 units of packaging trays per month)</i> | 5,010 | 5,710 |

Notes:

* *Based on the products manufactured by the Group for the past 12 months up to the LPD. The Group's products undergo varied and different processes which are dependent on the shape, size, design and specifications of the products as required by different customers. Production capacity and output vary depending on the different designs and specification of products at any time.*

As such, the production capacity is an average of the total capacity of the various types of machines (including injection moulding machines, thermoforming machines and pressure forming machines). Production output is the actual units manufactured/ to be manufactured by all the machines.

(aa) *This includes the 2 injection moulding machines for AVSB, as set out in **Note 1 of Section 7.1** of this Circular.*

(bb) *As at the LPD, the Company's wholly-owned subsidiary, AVKL, does not own any pressure forming machine. The Group (via AVKL) intends to purchase 1 unit of pressure forming machine to produce precision polymer engineering products to cater for its Klang Valley market.*

These additional machines will enable the Group to remain competitive and capture new business opportunities within the E&E industry as these additional machines will increase the Group's production capacity and product specifications.

(ii) Purchase and installation of ERP system

The Group plans to allocate up to RM2.50 million of the proceeds under the Base Case Scenario and Maximum Scenario to implement a new ERP system to replace the existing system.

The ERP modules which the Group intends to implement include, amongst others, sales, purchasing, inventory management, material resource planning and analytics/ dashboard and reporting. The migration to a new ERP system will include improved dashboard and reporting which will reduce manual inputs and streamline and integrate various production, inventory, financial and administration functions and processes into one complete system. This is aimed at increasing timely flow of data and information among different departments and business units to facilitate decision making and reporting as the Group has operations in different geographical areas in Malaysia (i.e., Penang, Johor and Kuala Lumpur) and Thailand.

The Group expects to finalise the specifications for the purchase and to commence installation of the new ERP information technology system in the 1st quarter of 2023.

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(3) Repayment of bank borrowings

As at the LPD, the Group's outstanding bank borrowings stood at RM21.68 million (comprising term loans, revolving credit, bankers' acceptance, trust receipts and bank overdraft). The Group intends to utilise proceeds of up to RM10.00 million from the Proposed Rights Issue towards repayment of the following bank borrowings, allocated up to its respective maximum allocation in the following order as set out below:

| Name of bank | Type of facility | Outstanding amount as at the LPD (RM'000) | Repayment amount | | | Estimated annual interest savings from the repayment | | | Effective interest rate % |
|--------------------------------|---------------------------------|---|---------------------------|-----------------------------|---------------------------|--|-----------------------------|---------------------------|---------------------------|
| | | | Minimum Scenario (RM'000) | Base Case Scenario (RM'000) | Maximum Scenario (RM'000) | Minimum Scenario (RM'000) | Base Case Scenario (RM'000) | Maximum Scenario (RM'000) | |
| Hong Leong Islamic Bank Berhad | Revolving credit ⁽ⁱ⁾ | 6,000 | 3,000 | 6,000 | 6,000 | 129 | 258 ⁽ⁱⁱⁱ⁾ | 258 ⁽ⁱⁱⁱ⁾ | 4.30 |
| Hong Leong Bank Berhad | Term loans ⁽ⁱⁱ⁾ | 4,671 | - | 4,000 | 4,000 | - | 193 | 193 | 4.64 – 4.83 |
| Total | | 10,671 | 3,000 | 10,000 | 10,000 | 129 | 451 | 451 | |

Notes:

- (i) These revolving credit facilities were drawn down to finance the Group's working capital.
- (ii) The term loans were used to finance the acquisitions of land and building for AVSB's investment property located at Plot 314, Penang Science Park, Bukit Minyak, Mukim 13, Daerah Seberang Perai Tengah, Penang.
- (iii) While the Group intends to allocate proceeds of up to RM10.00 million from the Proposed Rights Issue to repay these borrowings, these borrowings are subject to prevailing interest rate, drawdown and repayment from time to time. As such, the outstanding principal amounts of these borrowings at the point of repayment may differ from the current amount as at the LPD. The repayment of any such outstanding bank borrowings in respect of the aforesaid credit facilities will not result in any material penalty/ repayment cost being incurred by the Group.

In this event, any surplus shall be reallocated in the order of utilisation set out in this **Section 7.1** below. Any shortfall shall be funded via the portion earmarked for working capital, internally generated funds and/ or future fund-raising exercises to be undertaken (if required).

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(4) Working capital

The Group intends to utilise up to RM2.43 million from the Proposed Rights Issue to fund its working capital requirements in the following manner:

| | Minimum Scenario (RM'000) | Base Case Scenario (RM'000) | Maximum Scenario (RM'000) |
|--|---------------------------------|--------------------------------------|---------------------------------|
| Working capital | | | |
| The Group's raw materials comprise mainly paper, resin and plastic film, constituting a major part of the Group's manufacturing costs. In view that such inventories are being used on an on-going basis, the Group intends to increase its raw materials holdings as a hedge against volatile prices ⁽ⁱ⁾ | 2,050 | 2,050 | 2,050 |
| Operating and administrative expenses, such as rental expenses, utility charges, maintenance expenses, transportation costs, marketing costs and other miscellaneous items such as audit fees and secretarial fees | - | 368 | 381 |
| Total | 2,050 | 2,418 | 2,431 |

Note:

- (i) *The increasing raw materials prices pose a challenge to the Group in the current business environment. The Group's raw materials comprised mainly paper, resin and plastic films which are mainly used for production of paper/foam packaging and precision polymer engineering products.*

The actual breakdown of these components of raw materials cannot be determined at this juncture as it will depend on the actual production requirements of the Group at the relevant time. The proceeds to be utilised to purchase raw materials represents approximately 2.03% and 2.14% of the Group's total purchases of inventories and raw materials of the Group for the FYE 30 April 2021 and 11M-FPE 31 March 2022, respectively.

Any shortfall between the actual proceeds raised and the Group's working capital requirements shall be funded via internally generated funds, bank borrowings and/ or future fund-raising exercises to be undertaken (if required). However, the funding breakdown cannot be determined at this juncture as it will depend on, amongst others, the cash to be generated from the expansion plan as well as the availability and suitability of other funding alternatives at the relevant time.

(5) Construction of new factory building in Thailand

To facilitate the Group's diversification plan, the Group intends to utilise proceeds of up to RM6.00 million under the Base Case Scenario and Maximum Scenario from the Proposed Rights Issue for the construction of a new factory building in Thailand. DTB Group (via the Company's wholly-owned subsidiary, ISCM Thailand) currently owns a vacant industrial land, with land size of 58,211 sq ft, located at Plot No. 33, Thanu, U-Thai, Pranakorn Sri Ayutthaya, Thailand ("**Plot 33**"). ISCM Thailand is principally involved in cleanroom services and contract manufacturing of electronic components.

Currently, KTCL operates from a rented factory with a built-up area of 24,487 sq ft located at 700/451 Moo 7, Amata City Chonburi Industrial Estate, Donhwaror Muangchonburi, Chonburi 20000, Thailand ("**Existing KTCL Factory**").

Subject to the shareholders approving the relevant resolutions to give effect to the Proposed Acquisition and Proposed Diversification at the forthcoming EGM and the completion of the Proposed Acquisition, DTB plans to construct a new factory building ("**New Labelling Factory**") with a floor space of approximately 33,000 sq ft on Plot 33. The New Labelling Factory will be located within close proximity of approximately 1 km with ISCM Thailand's existing factory, as compared to a distance of more than 100 km from the Existing KTCL Factory.

Notwithstanding ISCM Thailand is not involved in the Labelling Business, the relocation of KTCL's operations to the New Labelling Factory will enable rental cost savings of approximately RM0.60 million per annum as well as ease of management and co-ordination. In line with the Group's plan to extend the entire end-to-end packaging and design solutions (via the Labelling Business) and for both DTB Group and KTCL to tap into each other's customer base, the close proximity between the 2 factories will also facilitate the movement of work-in-progress inventories and enable savings in transportation cost.

The New Labelling Factory is expected to house KTCL's 5 existing label printing machines and any other new machines to be acquired in the future. Currently, KTCL has fully occupied the production area of its Existing KTCL Factory.

As at the LPD, the Group is in the midst of discussion with its contractor on the proposed layout plan and design of the New Labelling Factory. As at the LPD the Group has not obtained:

- (i) planning consent for the construction of the New Labelling Factory; and
- (ii) approval to construct and operate the New Labelling Factory.

The Group will obtain the relevant planning consent and approval from the relevant authorities for the construction of the New Labelling Factory, after obtaining its shareholders' approval for the Proposed Acquisition, Proposed Diversification and Proposed Rights Issue as well as finalisation of the layout plan and design of the New Labelling Factory with its contractor. The said relevant planning consent and approval from the relevant authorities are expected to be obtained in the 1st quarter of 2023.

The construction of the New Labelling Factory is expected to commence in 1st quarter of 2023 and estimated to be completed within 24 months after the completion of the Proposed Rights Issue. The Company expects the New Labelling Factory will be in commercial operation within 2 months after the New Labelling Factory is fully constructed.

DTB has estimated that the construction cost of the factory building is approximately RM10.00 million. DTB intends to utilise RM6.00 million representing approximately 23.02% and 23.00% of the gross proceeds raised from the Proposed Rights Issue under the Base Case Scenario and Maximum Scenario respectively for the construction cost of the New Labelling Factory and the balance of RM4.00 million will be funded via a combination of the Group's internally generated funds and/ or bank borrowings.

Any shortfall between the proceed allocated to the construction of New Labelling Factory and the actual proceeds raised is intended to be met via internally generated funds, bank borrowings and/ or future fund-raising exercises to be undertaken by the Group (if required). The breakdown of such funding cannot be determined at this juncture as it will depend on, amongst others, the actual shortfall amount as well as the availability and suitability of other funding alternatives at the relevant time.

As the Proposed Rights Issue is not conditional upon the Proposed Acquisition and Proposed Diversification and in the event the Proposed Acquisition and Proposed Diversification could not be completed, the Company intends to reallocate the proceeds earmarked for the construction of New Labelling Factory in Thailand for repayment of its bank borrowings.

If there are variations to the utilisation of proceeds, the Company will make the necessary announcement(s), where required and applicable, under Paragraph 9.19(32) of the Listing Requirements. The Company will also seek its shareholders' approval for variations to the utilisation of proceeds, where required and applicable, under Paragraph 8.22 of the Listing Requirements.

(6) Estimated expenses in relation to the Proposals

The breakdown of the estimated expenses for the Proposals are set out below:

| Details of the utilisation | RM'000 |
|--|---------------|
| Professional fees which include, among others, advisory fees payable to the Principal Adviser, solicitors, foreign counsel, IMR and reporting accountants in relation to the Proposals | 1,200 |
| Fees to relevant authorities (i.e., Bursa Securities, SC and Companies Commission of Malaysia) | 120 |
| Other incidental expenses in relation to the Proposals such as printing, despatch, advertising costs, expenses to convene EGM and miscellaneous expenses | 130 |
| Total | 1,450 |

If the actual amount varies from the above estimated expenses for the Proposals, the excess or deficit, as the case may be, will be adjusted to or from the amount earmarked for working capital of the Group.

Any additional gross proceeds raised in excess of the RM6.50 million under the Minimum Scenario will be allocated up to its maximum allocation in the following order:

- (i) estimated expenses in relation to the Proposals;
- (ii) repayment of bank borrowings;
- (iii) working capital;
- (iv) capital expenditure for purchase of machinery and equipment and installation of ERP system;
- (v) construction of new factory building in Thailand; and
- (vi) construction of a new warehouse and additional production area/ purchase of a separate factory building, in Penang;

As the Minimum Subscription Level is to raise gross proceeds of RM6.50 million, any shortfall in proceeds raised between the Base Case Scenario and Maximum Scenario will be funded via the Group's cash balance, internally-generated funds, bank borrowings and/ or future fund-raising exercise, if any.

Pending utilisation of the proceeds from the Proposed Rights Issue, the proceeds will be placed in deposits with licensed financial institution or short-term money market instruments as the Board may deem fit. The interest derived from the deposits with the financial institution or any gain arising from the short-term money market instruments will be used for working capital purposes.

The gross proceeds to be raised from the exercise of the Warrants is dependent on the total number of Warrants exercised during the tenure of the Warrants as well as the exercise price of the Warrants. As such, the exact amount to be raised and timeframe for utilisation of the proceeds from the exercise of the Warrants is not determinable at this juncture. For illustrative purposes only, the gross proceeds to be raised upon the full exercise of the Warrants based on the assumed exercise price of RM0.06 each, is set out below:

| | Minimum Scenario | Base Case Scenario | Maximum Scenario |
|---|-------------------------|---------------------------|-------------------------|
| No. of Warrants | 108,333,333 | 434,462,377 | 434,690,877 |
| Total gross proceeds to be raised assuming full exercise of Warrants (RM) | 6,500,000 | 26,067,743 | 26,081,453 |

The Company intends to utilise the proceeds arising from the exercise of the Warrants, if any, for the Group's working capital. The working capital raised from the exercise of the Warrants will be utilised to finance the Group's day-to-day operations, including the payment to trade creditors for the purchase of raw materials, operating and administrative expenses (e.g., labour cost, production overhead, rental expenses, utility charges, maintenance expenses, transportation costs, marketing costs and other miscellaneous items). The allocation of proceeds to be utilised for each component of working capital are subject to the Group's operational requirements at the time of utilisation. As such, the detailed allocation can only be determined by the Board at a later date.

Pending utilisation of the proceeds to be raised as and when the Warrants are exercised, the proceeds may be placed in deposits with licensed financial institutions and/ or short-term money market instruments. The interest derived from the deposits with licensed 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.

7.2 Proposed New SIS

As and when the SIS Options (under the Proposed New SIS) are exercised, the exact quantum of proceeds that may be raised by DTB will depend upon the Option Price and actual number of SIS Options exercised during the tenure of the Scheme. As such, the exact timeframe and the breakdown for the utilisation of the proceeds are not determinable at this juncture.

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The Company intends to utilise the proceeds arising from the exercise of the SIS Options, if any, for the Group's working capital. The working capital raised from the exercise of the SIS Options will be utilised to finance the Group's day-to-day operations, including the payment to trade creditors for the purchase of raw materials, operating and administrative expenses (e.g., labour cost, production overhead, rental expenses, utility charges, maintenance expenses, transportation costs, marketing costs and other miscellaneous items). The allocation of proceeds to be utilised for each component of working capital are subject to the Group's operational requirements at the time of utilisation. As such, the detailed allocation can only be determined by the Board at a later date.

Pending utilisation of the proceeds to be raised as and when the SIS Options are exercised, the proceeds may be placed in deposits with licensed financial institutions and/ or short-term money market instruments. The interest derived from the deposits with licensed 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.

8. EQUITY FUND-RAISING EXERCISE UNDERTAKEN BY THE COMPANY IN THE PAST 12 MONTHS UP TO THE LPD

On 14 December 2021, the Company completed the Private Placement through the placement of 62,625,400 Placement Shares, representing not more than 20% of the total number of issued shares of DTB (excluding treasury shares, if any) in accordance with a general mandate pursuant to Section 75 and Section 76 of the Act, raising gross proceeds of RM18.55 million as summarised below:

| Tranche | Listing date | Issue price per Placement Share (RM) | Number of Placement Shares | Gross proceeds (RM) |
|--------------|------------------|--------------------------------------|----------------------------|---------------------|
| 1 | 18 October 2021 | 0.335 | 10,000,000 | 3,350,000 |
| 2 | 23 November 2021 | 0.315 | 10,000,000 | 3,150,000 |
| 3 | 30 November 2021 | 0.312 | 20,000,000 | 6,240,000 |
| 4 | 14 December 2021 | 0.257 | 22,625,400 | 5,814,728 |
| Total | | | 62,625,400 | 18,554,728 |

As at the LPD, the status of the utilisation of proceeds from the Private Placement by the Group is as follows:

| Description | Proceeds raised | Actual utilisation | Balance unutilised |
|--|-----------------|--------------------|--------------------|
| | (RM'000) | (RM'000) | (RM'000) |
| Repayment of bank borrowings | 14,483 | 14,483 | - |
| Working capital (mainly for purchase of raw materials comprising mainly paper, resin and plastic film in October to December 2021) | 3,879 | 3,879 | - |
| Expenses for the Private Placement | 193 | 193 | - |
| Total | 18,555 | 18,555 | - |

Save as disclosed above, DTB has not undertaken any fund-raising exercise in the past 12 months up to the LPD.

9. RATIONALE FOR THE PROPOSALS

9.1 Proposed Acquisition and Proposed Diversification

DTB Group is principally involved in (i) end-to-end packaging and design solutions; (ii) precision polymer engineering services; (iii) cleanroom and contract manufacturing services; and (iv) supply chain management and sales and distribution of products.

In addition, the DTB Group has obtained its shareholders' approval for the diversification into property development and construction business in 2018. However, there has been no revenue contribution from that segment since then. Further details of the diversification into property development and construction business are set out in **Section 3** of this Circular.

The Proposed Acquisition and Proposed Diversification is to facilitate the Group's plans to expand its stream of income and diversify its earnings base.

The management of DTB is constantly exploring business opportunities to deliver positive and sustainable growth to its shareholders. As detailed in **Section 3** of this Circular, the Board believes that DTB Group has the capacity, capability and resources to diversify into the Labelling Business by leveraging on:

- (i) the experience of Jimmy Teo Tin Jien, DTB's existing Managing Director for Thailand Division, who will be responsible for overseeing the strategic planning of KTCL's operations (which includes integrating KTCL's business as part of the enlarged Group's business) after completion of the Proposed Acquisition; and
- (ii) the competency and experience of KTCL's existing Branch Manager, namely Cheong Kok Hin, who will continue to be involved in the day-to-day operational and business activities of KTCL.

They would be supported by the existing management team of KTCL comprising of, amongst others, the production manager, accounts manager and human resource manager.

As part of the Group's succession planning for the Labelling Business, the Group will continue with its efforts to groom existing employees of the enlarged Group for senior management roles and identify potential successors (through skills transfer and/ or recruitment).

In addition, DTB intends to setup a working committee where representatives will be appointed from both the DTB Group and KTCL to facilitate the integration process. As such, the Board believes that the existing team of KTCL led by Cheong Kok Hin, will be ideally placed to work alongside the management of DTB Group in realising the synergistic benefits available to the enlarged DTB Group.

The Group also intends to retain the management and personnel of KTCL upon completion of the Proposed Acquisition. As such, DTB views that there are sufficient qualified personnel in the existing DTB Group and KTCL at this juncture for its diversification into the Labelling Business.

Notwithstanding the above, if the need arises in future, the Group will recruit qualified personnel with the relevant qualification, experience and network to support the business needs of KTCL and to assist the enlarged Group to further expand its Labelling Business.

The management of DTB believes that it is synergistic to expand the operations of DTB Group's packaging and design solution segment to include the Labelling Business, with the objective of creating diversity in/ expand its product offerings in order to increase the Group's revenue. The Proposed Acquisition, which is in line with the Group's business expansion objectives and growth strategy, provides the Group with an opportunity to venture into the Labelling Business through the acquisition of a 99.9991% equity interest in KTCL.

Synergies expected between the existing packaging business and the new Labelling Business

The Proposed Acquisition serves as a strategic entry for DTB Group into the Labelling Business sector. The Board views that the Proposed Acquisition is an attractive business proposition as it allows the DTB Group to gain an immediate access into an on-going Labelling Business entity that serves the market in Thailand. Notwithstanding the historical financial performance of KTCL, the Board is optimistic that the Proposed Acquisition and Proposed Diversification will contribute positively to the Group's earnings after taking into consideration growth potential of the Labelling Business and the favourable growth of the self-adhesive label industry in Thailand as set out in **Section 10.7** of this Circular as well as the following:

- (i) the Board views the Proposed Acquisition as a synergistic business opportunity in light of it being complementary to its existing business. The enlarged DTB Group would be able to offer its customers in Thailand greater value proposition as the enlarged Group would be able to offer its clients with adhesive labelling (which currently KTCL is involved in) as well as the existing packaging products offered by the DTB Group in Thailand as set out below:

| Product/ service classification | Type of products/services |
|--|--|
| Paper and/ or foam | <ul style="list-style-type: none"> • Corrugated carton boxes, nesting and paper reels • Foam packaging |
| Precision polymer engineering | Packaging trays (i.e., blisters, precision shipping trays and reels) |

After completion of the Proposed Acquisition, DTB Group will be a one-stop provider for packaging and labelling solutions in Thailand and enable DTB Group to strengthen its foothold and enhance its competitiveness in the end-to-end packaging and labelling segments in Thailand. For example, DTB Group will be able to produce bottles using pressure forming technique combined with the label produced by KTCL, and therefore according the potential client more convenience and cost savings by leveraging on the enlarged DTB Group as a single solution provider and one-stop centre to provide all such types of services in Thailand. The potential client would no longer need to transport/ shift the products from one service provider to another.

- (ii) DTB Group's customers have historically been predominantly in the E&E industries, healthcare and other industries (e.g., automotive as well as food and beverage). Meanwhile, KTCL has customers spanning across various industry segments, including food and beverage, healthcare, FMCG and automotive.

As such, the Proposed Acquisition would allow DTB Group to expand its customer base to tap into KTCL's customer base from other industry segments, especially the FMCG segment, thus enabling the enlarged DTB Group to broaden its revenue streams by offering its existing packaging products offerings to KTCL's existing customers. The expansion of the customer base across various industry segments will also provide the enlarged DTB Group with a more defensible earnings stream over time, as it will help lessen any business and financial impact in the event of a downturn in any specific industry segment.

- (iii) the Board also believes that the enlarged Group would be able to realise operating benefits through the Proposed Acquisition such as the sharing of industry knowledge, technical expertise and know-how which would enhance the enlarged Group's products offering.

The Board takes note that the settlement of the Purchase Consideration via the issuance of Consideration Shares will have a dilutive impact to the shareholdings of its existing shareholders. However, the issuance of the Consideration Shares will allow the DTB Group to enhance its business without any immediate impact on the cashflow and gearing levels of the Group as opposed to being settled in cash and/ or via bank borrowings. With a larger share capital base, the enlarged Group will gain improved access to both debt and equity capital markets.

While the Group's cash and bank balances as at 30 June 2022 stood at approximately RM33.98 million, shareholders should note that the Group is only able to utilise RM20.88 million ("**Cash Available**") for the Group's working capital and capital expenditure as RM13.10 million is pledged with licensed banks for the banking facilities. Out of the Cash Available of RM20.88 million, the Company has earmarked:

- (i) approximately RM2.00 million for the Group's capital commitment (i.e., purchase of land and building details of which are set out in **Section 4.1 of Appendix VI** of this Circular) which will be funded via cash; and
- (ii) the remaining RM18.88 million for the Group's working capital and capital expenditure. As at the LPD, there are 19 companies within the Group of which 5 subsidiaries are dormant. This will translate into an average allocation of RM1.35 million for each operating subsidiary for their respective working capital purposes (such as payment to its trade and other payables) and capital expenditure.

Premised on the above, the Board is of the view that the issuance of the Consideration Shares to fully settle the Purchase Consideration is an appropriate avenue and is in the best interest of the Group as this allows the DTB Group to conserve its cash reserves which can be channelled instead towards future operations and other working capital purposes as well as strengthen its capital base and not to incur further borrowing costs.

In summary, the Board is of the view that the Proposed Acquisition and Proposed Diversification are expected to augur well for the growth prospects of DTB Group in the future, as both proposals provide the Group with an opportunity to expand its income stream and growth prospect.

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9.2 Proposed Rights Issue

The Proposed Rights Issue will enable the Group to raise the funds primarily for the purpose as set out in **Section 7.1** of this Circular without incurring interest costs associated with bank borrowings or the issuance of debt instruments, thereby minimising any potential cash outflow arising from interest servicing costs. The Proposed Rights Issue would enable all Entitled Shareholders of the Company to participate in the fund-raising exercise at an assumed issue price of RM0.06 per Rights Share, which the Board deemed as attractive and would encourage subscription for the Rights Shares with Warrants.

In addition, the Board has also considered the following and is of the opinion that the Proposed Rights Issue is an appropriate option as:

- (i) the proceeds from the issuance of Rights Shares will improve the cash flow of the Group and the usage of proceeds are expected to contribute positively to the Group's future earnings and improve its financial performance;
- (ii) the issuance of new Shares via Proposed Rights Issue will not dilute the existing shareholders' equity interest, assuming all Entitled Shareholders fully subscribe for their respective entitlements;
- (iii) subscription to the Rights Shares provides an opportunity for the Company's existing shareholders to increase their equity participation in the Company; and
- (iv) the Undertaking will enable the Company to raise the minimum required funds without incurring additional cost in the form of underwriting commission.

The Warrants attached to the Rights Shares are intended to provide the Entitled Shareholders with additional incentive to subscribe for the Rights Shares. The Warrants will potentially allow the Entitled Shareholders who subscribe for the Rights Shares to benefit from the possible capital appreciation of the Warrants and increase their equity participation in the Company at a predetermined price over the tenure of the Warrants. The Group would also be able to raise additional proceeds as and when the Warrants are exercised.

9.3 Proposed ESOS Termination and Proposed New SIS

Pursuant to the Existing By-Laws and the Listing Requirements, the total number of DTB Shares to be issued shall not exceed 15% of the total number of issued DTB Shares during the duration of the Existing ESOS Scheme. As at the LPD, 26,069,500 ESOS Options (representing approximately 6.94% of the total number of 375,752,700 DTB Shares in issue as at the LPD) have been granted, of which the breakdown is set out below:

| ESOS Options granted | No. of ESOS Options Granted | % of number of issued Shares ⁽¹⁾ |
|----------------------|-----------------------------|---|
| Exercised | 24,678,000 | 6.57 |
| Forfeited | 1,163,000 | 0.31 |
| Unexercised | 228,500 ⁽²⁾ | 0.06 |
| Total | 26,069,500 | 6.94 |

Notes:

(1) Based on 375,752,700 DTB Shares in issue as at the LPD.

(2) Comprising 228,500 ESOS Options at an exercise price of RM0.25 each.

Since the Existing ESOS Scheme came into effect on 18 May 2016, the Company has only offered 1 tranche of ESOS Options on 4 July 2016. The number of the remaining ESOS Options available to be granted under the Existing ESOS Scheme is limited (i.e., approximately 8.06% of the total number of issued Shares as at the LPD) but the Existing ESOS Scheme will only be expiring on 17 May 2026.

The Group believes that it is important to continue rewarding, to retain and motivate its employees in the long term. Notwithstanding that the Existing ESOS Scheme was approved by the Board on 17 May 2021 to extend the duration of the Existing ESOS Scheme to 17 May 2026, after further consideration, the Company proposed to undertake the Proposed ESOS Termination (less than 1.5 years after such extension) and implement the Proposed New SIS to provide the Company with a fresh scheme for a maximum period of 10 years (i.e., 5 years from the Effective Date or subject to further extension of up to 5 years (at the sole and absolute discretion of the Board upon the recommendation by the SIS Committee)). In this regard, among the factors considered were, there was only 1 tranche offered and the offer was made on 4 July 2016, the exercise price of RM0.25 is also no longer attractive and the movements in DTB's historical share price since January 2022 as set out in **Section 2.6** of this Circular. As such, the Group is of the view Proposed New SIS would enable the Group to reassess the offer(s) of SIS Options to be made in order to facilitate the alignment of the Group's rewards and compensation package for its employees against the long-term growth objectives of the Group.

In addition, the Proposed New SIS is established to achieve the following objectives:

- (i) to continue to motivate, retain and reward Eligible Persons whose services are vital to the operations and continued growth and success of the Group;
- (ii) to continue to drive and motivate the Eligible Persons to work towards achieving the Group's goals and objectives;
- (iii) to provide an opportunity for the eligible employees to participate in the equity growth of the Company and performance of the Group;
- (iv) 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;
- (v) 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
- (vi) to attract and retain high-calibre Eligible Persons.

The non-executive Directors are also eligible to participate in the Scheme. This is to recognise their contribution to the Company, their independent views in the decision-making process and maintaining good corporate practices.

10. INDUSTRY OVERVIEW, OUTLOOK AND PROSPECTS

Based on the Company's latest annual report for the 11M-FPE 31 March 2022, DTB Group's revenue was primarily derived from geographical markets in Thailand and Malaysia contributing 47.42% and 38.66% to the Group's revenue. Other countries (including Singapore, United Kingdom, United States of America, Indonesia and People's Republic of China ("**China**")) collectively contributed the remaining 13.93% to the Group's revenue for the 11M-FPE 31 March 2022. As such, the Company has set out below the overview and outlook of Thailand and Malaysia.

In addition, the Group's reportable segments by its customers' industries are as set out below:

| No. | Reportable segments by customers' industries | Description |
|-------|--|--|
| (i) | E&E | End-to-end packaging and design solutions, precision polymer engineering services, cleanroom services and contract manufacturing primarily supporting customers in the E&E industry. |
| (ii) | Healthcare | End-to-end packaging and design solutions primarily supporting customers in the healthcare industry. (comprising mainly glove manufacturers and to a lesser extent, pharmaceutical companies). |
| (iii) | Other industries | End-to-end packaging and design solutions and supply of goods and services primarily supporting customers in the automotive, food and beverage and other manufacturing industries. |

In view of the above and taking into consideration the diversification into property development and construction business by the Group in 2018, the Company has also set out below the overview and outlook of E&E sector, glove industry, manufacturing sector and property development and construction sector.

10.1 Overview and outlook of the economy in Thailand, Malaysia and the global economy

Thailand economy

Gross Domestic Product ("GDP") in the first quarter ("1Q") of 2022 increased by 2.2%, following a rise of 1.8% in the fourth quarter ("4Q") of 2021. The expansion was from acceleration in the agricultural sector and the gradual increase in the non-agricultural sector, led by a rise in the service sector, resulting from the government's economic stimulus measures causing recovery of various economic activities and the relaxation of travel restrictions both domestically and internationally. Meanwhile, the industrial sector decelerated.

(Source: Gross Domestic Product: Q1/2022, Office of the National Economic and Social Development Council)

The Thai Economy in Q2 of 2022 expanded by 2.5%, accelerating from a 2.3% growth in the previous quarter. After seasonally adjusted, the economy increased by 0.7% from Q1 of 2021. In the first half of 2022, the economy grew by 2.4%.

(Source: Thai Economic Performance in Q2 of 2022, Office of the National Economic and Social Development Council)

Malaysia economy

Malaysia's economic recovery continued its strong momentum in the first half of 2022 amid the global headwinds. The GDP grew at 6.9% during the period supported by the implementation of Budget 2022 measures, transition to the endemicity and reopening of international borders. The economy is expected to grow at 6.1% in the second half of 2022 in line with strong domestic pent-up demand from private sector, remarkable tourism activities and outstanding trade performance. Furthermore, robust performance in services and manufacturing sectors as well as improvement in the labour market conditions are envisaged to contribute significantly to the economic growth. Overall, the nation's economy is expected to grow between 6.5% - 7% in 2022.

In line with the softening global economic outlook, Malaysia's economy is expected to moderate in 2023. Strong economic fundamentals, further improvement in employment prospects, sustained consumer and business confidence as well as continuous policy support for vulnerable households are projected to stimulate domestic demand. Steady external demand, especially for E&E products and major commodities, is anticipated to continue driving the exports, thus maintaining a surplus in current account of the balance of payments (BOP).

On the supply side, all economic sectors are projected to expand, with the services and manufacturing sectors remain as the major contributors to the economy. The services sector will benefit from an increase in domestic demand and tourism activities. The manufacturing sector is expected to be driven by global demand for E&E and rubber-based products coupled with an expansion in domestic industries such as food and construction related products. Meanwhile, the construction sector is projected to improve with the acceleration of existing infrastructure projects and higher private investment that would increase demand for more commercial and residential buildings. Thus, the nation's GDP is forecast to expand between 4% – 5% in 2023.

(Source: Macroeconomic Outlook, Economic Outlook 2023, Ministry of Finance Malaysia)

Global economy

Global growth is expected to expand by 3.2% in 2022, supported largely by Asia Pacific's GDP growth despite the rising energy prices, supply chain disruptions and challenging financial conditions. The GDP growth in advanced economies is projected to moderate at 2.5% in 2022. The US growth is anticipated to record 2.3% in 2022, due to significantly lower momentum in private consumption following a weaker household purchasing power and further tightening of monetary policy. Likewise, the euro area is expected to grow at a slower pace at 2.6% in 2022, mainly due to a slowdown in the economic activities arising from the cut of energy supplies by Russia. In 2022, Emerging Market and Developing Economies' (**"EMDE"**) economic growth is expected to moderate to 3.6%, as a result of lacklustre domestic and external demand. China's economy is anticipated to grow slower at 3.3% weighed down by sluggish consumer demand and investment. Meanwhile, India's economy is projected to grow by 7.4%, supported by both public and private investments, as well as incentives and reforms introduced to improve the business climate. The GDP growth of ASEAN-5 (consists of Indonesia, Malaysia, the Philippines, Thailand and Vietnam) is envisaged to expand by 5.3%, mainly supported by robust domestic consumption and higher investment.

World trade is expected to grow moderately to 4.1% in 2022 following prolonged geopolitical conflict in the Eastern Europe and lockdown measure in China to contain the spread of COVID-19. In 2022, advanced economies is expected to record growth of 5% and 6.1% in exports and imports, respectively, lower than growth recorded in the previous year. Similarly, trade in the EMDEs is expected to moderate with exports and imports are projected to grow at a slower rate of 4.1% and 3.9%, respectively in 2022.

(Source: Macroeconomic Outlook, Economic Outlook 2023, Ministry of Finance Malaysia)

10.2 Overview and outlook of the E&E sector

Thailand

Thailand's economy is primarily export driven, generating an estimated 60% of the country's Gross Domestic Product (**"GDP"**) in 2020. Thailand is one of Asia's key countries for the manufacture of E&E components and products. The Thailand Board of Investment (**"BOI"**) in Thailand is an agency of the government of Thailand under the office of the Prime Minister that helps to promote direct investments in the country. In 2020, according to the BOI, Thailand was ranked 13th in the world as a base for electronic parts and manufacturing and the 7th largest exporter of printed circuit boards (**"PCB"**).

The BOI has given incentives to stimulate competitiveness and technology upgrades in the E&E industry and other advanced manufacturing sectors. The E&E investment promotions are focused on benefits for front-end capital and technology-intensive manufacturing (wafer fabrication, integrated circuits (“IC”) substrate) as well as large-scale mid-and back-end manufacturing. These incentives include corporate tax exemptions for research and development (up to 13 years) and machinery investments (up to 10 years).

The E&E industry is expected to continue its positive growth trajectory on the back of demand for electronic components such as semiconductor devices and ICs for cloud computing and data centres, automobiles, smartphones and personal computers and laptops, amongst others.

(Source: IMR Report)

Malaysia

The Malaysian government promotes the E&E industry as one of the key pillars of economic growth. Malaysia External Trade Development Corporation (MATRADE) actively collaborates with other government agencies, professional bodies and associations such as the Ministry of International Trade and Industry (MITI), the Malaysian Investment Development Authority (MIDA), the Malaysia Semiconductor Industry Association (MSIA), etc to promote the E&E industry. Incentives given to the manufacturing industry, including the E&E industry include tax incentives (pioneer status, investment tax allowance, automation capital allowance, strategic projects, etc) and grants and loans (High Impact Fund, Domestic Investment Strategic Fund, etc).

(Source: IMR Report)

The E&E industry in Malaysia is the catalytic sector that cuts across various other industries and has been a major contributor to the manufacturing sector. In 2020, the E&E industry contributed 6.4% to GDP, valued at RM86.1 billion. From 2016 to 2020, the E&E industry grew at 5.6% per annum, slightly higher than the manufacturing sector growth of 3.3% per annum. In addition, the E&E subsector dominated the country's exports with total exports share accounting to 45.6% or RM386.1 billion in 2020. A total of 577 E&E projects with investments of RM71.4 billion were approved between 2016 and 2020.

During the Twelfth Malaysia Plan, the E&E industry players will be encouraged to adopt advanced technologies and produce more sophisticated products, resulting in higher productivity and growth. The E&E industry needs to be repositioned by boosting investments in high value activities such as design and development (“D&D”) and front-end manufacturing. In this regard, efforts will be focused on strengthening manufacturing ecosystems, promoting new technology adoption, uplifting the development of talent as well as enhancing research and development (R&D) and D&D activities. By 2025, the E&E industry is targeted to contribute RM120 billion to GDP and generate RM495 billion in export earnings.

(Source: *Twelfth Malaysia Plan 2021-2025, A Prosperous, Inclusive, Sustainable Malaysia, Economic Planning Unit*)

DTB is a diversified engineering solutions provider with key customer base from healthcare, E&E and other industries (e.g., automotive, food and beverage and other manufacturing industries). Based on the Company's latest annual report for the 11M-FPE 31 March 2022, DTB Group's customers from E&E segment contributed 52.62% to the Group's revenue. For the customer base from E&E industry, DTB provides end-to-end packaging and design solutions, precision polymer engineering services, cleanroom services and contract manufacturing primarily supporting customers in the E&E industry. Premised on the recovering and positive outlook as set out above, the Board is cautiously optimistic for the demand of its services from E&E industry for the financial year ending 31 March 2023 after having considered other relevant aspects, including the global economic recovery from the COVID-19 pandemic.

10.3 Overview and outlook of the rubber gloves industry

According to Malaysian Rubber Glove Manufacturers Association (“**MARGMA**”), the global demand for rubber gloves is expected to decline to 399 billion pieces in 2022 from 492 billion pieces in 2021. Moving forward, demand for rubber gloves is expected to grow between 10% to 12% year-on-year. The global demand for rubber gloves has receded from the height of the COVID-19 pandemic in 2021 as demand normalises and many countries transition to an endemic phase. The rubber gloves industry is experiencing a temporary oversupply situation as weaker global demand has distorted the demand-supply equilibrium. As glove inventory decreases, MARGMA expects the demand-supply equilibrium to normalise within six to nine months. The primary demand market will continue to be the healthcare industry as rubber gloves are deemed as essential in preventing infections. The demand for rubber gloves will also be driven by better overall hygiene and healthcare awareness, from the other non-healthcare sectors (food and beverage, hospitality, airlines).

Thailand

Thailand is the world’s largest natural rubber producer and exporter. According to the Thailand’s Ministry of Commerce, Thailand’s exports of rubber gloves, in value terms, grew to USD3,121.6 million in 2021, up 33.2% from USD2,344.1 million in 2020.

Thailand aims to be a major production hub for natural rubber gloves, with the industry expected to see new investments exceeding USD800 million to increase the production of rubber gloves.

Malaysia

In 2021, Malaysia is the largest rubber gloves producer and exporter in the world. The industry is actively promoted by the government through investment tax allowances, automation grants, various incentives from the Malaysian Rubber Council, etc and has good infrastructure (e.g., sufficient electricity and gas, logistics, etc). It has also an established base of manufacturing companies and supplier firms, rubber glove machineries and rubber glove production technologies.

In 2021, Malaysia produced 273.6 billion pieces of rubber gloves or 65.1% of an estimated 420 billion pieces in total global supply. According to the MARGMA, Malaysia is expected to supply approximately 240 billion pieces of rubber gloves or 60.2% of an estimated 399 billion pieces of rubber gloves in the total global demand in 2022 and will remain as the world’s largest producer of rubber gloves, followed by the People’s Republic of China and Thailand at an estimated 20% and 10% respectively.

(Source: IMR Report)

Based on the Company’s latest annual report for the 11M-FPE 31 March 2022, DTB Group’s customers from healthcare segment contributed 34.25% to the Group’s revenue. For the customer base from healthcare industry, DTB Group provides end-to-end packaging and design solutions primarily supporting customers in the healthcare industry (comprising mainly glove manufacturers and to a lesser extent, pharmaceutical companies). Taking into consideration the normalisation of the demand for rubber gloves as set out above, the Board is cautiously optimistic for the demand of packaging solutions for glove for the financial year ending 31 March 2023 after having considered other relevant aspects, including the global economic recovery from the COVID-19 pandemic.

10.4 Overview and outlook of the manufacturing sector

Thailand

Manufacturing sector decreased by 0.5% in Q2 2022, compared with a 2.0% growth in Q1 2022. This was mainly due to the prolonged global supply chain disruption. The average capacity utilization rate for Q2 2022 was at 61.08%, lower than 66.53% in Q1 2022, and less than 62.65% in the same quarter of 2021. Manufacturing production index with negative growth included computer and peripheral equipment (-29.6%), plastics and synthetic rubber in primary forms (-11.6%) and basic iron and steel (-10.6%). Besides, manufacturing production index with positive growths included refined petroleum products (14.6%), motor vehicles (1.6%), and other rubber products (12.2%). In the first half of 2022, manufacturing sector increased by 0.7% while the average capacity utilization rate was at 63.81%.

(Source: Thai Economic Performance in Q2 of 2022, Office of the National Economic and Social Development Council)

Malaysia

The manufacturing sector continued to expand, recording a growth of 7.9% in the first half of 2022, supported by both the export- and domestic-oriented industries. The export-oriented industries, which constitute 68.9% of the manufacturing sector, grew by 7.1%, while the domestic-oriented industries increased by 9.7%. The sector is expected to improve further in the second half with an expansion rate of 4.9%, driven by higher output across all industries, particularly from the E&E, transport equipment as well as metal-related segments.

Within the export-oriented industries, the E&E segment is anticipated to be driven by strong demand from the global semiconductor market, especially for chip products. The chemicals segment is projected to increase attributed to higher demand for industrial products especially for digital-related usage following greater adoption of advanced technology. Meanwhile, within the domestic-oriented industries, all segments are expected to grow further, mainly driven by the transport-, food- and metal-related segments. Stronger demand for transport-related segments is backed by the normalisation of industrial and business activities. Food-related segments are expected to benefit from the potentially higher private consumption and improvement in tourism industry. In addition, the rebound in construction sector is projected to result in a better performance for metal-related segment. Overall, the manufacturing sector is forecast to expand by 6.3% in 2022.

(Source: Macroeconomic Outlook, Economic Outlook 2023, Ministry of Finance Malaysia)

Based on the Company's latest annual report for the 11M-FPE 31 March 2022, DTB Group's customers from other industries segment contributed 13.13% to the Group's revenue. The Group, via its subsidiaries in Thailand and Malaysia, provides end to end packaging and design solutions and supply of goods and services primarily supporting customers in the furniture, automotive and food and beverage industries. Premised on the market outlook as set out above, the Board is cautiously optimistic for the demand of its services and solutions for the financial year ending 31 March 2023 after having considered other relevant aspects, including the global economic recovery from the COVID-19 pandemic.

10.5 Overview and outlook of the thermoformed plastics packaging industry and the plastic injection moulding industry

10.5.1 Thermoformed plastics packaging industry

DTB Group is involved in, amongst others, the provision of thermoformed plastics packaging products to E&E industry players. Thermoforming is one of the widely used processes in the plastics industry for producing plastic packaging along with blow-moulding, injection moulding and extrusion processes.

Thailand

In Thailand, the thermoformed plastics packaging industry grew from USD497.5 million in 2018 to USD513.6 million in 2019 but declined to USD441.1 million in 2020, before registering a growth of 2.0% to USD449.8 million in 2021, thereby registering an overall compound annual growth rate ("CAGR") of -3.3% during the period. As the economy recovers from the various restrictions put in place by the Thai government to combat the COVID-19 pandemic, the Thai thermoformed plastics packaging industry is projected to further increase to USD458.8 million in 2022 and USD482.3 million in 2023, representing year-on-year increases of 2.0% and 5.1%, respectively.

The prospects for the thermoformed plastics packaging industry are expected to be positive given the growth in E&E exports and investments in the E&E industry in Malaysia and Thailand. Moving forward, continued investments in the E&E industry is expected to drive the demand for thermoformed plastics packaging. The market for E&E products is anticipated to be robust as e-commerce, online shopping and smart devices have become an integral part of a person's life and the increasing digitisation in many aspects of the economy and society.

Malaysia

The Malaysian thermoformed plastics packaging industry grew from RM2,502.1 million in 2018 to RM2,663.2 million in 2019 but declined to RM2,329.6 million in 2020 before registering a slight growth to reach RM2,354.8 million in 2021, thereby registering an overall CAGR of -2.0% during the period. As the economy recovers from the various restrictions put in place by the Malaysian government to combat the COVID-19 pandemic, thermoformed plastics packaging industry is expected to increase to RM2,412.6 million in 2022 and RM2,547.8 million in 2023, representing year-on-year increases of 2.5% and 5.6%, respectively.

(Source: IMR Report)

10.5.2 Plastic injection moulding industry

DTB Group is involved in, amongst others, the provision of injection moulded packaging trays for E&E industry players and as such the market size and forecast for the E&E application market are set out below. Plastic injection moulding is commonly used in high volume manufacturing processes where the same component or part is being produced many times in succession. The manufacture of injection moulded plastic components, parts and products are mostly automated where robotic systems are employed to execute various activities such as loading, finishing and assembling.

Thailand

In Thailand, the E&E application market segment for plastic injection moulding grew by 3.4% to attain a market size of USD2,326.2 million in 2021 from USD2,249.3 million in 2020. It is expected to increase year-on-year by 4.6% and 4.4% to reach USD2,433.9 million in 2022 and USD2,541.7 million in 2023 respectively.

Malaysia

The Malaysian E&E application market segment for plastic injection moulding grew by 2.8% to attain a market size of RM3,017.3 million in 2021 from RM2,934.1 million in 2020. It is projected to increase year-on-year by 5.1% and 4.8% to reach RM3,170.3 million in 2022 and RM3,321.6 million in 2023 respectively.

The prospects for the thermoformed plastics packaging and plastic injection moulding industry are expected to be positive given the growth in E&E exports and investments in the E&E industry in Malaysia and Thailand. Key factors driving the growth of the thermoformed plastics packaging industry and the plastic injection moulding industry in relation to the E&E industry are:

(i) Growth in all major end-user markets, including the E&E market

In the E&E industry, the thermoformed plastic packaging products and plastic injection moulded packaging products are used for the manufacturing, protection, and handling, transportation and storage of electronic components and parts, to safeguard against damage.

The Malaysian E&E industry accounted for RM455.7 billion of Malaysia's total exports in 2021, up 18.0% from RM386.1 billion in the previous year, led by the sale of ICs and semiconductor devices. The largest segment of Malaysia's E&E exports is for ICs, which accounted for an estimated RM227.3 billion or 49.9% of total E&E exports in 2021. The demand for thermoformed plastics for packaging from the E&E industry are mainly from the areas of outsourced semiconductor assembly and test ("**OSAT**") (semiconductor devices, ICs, etc), automated test equipment ("**ATE**") and electronic manufacturing services ("**EMS**"). By 2025, the Malaysian government targets to have the E&E industry contribute RM120 billion to GDP and generate export value of RM495 billion.

Thailand's E&E exports in 2021 reached USD58.3 billion, up 19.40% or USD9.5 billion from 2020. Thailand's major E&E export products are computer parts and accessories (including Hard Disk Drives ("**HDDs**")), ICs and parts, air conditioning machines and electrical appliance parts. Computer parts and accessories, and ICs and parts accounted for an estimated USD16.0 billion or 27.4%, and USD8.5 billion or 14.6% respectively of total E&E exports.

(ii) High investments in the E&E industry reflect strong demand for electronic devices and parts

The Malaysian manufacturing sector recorded RM195.1 billion in 2021, up 113.7% from RM91.3 billion in 2020 in approved domestic investment and foreign direct investment ("**FDI**"). The E&E industry accounted for 75.9% or RM148 billion worth of approved investments. These investments augur well for the E&E industry as they facilitate its advancements in research and development, design and development, and technological capabilities, as well as growing a large skilled human resources base, amongst others. Additional investments in the E&E industry are also seen as positive for companies operating in the E&E supporting industry.

According to Thailand's BOI, in 2021, Thailand recorded domestic investment and FDI applications of 642.7 billion baht (USD19.5 billion). The E&E industry was the largest beneficiary of the investment applications, attracting 104.5 billion baht (USD3.2 billion) in investments in 2021, a value that is 39.3% higher than the previous year's investment applications of approximately 75 billion baht (USD2.3 billion).

(iii) Malaysian E&E industry a key pillar to economic growth, expects to contribute RM120 billion to GDP by 2025

Malaysia's E&E industry is one of the high impact industries identified in the 12th Malaysia Plan ("12MP") that is key to its economic growth. Under the 12MP, the Malaysian government intends to strengthen the E&E industry and enhance the industry's competitiveness by moving up the value chain by focussing on activities that are of higher capital intensity, technology complexity and value added.

Malaysia's manufacturing sales value for E&E products grew to RM483.2 billion in 2021, an increase of RM61 billion or 14.5% from RM422.2 billion in 2020. The manufacturing sales value for E&E products accounted for 31.4% and 31.1% of Malaysia's total manufacturing sales of RM1,346.6 billion and RM1,554.7 billion in 2020 and 2021 respectively.

By 2025, the Malaysian government targets to have the E&E industry contribute RM120 billion to GDP and generate export value of RM495 billion. Among the strategies to boost the E&E industry are to promote the utilisation of greater automation and advanced technology, accelerate the adoption of Industrial Revolution 4.0 innovations and technologies, develop talents, and enhance research and development and design and development capabilities.

Moving forward, continued investments in the E&E industry is expected to drive the demand for thermoformed plastics packaging and plastic injection moulded packaging. The market for E&E products is anticipated to be robust as e-commerce, online shopping and smart devices have become an integral part of a person's life and the increasing digitisation in many aspects of the economy and society.

(Source: IMR Report)

10.6 Overview and outlook of the paper and paperboard packaging industry

Thailand

In Thailand, the paper packaging industry grew by 6.0% to attain a market size of USD5,235.3 million in 2021 from USD4,941.0 million in 2020. It is expected to increase year-on-year by 5.6% and 3.7% to reach USD5,529.8 million in 2022 and USD5,737.1 million in 2023 respectively.

Malaysia

The Malaysian paper packaging industry grew by 4.3% to attain a market size of RM12,734.7 million in 2021 from RM12,215.4 million in 2020. It is projected to increase year-on-year by 5.4% and 3.5% to reach RM13,416.2 million in 2022 and RM13,889.9 million in 2023 respectively.

DTB Group is involved in the provision of paper packaging solutions. Its major customers are the glove industry players. The COVID-19 pandemic created unprecedented worldwide demand for rubber gloves across multiple industries. Despite the introduction of various COVID-19 vaccines, rubber gloves are still mandatory in the medical and healthcare industries as rubber gloves are one part of an infection-control strategy. Rubber gloves are a crucial part of maintaining hygiene and facilitating precautionary measures against infectious diseases. Hygiene awareness among non-healthcare industries such as airlines, hotels, personal care and beauty, and food and beverages, would also continue to drive the demand for rubber gloves.

(Source: IMR Report)

Based on the Company's latest annual report for the 11M-FPE 31 March 2022, DTB Group's customers from healthcare segment contributed 34.25% to the Group's revenue. For the customer base from healthcare industry, DTB Group provides end-to-end packaging and design solutions primarily supporting customers in the healthcare industry (comprising mainly glove manufacturers and to a lesser extent, pharmaceutical companies). Notwithstanding the positive outlook as set out above, the Board is cautiously optimistic for the demand of packaging solutions for glove for the financial year ending 31 March 2023 after having considered other relevant aspects, including the global economic recovery from the COVID-19 pandemic.

10.7 Overview and outlook of the self-adhesive label industry in Thailand

The self-adhesive label industry in Thailand grew by 3.2% to attain a market size of USD7,305.6 million in 2021 from USD7,076.7 million in 2020. It is projected to increase year-on-year by 3.8% and 4.4% to reach USD7,584.4 million in 2022 and USD7,917.3 million in 2023 respectively.

The self-adhesive industry in Thailand is a very fragmented market with many participating manufacturers, including Shrinkflex (Thailand) Public Company Limited, Salee Printing Public Company Limited, PMC Label Materials Co., Ltd., Oji Label (Thailand) Ltd., Fuji Seal Packaging (Thailand) Co., Ltd., Multi-Color (Thailand) Co., Ltd., Thai KK Industry Co. Ltd., Lintec (Thailand) Co. Ltd., Avery Dennison (Thailand) Ltd., UPM-Raflatac Co. Ltd., CCL Industries (Thai) Ltd., SATO Auto-ID Thailand Co. Ltd., A.S.T. Clean Label Co. Ltd., Thai Seiko Printing Co. Ltd., SIAM STICKER TRADING Co. Ltd., etc.

Notwithstanding the relatively high level of competition in the market, the prospect of the self-adhesive industry is expected to be encouraging on the back of its major application markets and Thailand's major export-oriented industries. The self-adhesive label industry is a key supporting industry for many industries in Thailand. The major application markets for the self-adhesive label industry are food and beverage, consumer goods, pharmaceuticals, automotive, personal care, and household goods, coupled with Thailand's major export-oriented industries such as food and beverage, electronics, electrical appliances, and automotive. Therefore, the future growth of the self-adhesive label industry is directly correlated to the growth of its major application markets, in addition to Thailand's major export-oriented industries. Most products today have labels for marketing and advertising purposes as well as displaying essential information of the products.

The prospect for the self-adhesive label industry is also expected to be encouraging as industry players are expected to benefit from the rising urban population and per capital income in Thailand, as well as the country's growing Internet economy encompassing e-commerce, online shopping and smart devices which have become an integral part of a person's life and society.

(Source: IMR Report)

10.8 Overview and outlook of the property development and construction sector

The property market performance showed a slight improvement in 2021 but has yet to surpass the pre-pandemic level recorded prior to 2020. More than 300,000 transactions worth nearly RM145 billion were recorded, indicating an increase of 1.5% in volume and 21.7% in value compared to last year.

The residential, commercial and industrial sub-sectors saw an increase of 3.9%, 10.7% and 17.6% respectively, while agriculture and development land sub-sectors declined slightly by 7.5% and 7.4% respectively. Value of transactions recorded higher increase for residential, commercial, industrial and development land sub-sectors each at 16.7%, 43.1%, 32.9% and 33.2% whereas agriculture recorded otherwise, decreased by 5.1%.

The residential sub-sector led the overall property market with 66.2% contribution in volume. This was followed by agriculture (18.9%), commercial (7.5%), development land and others (5.6%) and industrial (1.9%). The residential sub-sector again took the lead with 53.1% share, followed by commercial (19.3%), industrial (11.7%), agriculture (8.2%) and development land and others (7.7%).

The Malaysian House Price Index (MHPI) stood at 201.5 points in 2021 with a low annual growth of 0.6%. Terraced House Price Index managed to sustain growth at 2.0%, supported by the continuous demand for this housing segment. However, High-Rise, Semi-Detached and Detached House Price Index recorded a slight decline of 0.2%, 0.1% and 3.3% respectively. Major states saw mixed movements in its overall House Price Index–Selangor and Johor each up by 1.6 % and 2.6% while Wilayah Persekutuan Kuala Lumpur and Pulau Pinang each down by 3.6% and 1.7%.

(Source: Property Market Report 2021 –Valuation and Property Services Department in Malaysia and Ministry of Finance Malaysia)

The construction sector grew by 2.4% in Q2 2022 (Q1 2022: -6.2%), its first positive growth since Q2 2021. Large commercial and industrial projects as well as small-scale projects continued to support activity in the non-residential and special trade subsectors. Meanwhile, the slower progress in infrastructure projects led to subdued growth in the civil engineering subsector.

The residential overhang situation took a downturn compared to previous year as more units were recorded for Kuala Lumpur and Putrajaya in first half of 2021.

(Source: Developments in the Malaysian Economy, Quarterly Bulletin Second Quarter 2022, Bank Negara Malaysia)

The construction sector contracted by 2.1% in the first half of 2022, mainly due to lower construction activities in civil engineering and residential buildings subsectors. In contrast, non-residential buildings and specialised construction activities subsectors registered a growth during the same period, in line with expansion in business activities, albeit rising prices of construction-related materials. The sector is expected to turn around in the second half with an expansion rate of 6.9%, supported by positive growth in all subsectors. Improvement in private investment and robust domestic economic activities are anticipated to increase demand for more industrial buildings. In addition, the acceleration of major infrastructure projects will continue to drive the sector's performance.

The development of residential property is expected to remain active supported by continuous implementation of measures under the Budget 2022 including a total government guarantee of up to RM2 billion to banks via Skim Jaminan Kredit Perumahan (SJKP) as well as housing projects for low income group with an allocation of RM1.5 billion. In 2022, the sector is projected to rebound by 2.3%.

(Source: Macroeconomic Outlook, Economic Outlook 2023, Ministry of Finance Malaysia)

10.9 Prospects of KTCL and the enlarged DTB Group

DTB is principally involved in investment holding and provision of management services to its subsidiaries. The DTB Group is principally involved in (i) end-to-end packaging and design solutions; (ii) precision polymer engineering services; (iii) cleanroom and contract manufacturing services; and (iv) supply chain management and sales and distribution of products.

The COVID-19 pandemic has disrupted many business operations globally. The Board believes that the global economy will gradually recover from the COVID-19 pandemic, on the back of various government initiatives. Moving forward, the Group's main focus is to build a robust foundation to be better positioned in pursuit of sustainable growth.

In recent years, the Group had undertaken, amongst others, the following initiatives in its efforts to improve the Group's financial and operational performance:

- (i) In 2020, the Group had increased its involvement in the healthcare sector. New machines were deployed in its production plants in Thailand to increase the production capacity of packaging boxes to meet the demand from the glove manufacturers; and
- (ii) During the FYE 30 April 2021, the Group expanded its packaging solutions in Thailand and precision polymer engineering services in Malaysia.

In Thailand, the Group invested in new machineries in its packaging plant to increase its existing manufacturing capacity for glove packaging boxes by 50%. In Malaysia, the Group invested in new machineries in one of its plants to increase its manufacturing capacity for pressure forming plastic trays by 35%. The increased production capacity resulting from the additional machineries is intended to cater for the increasing demand for packaging boxes for glove manufacturers as well as increasing demand for plastic packaging and components parts for the E&E sector.

In addition, the abovementioned investments in new and automated machineries is intended to improve the Group's operating margin with the improvement in production efficiency. Moving forward, the Group will continue to invest in new machineries to improve productivity and optimisation of the Group's manpower.

The Group's plan for its existing business is as follows:

- (i) **End-to-end packaging and design solutions**
The Group offers end-to-end packaging and design solutions to industrial, commercial and end consumers. The Group's end-to-end solution entails graphic designing, evaluation, quality printing and production of various types of printing. The Group manufactures packaging boxes, provides industrial and carton boxes as well as other packaging for E&E, food and beverage and other industries. The Group intends to continue with and expand (via the Proposed Acquisition and the proposed acquisition of land in Johor, as set out in **Section 14(ii)** of this Circular) the existing business.

The Proposed Acquisition (being the Labelling Business) is an extension of DTB's existing end-to-end packaging and design solutions business. This will also enable both the DTB Group and KTCL to tap into each other's customer base, to expand the enlarged Group's business.

The proposed acquisition of land is to build a factory building to house the whole current production floor, stores and office of Attractive Venture (JB) Sdn Bhd, a 82% owned subsidiary of the Company.

(ii) Precision polymer engineering services

The Group's polymer engineering capabilities are used across a variety of products, primarily in in-process automation trays and precision component taps and reels for the E&E industry. The Group intends to continue with and expand the existing business. The Group has 27 manufacturing lines as at the LPD. The Group intends to increase to 32 manufacturing lines via the acquisition of new machines to support the future growth and expansion of the Group as well as to improve the Group's operational capacity, efficiency and productivity.

In this regard, the Group intends to acquire 2 injection moulding machines for AVSB, (as set out in **Note (1) of Section 7.1** and **Note (2) of Section 7.1** of this Circular) and 1 unit of pressure forming machine for AVKL (as set out in **Note (2) of Section 7.1** of this Circular) from the proceeds of the Proposed Rights Issue. The Group also intends to acquire 2 injection moulding machines for AVSB (as set out in as set out in **Note (1) of Section 7.1** of this Circular) which will be funded via the combination of the Group's internally-generated funds and bank borrowings.

(iii) Cleanroom and contract manufacturing services

The Group provides cleanroom services such as ultrasonic cleaning, rinsing and drying for the precision tray and component washing lines and contract manufacturing services for the assembly and component parts used by the E&E sector, especially the memory drive industry. The Group intends to continue with the existing business.

The Board will review the Group's loss making clean room and contract manufacturing business operations from time to time with the intention to reduce the Group's financial losses from this business segment (which had been negatively affected by low demand from customers in the hard disk drive industry). Among others, the Group has taken action to minimise the negative impact by focusing on securing new customers for components washing business.

(iv) Supply chain management and sales and distribution of products

The Group offers complete box-build assembly services to its customers. The Group pre-assembles or assembles parts and components before delivering it to its customers for export in the healthcare and E&E industries. In addition, the Group also supports its customers in the supply chain process via the provision of goods and services. The Group intends to continue with the existing business and will continue to explore suitable opportunities to expand and diversify the Group's customer base.

(v) Property development and construction segment

The Company will continue to assess the market conditions for the development of the Subject Land (as defined in **Section 3** of this Circular) in light of the gradual economic recovery from the COVID-19 pandemic. The Company intends to apply for further extension of the validity period of the Development Order.

As part of its strategies to grow its business segments under the end-to-end packaging and design solutions, precision polymer engineering services, cleanroom and contract manufacturing services and supply chain management and sales and distribution of products, the Group will continue to increase its efforts to expand its customers' base in both Malaysia and Thailand. Having already made a mark into several overseas countries (e.g., Singapore, United States of America and United Kingdom), the Group will continue to explore suitable opportunities to expand and diversify the Group's customer base with the intention of sustaining and growing the Group's revenue over the long term. The Group intends to increase its market presence in Asia and has commenced distribution of its products into some countries in Asia (e.g., China, Vietnam and the Philippines) in 2021. The Group will increase its marketing efforts in Asia to further boost the Group's clientele. Up to RM2.00 million of the proceeds from the Proposed Rights Issue is earmarked to finance the construction of a new warehouse and additional production area or purchase of a new factory building which will enable the Group to increase its manufacturing activities. With the increased storage and production capacity, the Group will be able to fulfil more purchase orders from its existing and new customers in the future.

The Proposed Acquisition and Proposed Diversification marks DTB Group's first foray into the Labelling Business. The Board views the Proposed Acquisition as a synergistic business opportunity in light of it being complementary to its existing packaging and design solution segment/ business. The enlarged DTB Group would be able to offer its customers in Thailand with greater value proposition as the enlarged Group would be able to offer its clients with adhesive labelling (which currently KTCL is involved in) as well as the existing packaging products offered (such as corrugated carton boxes, paper reels, blisters and precision shipping trays) by the DTB Group. The Board views the diversification into the Labelling Business as an avenue for future growth potential and the Labelling Business will provide the Group with an additional stream of income to diversify its earnings base. After the completion of the Proposed Acquisition, DTB intends to continue with the KTCL's existing business.

DTB's plans for KTCL are as follows:

- (i) cross selling of packaging solutions across the combined customer base of the enlarged DTB Group. Currently, the customer base of DTB Group is mainly in the E&E industries, healthcare and other industries (e.g., automotive as well as food and beverage) in Thailand while KTCL's customers are from various industry segments including pharmaceutical, food and beverage and FMCG in Thailand. Upon completion of the Proposed Acquisition, KTCL will be able to offer the packaging solutions of DTB Group to KTCL's customers and vice versa; and
- (ii) for the ease of management and co-ordination, the Board intends to relocate KTCL's operations from the Existing KTCL Factory (located at 700/451 Moo 7, Amata City Chonburi Industrial Estate, Donhuaror, Muangchonburi, Chonburi 20000, Thailand) to the New Labelling Factory (to be located at Plot No. 33, Thanu, U-Thai, Pranakorn Sri Ayutthaya, Thailand) which is closer to DTB Group's existing operations in Thailand. In addition, the relocation of KTCL's operations to the New Labelling Factory will enable rental cost savings of approximately RM0.60 million per annum.

In addition, DTB would carry out on-going review of the business and operations of KTCL and make arrangements, rationalisation and reorganisation that is suitable to remain competitive and improve the prospects of the enlarged DTB Group, including seeking acquisitions of new business to complement the Labelling Business. This is in line with the Group's intention to expand the DTB Group's packaging and design solution segment to diversity its product offerings.

The Board is of the view that the Proposed Acquisition and the Proposed Diversification are in the best interests of the Company after having considered, among others, the following:

(i) Proposed Acquisition represents an opportunity for the Group to expand its business activities to include the Labelling Business and hence an additional source of income to the Group

Proposed Acquisition represents an opportunity for the Group to expand its packaging and design solution segment/ business activities into Labelling Business and hence an additional source of income to the Group. Through the Proposed Acquisition, the customer base across various industry segments will also provide the enlarged DTB Group with a more defensible earnings stream over time, as it will help lessen any business and financial impact in the event of a downturn in any specific industry segment.

(ii) Experienced management team

The Board believes that the existing operation team led by KTCL's Branch Manager, namely Cheong Kok Hin, will be ideally placed to work alongside the management of DTB Group particularly Jimmy Teo Tin Jien, DTB's existing Managing Director for Thailand Division, in realising the synergistic benefits available to the enlarged DTB Group. Their profiles are set out in **Section 3** of this Circular.

The Board will continue to the extent possible, to review the performance and progress of the Group's operations and financial performance, and to introduce measures to minimise the operating costs, where required. The Group has been carrying out cost saving measures which include exercising prudence in manpower planning and spending by striving to maintain its workforce at the optimum level to meet its operational requirements. Barring any unforeseen circumstances, the Board is cautiously optimistic of the Group's prospects for the financial year ending 31 March 2023 after having considered all relevant aspects, including the economic and industry outlook, global economic recovery from the COVID-19 pandemic.

(Source: Management of DTB)

11. RISK FACTORS

The risk factors (which may not be exhaustive) pertaining to the Proposed Acquisition and Proposed Diversification include but are not limited to the following:

11.1 Non-completion of the SSA

If any condition is not fulfilled or waived (as the case may be), the Proposed Acquisition may be delayed or terminated, thus resulting in non-materialisation of the potential benefits expected to arise from the Proposed Acquisition. The Board seeks to limit such a risk by taking all reasonable steps towards the fulfilment or waiver of the conditions so as to enable the completion of the Proposed Acquisition.

11.2 Acquisition risk

The Proposed Acquisition is expected to contribute positively to the future performance of the enlarged DTB Group in the long term. However, there is no assurance that the anticipated benefits of the Proposed Acquisition and Proposed Diversification will be realised after the completion of the Proposed Acquisition and in the future or that the enlarged DTB Group will be able to generate sufficient revenue or profits to offset the associated acquisition costs incurred.

DTB will constantly monitor the progress and performance of KTCL and to leverage on its management expertise and experience to properly manage the operations of KTCL. Additionally, the Board will continue to exercise due care and take appropriate measures such as, amongst others, identifying and evaluating the risks in planning the successful integration of KTCL with DTB Group's existing business operations.

11.3 Business diversification risks

The Proposed Acquisition and Proposed Diversification may expose the Group to risks inherent to the label industry, in which the Group has not been participating in the past. These may include, amongst others, general economic slowdown downturn in the global and regional economies, competition from existing players, changes in the legal and environmental framework within which the adhesive label industry and changes in demand for adhesive label industry.

Recognising the inherent risk arising from the Proposed Diversification, the Group will adopt prudent procedures and operations in reviewing and monitoring the performance of KTCL and the Labelling Business. The Group seeks to mitigate the diversification risk by, among others, leveraging on the experience and expertise of KTCL's management team. In addition, the Group may recruit other personnel with relevant expertise and experiences, specifically in the area of the Labelling Business after completion of the Proposed Acquisition. Further, the management of DTB Group will continuously keep abreast to the news and development and/ or updates relating to the adhesive label industry so as to limit the Group's exposure from risk arising from the adhesive label industry. However, there can be no assurance that any adverse changes arising from the Labelling Business will not have any material adverse effect to the overall business performance of the enlarged Group in the future.

The Proposed Acquisition and Proposed Diversification are also subject to risks inherent in the adhesive label industry including the following risk factors, which may not be exhaustive, pursuant to the Proposed Acquisition and Proposed Diversification:

(i) Absence of long-term contracts with customers

Due to the nature of the adhesive label industry, KTCL's customers typically do not enter into long-term production commitments but would instead provide KTCL with short-term rolling forecast of their potential orders. Without a long-term contract, there can be no assurance that KTCL will not lose any of its existing customers, nor is there any certainty that its existing customers will continue to purchase KTCL's products in the future. The termination of KTCL's business relationship or a reduction in orders from any of its major customers may have an adverse impact on the financial performance, utilisation rate and business operations of KTCL. Notwithstanding the absence of long-term contracts with customers, KTCL has established close working relationships with its customers. KTCL will continuously seek to establish longstanding and stronger relationships with its customers in order to ensure business continuity and growth through continuous dealings. In addition, DTB Group may bring in new customers to KTCL by leveraging on their existing customer network, to generate new sales lead and/ or diversify its customer base. However, no assurance can be given that the foregoing efforts would continue to generate business opportunities for KTCL in the future.

(ii) Disruptions or unplanned shutdowns to KTCL's manufacturing plant could materially and adversely affect its business

KTCL Group's business is dependent on its manufacturing plant operating smoothly and efficiently. Any disruptions to or unplanned shutdowns of its production activities, arising from fire, power failure, floods and accidents may have an adverse impact on its manufacturing activities.

Although KTCL has taken up insurance policies to provide coverage against the risk of fire and burglary and personal accidents for its workers, there is no assurance that its coverage is adequate to compensate for any financial losses arising from such incidents. There are also other risks such as natural disasters, riots and general strikes that cannot be reasonably insured against, which may materially and adversely affect KTCL's operations.

(iii) Competition risk

KTCL faces competition from existing and prospective competitors which may be capable of offering similar label services and distributing similar or substitute products. They may compete with KTCL in terms of pricing, services range and quality.

Should KTCL's competitors offer more competitive pricing for their products and/ or services, KTCL may be forced to match their pricing in order to secure its market share, which may affect its profit margins. Additionally, should KTCL's competitors provide products and/ or services of better quality such as faster response time, KTCL may lose out to them, which in turn will negatively affect KTCL.

Nevertheless, the Company and KTCL will endeavour to take proactive measures to remain competitive in this industry by among others, constantly keeping abreast with the latest market conditions, and continuing efforts in maintaining a competitive edge in terms of cost competitiveness and product quality. However, there can be no assurance that KTCL will be able to compete effectively with existing competitors and new entrants which may materially impact KTCL's future financial performance and financial position.

(iv) KTCL's ability to grow its turnover and earnings is dependent on its ability to increase capacity, maintain appropriate utilisation levels and/ or sell products with higher margins

The profitability of KTCL's operations, like that of other adhesive label manufacturers, is closely tied to its level of capacity and utilisation, as well as ability to derive better returns from its products. KTCL's ability to improve or maintain these factors depends on, amongst others, the general economic environment and its ability to offer the specifications required by its customers and/ or potential customers to stay competitive.

There can be no assurance that KTCL will be able to increase its capacity and utilisation level, and/ or achieve higher sales margin. Further, difficulties in projecting future business levels make it more difficult to reach and to maintain optimal utilisation levels. DTB Group and KTCL will strive to mitigate this risk by making decisions based on its estimates of customer requirements, including determining the levels of business that the company will seek and accept, production schedules and resource requirements.

(v) KTCL may incur increased capital expenditure in the future and therefore may require additional financing

KTCL's ability to expand its business operations is dependent upon continued capital expenditures, which include the purchase of new machinery and equipment.

KTCL may require additional funds to continue investing in new machineries and equipment and may not generate sufficient cash flows from operations or have the capital resources to meet such future capital expenditures. If this occurs, KTCL may need to raise funds either in the form of debt or equity financing. There can be no assurance that KTCL will be able to obtain additional borrowings on terms acceptable to it. Further, additional borrowings, if obtained, will increase its exposure to interest rate fluctuations. Any future increase in interest rates will increase KTCL's borrowing costs and reduce its profitability. Higher interest rates may also adversely affect the company's ability to service its debt repayment obligations and limit its ability to obtain additional borrowings. Although DTB will strive to mitigate the risk through careful cash flow management and stringent credit control, there can be no assurance that this risk would not have an adverse impact on KTCL's operations and financial performance.

(vi) KTCL may be unsuccessful in its attempts to increase its production capacity and capabilities

Any future expansion plans would be accompanied by a variety of risks, such as delays in the delivery, installation, commissioning and qualification of manufacturing equipment; difficulties in securing necessary government approvals or land use rights; the potential need for an equity raise or increase in indebtedness to fund the expansion; and the diversion of management's attention due to transition or integration issues. In addition, the benefits of expansion activities may take considerable time to realise, and DTB and KTCL cannot guarantee that any expansion will in fact produce the intended benefits in a timely manner.

DTB seeks to mitigate this risk by working closely with the management of KTCL in strategic capacity planning on a regular basis, in order to produce higher operational efficiency and output to meet existing and future demand. Such planning entails amongst others, close monitoring of business process, retooling of production line, establishing strict operational standards and quality assurance, conduct of regular inspection, maintenance and upgrade of machineries and equipment, and integration of new technological capabilities. There is however no assurance that any of the factors may be successful in realising KTCL's capacity and capability expansion objectives.

(vii) Dependence on key management personnel in Labelling Business

The financial and business performance of KTCL is dependent to a certain extent on the skills, abilities, experience and competencies of its key operation personnel managing the business. There can be no assurance that the loss of any key operation personnel through the possibility of resignation without suitable and timely replacement would not affect the financial and business performance.

The Board intends to retain the permanent staff of KTCL to ensure that there is continuity in the management of KTCL and that there is no disruption to the day-to-day operations and business.

In addition, the Company will adopt appropriate approaches including reviewing the remuneration and incentives packages, training and succession planning to retain the existing and groom new key management personnel in KTCL.

11.4 DTB Group's profitability may be affected by KTCL's financial performance

After completion of the Proposed Acquisition, KTCL will be a 99.9997%-owned subsidiary of DTB and therefore KTCL's financial results will be consolidated into DTB's consolidated financial statements. KTCL has registered loss after tax for the FYEs 30 April 2020, 30 April 2021 and the 11M-FPE 31 March 2022. If KTCL continues to make losses after the Proposed Acquisition, DTB's consolidated financial performance will be negatively affected. Correspondingly, if KTCL is able to turnaround its net loss financial performance after the Proposed Acquisition, DTB's consolidated financial performance will be positively affected.

There can be no assurance that KTCL will be able to turnaround its net loss financial performance. As such, the Company will closely monitor the operations and financial performance of KTCL and work closely with the management of KTCL to strategise the business development and marketing plans in order to increase the sales and improve the gross profit margins of KTCL's products in bid to improve KTCL's financial performance.

11.5 Risk of impairment on the goodwill arising from the Proposed Acquisition

Pursuant to the Malaysian Financial Reporting Standard 3: Business Combinations ("MFRS 3") the Consideration Shares must be recorded at fair value, i.e. traded price of DTB Shares upon listing and quotation of the Consideration Shares notwithstanding that the issue price of RM0.155 per Consideration Share has been determined earlier.

In addition, should the consideration exceed the fair value of the identifiable assets and liabilities acquired and other separate identifiable intangible assets (if any), the Company shall recognise goodwill on acquisition. Such goodwill (if any) shall be subjected to annual impairment test. Any impairment of goodwill (if any) will be recognised as a loss to the Group. As such, the Company will closely monitor the operations and financial performance of KTCL to mitigate such risk of impairment of goodwill (if any).

11.6 Political, economic, social and regulatory risks

Adverse developments in political, economic, social and regulatory conditions in Thailand where KTCL is currently operating could materially affect its business, operations and financial prospects. Political, economic, social and regulatory uncertainties include but are not limited to the risks of war, riots, expropriation, nationalisation, outbreak of COVID-19, renegotiations or nullification of existing contracts, inflation, changes in interest rates and methods of taxation.

The Group will continue to adopt prudent management and efficient operating procedures to mitigate these factors. However, there can be no assurance that any adverse economic, social, political and regulatory factors will not materially affect the enlarged Group's business and financial performance.

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12. EFFECTS OF THE PROPOSALS

12.1 Share capital

The Proposed Diversification and Proposed ESOS Termination will not have any effect on the Company's issued share capital and number of issued Shares.

The Proposed New SIS is not expected to have any immediate effect on the Company's share capital and existing total number of issued Shares until such time when the SIS Options are exercised. The issued share capital of the Company will increase progressively depending on the number of new Shares to be allotted and issued arising from the exercise of the SIS Options.

For illustrative purpose, the pro forma effects of the Proposed Acquisition, Proposed Rights Issue and Proposed New SIS on the share capital of the Company are as follows:

| | Minimum Scenario | | Base Case Scenario | | Maximum Scenario | |
|---|--------------------|---------------------------|----------------------|---------------------------|------------------------|---------------------------|
| | No. of Shares | Share capital (RM) | No. of Shares | Share capital (RM) | No. of Shares | Share capital (RM) |
| Issued share capital as at the LPD | 375,752,700 | 111,159,207 | 375,752,700 | 111,159,207 | 375,752,700 | 111,159,207 |
| To be issued upon the full exercise of the outstanding ESOS Options | - | - | - | - | ⁽¹⁾ 228,500 | ⁽¹⁾ 88,385 |
| Issuance of Consideration Shares | 375,752,700 | 111,159,207 | 375,752,700 | 111,159,207 | 375,981,200 | 111,247,592 |
| Issuance of Rights Shares | 58,709,677 | ⁽²⁾ 5,231,032 | 58,709,677 | ⁽²⁾ 5,231,032 | 58,709,677 | ⁽²⁾ 5,231,032 |
| Assume full exercise of the Warrants ⁽⁵⁾ | 434,462,377 | 116,390,239 | 434,462,377 | 116,390,239 | 434,690,877 | 116,478,624 |
| | 108,333,333 | ⁽³⁾ 935,000 | 434,462,377 | ⁽³⁾ 6,609,646 | 434,690,877 | ⁽³⁾ 6,613,622 |
| | 542,795,710 | 117,325,239 | 868,924,754 | 122,999,885 | 869,381,754 | 123,092,246 |
| | 108,333,333 | ⁽⁴⁾ 11,115,000 | 434,462,377 | ⁽⁴⁾ 44,575,840 | 434,690,877 | ⁽⁴⁾ 44,599,284 |
| Shares to be issued pursuant to the full exercise of all the SIS Options that may be granted under the Proposed New SIS | 651,129,043 | 128,440,239 | 1,303,387,131 | 167,575,725 | 1,304,072,631 | 167,691,530 |
| | 97,669,300 | ⁽⁶⁾ 10,235,743 | 195,508,000 | ⁽⁶⁾ 20,489,238 | 195,610,800 | ⁽⁶⁾ 20,500,011 |
| Enlarged share capital | 748,798,343 | 138,675,982 | 1,498,895,131 | 188,064,963 | 1,499,683,431 | 188,191,541 |

Notes:

(1) Assuming full exercise of the outstanding ESOS Options at the exercise price of RM0.25 per ESOS Option and after accounting for the reversal of the share options reserve amounting to RM0.03 million to the share capital.

- (2) For the purposes of the pro forma effects, this is computed based on the issuance of 58,709,677 new DTB Shares pursuant to the Proposed Acquisition at the 5D-VWAP of DTB Shares up to and including the LPD of RM0.0891, assuming the completion date of the Proposed Acquisition is on the LPD. This was arrived at after taking into consideration the audited NA of KTCL as at 31 March 2022 of RM3.20 million and the settlement of the unaudited net amount owing by KTCL to Komarkcorp Group as at 31 May 2022. As such, the Proposed Acquisition will result in a gain from bargain purchase of RM3.82 million.
- (3) Based on the assumed issue price of RM0.06 per Rights Share and after accounting for the warrant reserve (being the fair value of Warrants of RM0.0426 each computed based on the trinomial option pricing model with data sourced from Bloomberg Finance L.P.) in the share capital account and after deducting estimated expenses of RM0.95 million in relation to the Proposed Rights issue, Proposed ESOS Termination and Proposed New SIS.
- (4) Based on the assumed exercise price of RM0.06 per Warrant and after accounting for the reversal of warrant reserve.
- (5) The Proposed Rights Issue will not result in non-compliance with Paragraph 6.50 of the Listing Requirements as shown below:

| | Minimum Scenario | Base Case Scenario | Maximum Scenario |
|---|--------------------|--------------------|--------------------|
| | No. of Shares | No. of Shares | No. of Shares |
| Enlarged number of issued Shares after issuance of Rights Shares [A] | 542,795,710 | 868,924,754 | 869,381,754 |
| Number of Warrants [B] | 108,333,333 | 434,462,377 | 434,690,877 |
| [B] / [A] | 19.96% | 50.00% | 50.00% |

- (6) Assuming all the SIS Options are exercised into new DTB Shares at the illustrative exercise price of RM0.063 per new DTB Share, which represents a discount of approximately 9.61% to the TEAP of RM0.0697 each, calculated based on the 5D-VWAP of DTB Shares up to the LPD of RM0.0891 and after accounting for the SIS reserve (being the fair value of SIS Options of RM0.0418 each computed based on the trinomial option pricing model with data sourced from Bloomberg Finance L.P.) in the share capital account.

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12.2 NA and gearing

The pro forma effects of the Proposed Acquisition and Proposed Rights Issue on the NA and gearing of the Group are as follows:

Minimum Scenario

| | Audited as at 31 March 2022 RM'000 | (I) After Proposed Acquisition RM'000 | (II) After (I) and Proposed Rights Issue RM'000 | (III) After (II) and assuming full exercise of Warrants RM'000 | (IV) After (III), assuming full exercise of SIS Options and after termination of outstanding ESOS RM'000 |
|--------------------------------------|--|--|---|--|--|
| Share capital | 111,159 | 116,390 | (3)117,325 | (6)128,440 | (8)138,676 |
| Foreign currency translation reserve | 4,851 | 4,851 | 4,851 | 4,851 | 4,851 |
| Revaluation reserve | 37,325 | 37,325 | 37,325 | 37,325 | 37,325 |
| Legal reserve | 33 | 33 | 33 | 33 | 33 |
| Share options reserve | 31 | 31 | 31 | 31 | - |
| Other capital reserve | 5,120 | 5,120 | 5,120 | 5,120 | 5,120 |
| Warrants reserve | - | - | (4)4,615 | (7)- | - |
| Retained profits | 26,081 | (1)29,404 | 29,404 | 29,404 | (9)25,353 |
| Shareholders' equity/ NA | 184,600 | 193,154 | 198,704 | 205,204 | 211,358 |
| Non-controlling interest | 5,152 | 5,152 | 5,152 | 5,152 | 5,152 |
| Total equity | 189,752 | 198,306 | 203,856 | 210,356 | 216,510 |
| No. of DTB Shares in issue ('000) | 375,753 | 434,462 | 542,796 | 651,129 | 748,798 |
| NA per DTB Share (RM) | 0.49 | 0.44 | 0.37 | 0.32 | 0.28 |
| Total borrowings (RM'000) | 23,352 | (2)24,172 | (6)21,172 | 21,172 | 21,172 |
| Gearing (times) ⁽¹⁰⁾ | 0.12 | 0.12 | 0.10 | 0.10 | 0.10 |

Notes:

- (1) After deducting estimated expenses of RM0.50 million for the Proposed Acquisition and Proposed Diversification and taking into consideration of the gain from bargain purchase amounting to RM3.82 million arising from the Proposed Acquisition assuming the completion date of the Proposed Acquisition is on the LPD.
- (2) After taking into consideration of KTCL's total borrowings (leasing with the financial institutions) based on KTCL's audited financial statements for the 11M-FPE 31 March 2022 of approximately THB6.49 million (equivalent to RM0.82 million, based on the exchange rate of THB100: RM12.6287, being Bank Negara Malaysia's middle rate as at 5.00 p.m. on 31 March 2022).
- (3) Based on the assumed issue price of RM0.06 per Rights Share and after accounting for the warrants reserve (being the fair value of Warrants of RM0.0426 each computed based on the trinomial option pricing model with data sourced from Bloomberg Finance L.P.) and after deducting estimated expenses of RM0.95 million in relation to the Proposed Rights Issue, Proposed ESOS Termination and Proposed New SIS.
- (4) Computed based on the issuance of 108,333,333 Warrants with each Warrant assumed to have a fair value of RM0.0426 based on the trinomial option pricing model.
- (5) After accounting for the proposed repayment of borrowings amounting to RM3.00 million.
- (6) Based on the assumed exercise price of RM0.06 per Warrant and after accounting for the reversal of warrants reserve for Warrants.

- (7) Being reversal of the warrants reserve upon exercise of the Warrants.
- (8) Based on the illustrative exercise price of RM0.063 per new DTB Share and after accounting for the SIS reserve.
- (9) After accounting for the SIS expenses upon full exercise of the SIS Options granted under the Proposed New SIS and the Proposed ESOS Termination.
- (10) Computed based on total borrowings over total equity.

Base Case Scenario

| | Audited as at 31 March 2022 RM'000 | (I) After Proposed Acquisition RM'000 | (II) After (I) and Proposed Rights Issue RM'000 | (III) After (II) and assuming full exercise of Warrants RM'000 | (IV) After (III), assuming full exercise of SIS Options and after termination of outstanding ESOS RM'000 |
|--------------------------------------|--|--|---|---|---|
| Share capital | 111,159 | 116,390 | (3)123,000 | (6)167,576 | (8)188,065 |
| Foreign currency translation reserve | 4,851 | 4,851 | 4,851 | 4,851 | 4,851 |
| Revaluation reserve | 37,325 | 37,325 | 37,325 | 37,325 | 37,325 |
| Legal reserve | 33 | 33 | 33 | 33 | 33 |
| Share options reserve | 31 | 31 | 31 | 31 | - |
| Other capital reserve | 5,120 | 5,120 | 5,120 | 5,120 | 5,120 |
| Warrants reserve | - | - | (4)18,508 | (7)- | - |
| Retained profits | 26,081 | (1)29,404 | 29,404 | 29,404 | (9)21,263 |
| Shareholders' equity/ NA | 184,600 | 193,154 | 218,272 | 244,340 | 256,657 |
| Non-controlling interest | 5,152 | 5,152 | 5,152 | 5,152 | 5,152 |
| Total equity | 189,752 | 198,306 | 223,424 | 249,492 | 261,809 |
| No. of DTB Shares in issue ('000) | 375,753 | 434,462 | 868,925 | 1,303,387 | 1,498,895 |
| NA per DTB Share (RM) | 0.49 | 0.44 | 0.25 | 0.19 | 0.17 |
| Total borrowings (RM'000) | 23,352 | (2)24,172 | (5)14,172 | 14,172 | 14,172 |
| Gearing (times) ⁽¹⁰⁾ | 0.12 | 0.12 | 0.06 | 0.06 | 0.05 |

Notes:

- (1) After deducting estimated expenses of RM0.50 million for the Proposed Acquisition and Proposed Diversification and taking into consideration of the gain from bargain purchase amounting to RM3.82 million arising from the Proposed Acquisition assuming the completion date of the Proposed Acquisition is on the LPD.
- (2) After taking into consideration of KTCL's total borrowings (leasing with the financial institutions) based on KTCL's audited financial statements for the 11M-FPE 31 March 2022 of approximately THB6.49 million (equivalent to RM0.82 million, based on the exchange rate of THB100: RM12.6287, being Bank Negara Malaysia's middle rate as at 5.00 p.m. on 31 March 2022).

- (3) Based on the assumed issue price of RM0.06 per Rights Share and after accounting for the warrants reserve (being the fair value of Warrants of RM0.0426 each computed based on the trinomial option pricing model with data sourced from Bloomberg Finance L.P.) and after deducting estimated expenses of RM0.95 million in relation to the Proposed Rights Issue, Proposed ESOS Termination and Proposed New SIS.
- (4) Computed based on the issuance of 434,462,377 Warrants with each Warrant assumed to have a fair value of RM0.0426 based on the trinomial option pricing model.
- (5) After accounting for the proposed repayment of borrowings amounting to RM10.00 million.
- (6) Based on the assumed exercise price of RM0.06 per Warrant and after accounting for the reversal of warrants reserve for Warrants.
- (7) Being reversal of the warrants reserve upon exercise of the Warrants.
- (8) Based on the illustrative exercise price of RM0.063 per new DTB Share and after accounting for the SIS reserve.
- (9) After accounting for the SIS expenses upon full exercise of the SIS Options granted under the Proposed New SIS and the Proposed ESOS Termination.
- (10) Computed based on total borrowings over total equity.

Maximum Scenario

| | Audited as at 31 March 2022 RM'000 | (I) Assuming full exercise of the outstanding ESOS Options RM'000 | (II) After (I) and Proposed Acquisition RM'000 | (III) After (II) and Proposed Rights Issue RM'000 | (IV) After (III) and assuming full exercise of Warrants RM'000 | (V) After (IV) and assuming full exercise of SIS Options RM'000 |
|--------------------------------------|--|--|--|---|---|--|
| Share capital | 111,159 | (1)11,248 | 116,479 | (4)123,092 | (7)167,692 | (9)188,192 |
| Foreign currency translation reserve | 4,851 | 4,851 | 4,851 | 4,851 | 4,851 | 4,851 |
| Revaluation reserve | 37,325 | 37,325 | 37,325 | 37,325 | 37,325 | 37,325 |
| Legal reserve | 33 | 33 | 33 | 33 | 33 | 33 |
| Share options reserve | 31 | (1)- | - | - | - | - |
| Other capital reserve | 5,120 | 5,120 | 5,120 | 5,120 | 5,120 | 5,120 |
| Warrants reserve | - | - | - | (5)18,518 | (8)- | - |
| Retained profits | 26,081 | 26,081 | (2)29,404 | 29,404 | 29,404 | (10)21,228 |
| Shareholders' equity/ NA | 184,600 | 184,658 | 193,212 | 218,343 | 244,425 | 256,749 |
| Non-controlling interest | 5,152 | 5,152 | 5,152 | 5,152 | 5,152 | 5,152 |
| Total equity | 189,752 | 189,810 | 198,364 | 223,495 | 249,577 | 261,901 |
| No. of DTB Shares in issue ('000) | 375,753 | 375,981 | 434,691 | 869,382 | 1,304,073 | 1,499,683 |
| NA per DTB Share (RM) | 0.49 | 0.49 | 0.44 | 0.25 | 0.19 | 0.17 |
| Total borrowings (RM'000) | 23,352 | 23,352 | (3)24,172 | (6)14,172 | 14,172 | 14,172 |
| Gearing (times) ⁽¹¹⁾ | 0.12 | 0.12 | 0.12 | 0.06 | 0.06 | 0.05 |

Notes:

- (1) Assuming full exercise of the outstanding ESOS Options at the exercise price of RM0.25 per ESOS Option and after accounting for the reversal of the Share Options reserve amounting to RM0.03 million to the share capital.

- (2) *After deducting estimated expenses of RM0.50 million for the Proposed Acquisition and Proposed Diversification and taking into consideration of the gain from bargain purchase amounting to RM3.82 million arising from the Proposed Acquisition assuming the completion date of the Proposed Acquisition is on the LPD.*
- (3) *After taking into consideration of KTCL's total borrowings (leasing with the financial institutions) based on KTCL's audited financial statements for the 11M-FPE 31 March 2022 of approximately THB6.49 million (equivalent to RM0.82 million, based on the exchange rate of THB100: RM12.6287, being Bank Negara Malaysia's middle rate as at 5.00 p.m. on 31 March 2022).*
- (4) *Based on the assumed issue price of RM0.06 per Rights Share and after accounting for the warrants reserve (being the fair value of Warrants of RM0.0426 each computed based on the trinomial option pricing model with data sourced from Bloomberg Finance L.P.) and after deducting estimated expenses of RM0.95 million in relation to the Proposed Rights Issue, Proposed ESOS Termination and Proposed New SIS.*
- (5) *Computed based on the issuance of 434,690,877 Warrants with each Warrant assumed to have a fair value of RM0.0426 based on the trinomial option pricing model.*
- (6) *After accounting for the proposed repayment of borrowings amounting to RM10.00 million.*
- (7) *Based on the assumed exercise price of RM0.06 per Warrant and after accounting for the reversal of warrants reserve for Warrants.*
- (8) *Being reversal of the warrants reserve upon exercise of the Warrants.*
- (9) *Based on the illustrative exercise price of RM0.063 per new DTB Share and after accounting for the SIS reserve.*
- (10) *After accounting for the SIS expenses upon full exercise of the SIS Options granted under the Proposed New SIS.*
- (11) *Computed based on total borrowings over total equity.*

The Proposed Diversification and Proposed ESOS Termination will not have any effect on the NA and gearing of the Group.

Notwithstanding the above, the Proposed New SIS is not expected to have an immediate effect on the NA and gearing of the Group until such time when the SIS Options are exercised. Any potential effects on the NA and gearing of the Group will depend on the number of new Shares to be allotted and issued upon the exercise of the SIS Options and the Option Price.

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

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

at such point of exercise.

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 Option 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 the impact of MFRS 2 is set out in **Section 12.3.3** of this Circular.

12.3 Earnings and EPS

12.3.1 Proposed Acquisition, Proposed Diversification and Proposed Rights Issue

Barring any unforeseen circumstances, the Proposed Acquisition and the Proposed Diversification are expected to contribute positively to the future earnings of the Group.

The potential effects of the Proposed Rights Issue on the future consolidated earnings and EPS of the Company will depend on, amongst others, the number of Rights Shares to be issued and the level of returns generated from the utilisation of the proceeds to be raised from the Proposed Rights Issue as set out **Section 7.1** of this Circular. The usage of proceeds to be raised from the Proposed Rights Issue is expected to contribute positively to the future earnings of the Group.

The EPS of the Group will be diluted as a result of the increase in the number of issued Shares arising from the issuance of the Rights Shares and exercise of the Warrants in the future. The effects of any exercise of the Warrants on the consolidated EPS of the Company would depend on the number of Warrants exercisable into new Shares as well as returns generated by the Group from the utilisation of proceeds arising from the Proposed Rights Issue and exercise of the Warrants.

For illustration purposes, assuming that the Proposed Acquisition and the Proposed Rights Issue have been completed and assuming full exercise of the Warrants at the beginning of the 11M-FPE 31 March 2022, the pro forma effects of the Proposed Acquisition and the Proposed Rights Issue are as follows:

Minimum Scenario

| | (I) After Proposed Acquisition RM'000 | (II) After (I) and Proposed Rights Issue RM'000 | (III) After (II) and assuming full exercise of Warrants RM'000 |
|---|--|--|--|
| Profit after tax attributable to the owners of the Company | 8,348 | 9,788 | 9,788 |
| No. of DTB Shares in issue ('000) | 434,462 | 542,796 | 651,129 |
| EPS (sen) | ⁽¹⁾ 9,788 ⁽²⁾ 2.45 | 1.80 | 1.50 |

Notes:

- (1) Incorporating 99.9991% of KTCL's audited loss after tax for the 11M-FPE 31 March 2022 of approximately THB14.78 million (equivalent to RM1.88 million, based on the average exchange rate of THB100: RM12.7455 for the 11M-FPE 31 March 2022) and after deducting estimated expenses of RM0.50 million for the Proposed Acquisition and Proposed Diversification and taking into consideration of the gain from bargain purchase amounting to RM3.82 million arising from the Proposed Acquisition assuming the completion date of the Proposed Acquisition is on the LPD.
- (2) The basic EPS is extracted from the audited financial statements of the Company for the 11M-FPE 31 March 2022 and computed based on the weighted average number of Shares.

Base Case Scenario

| | Audited as at 31 March 2022 RM'000 | (I) After Proposed Acquisition RM'000 | (II) After (I) and Proposed Rights Issue RM'000 | (III) After (II) and assuming full exercise of Warrants RM'000 |
|---|--|--|--|--|
| Profit after tax attributable to the owners of the Company | 8,348 | (1) 9,788 | 9,788 | 9,788 |
| No. of DTB Shares in issue ('000) | 375,753 | 434,462 | 868,925 | 1,303,387 |
| EPS (sen) | (2) 2.45 | 2.25 | 1.13 | 0.75 |

Notes:

- (1) Incorporating 99.9991% of KTCL's audited loss after tax for the 11M-FPE 31 March 2022 of approximately THB14.78 million (equivalent to RM1.88 million, based on the average exchange rate of THB100: RM12.7455 for the 11M-FPE 31 March 2022) and after deducting estimated expenses of RM0.50 million for the Proposed Acquisition and Proposed Diversification and taking into consideration of the gain from bargain purchase amounting to RM3.82 million arising from the Proposed Acquisition assuming the completion date of the Proposed Acquisition is on the LPD.
- (2) The basic EPS is extracted from the audited financial statements of the Company for the 11M-FPE 31 March 2022 and computed based on the weighted average number of Shares.

Maximum Scenario

| | Audited as at 31 March 2022 RM'000 | (I) Assuming full exercise of the outstanding ESOS Options RM'000 | (II) After (I) and Proposed Acquisition RM'000 | (III) After (II) and Proposed Rights Issue RM'000 | (IV) After (III) and assuming full exercise of Warrants RM'000 |
|---|--|--|--|---|---|
| Profit after tax attributable to the owners of the Company | 8,348 | 8,348 | (1)9,788 | 9,788 | 9,788 |
| No. of DTB Shares in issue ('000) EPS (sen) | 375,753 (2)2.45 | 375,981 2.22 | 434,691 2.25 | 869,382 1.13 | 1,304,073 0.75 |

Notes:

(1) Incorporating 99.9991% of KTCL's audited loss after tax for the 11M-FPE 31 March 2022 of approximately THB14.78 million (equivalent to RM1.88 million, based on the average exchange rate of THB100: RM12.7455 for the 11M-FPE 31 March 2022) and after deducting estimated expenses of RM0.50 million for the Proposed Acquisition and Proposed Diversification and taking into consideration of the gain from bargain purchase amounting to RM3.82 million arising from the Proposed Acquisition assuming the completion date of the Proposed Acquisition is on the LPD.

(2) The basic EPS is extracted from the audited financial statements of the Company for the 11M-FPE 31 March 2022 and computed based on the weighted average number of Shares.

12.3.2 Proposed ESOS Termination

The termination of the outstanding ESOS Options under the Proposed ESOS Termination is expected to result in an increase in the retained earnings of the Group as a result of the reversal of the amount classified as share option reserve, to the retained earnings of the Group.

12.3.3 Proposed New SIS

The Proposed New 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 exercised, the Option 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/ or pricing model. The fair value of the SIS Options under the Proposed New SIS 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.

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

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12.4 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Acquisition and Proposed Rights Issue on the substantial shareholders' shareholdings in the Company as at the LPD based on the Company's Register of Substantial Shareholders are as follows:

Minimum scenario

| | As at the LPD | | | | (I) After Proposed Acquisition | | | | (II) After (I) and Proposed Rights Issue | | | |
|---------------------------------|----------------------|------------------|----------------------|------------------|-----------------------------------|------------------|----------------------|----------------------|---|------------------|----------------------|----------------------|
| | Direct | | Indirect | | Direct | | Indirect | | Direct | | Indirect | |
| | No. of shares ('000) | % ⁽¹⁾ | No. of shares ('000) | % ⁽¹⁾ | No. of shares ('000) | % ⁽²⁾ | No. of shares ('000) | % ⁽²⁾ | No. of shares ('000) | % ⁽⁴⁾ | No. of shares ('000) | % ⁽⁴⁾ |
| Substantial shareholders | | | | | | | | | | | | |
| ASB | 111,300 | 29.62 | - | - | 111,300 | 25.62 | - | - | 111,300 | 20.50 | - | - |
| Low Chee Min ⁽⁶⁾ | 100 | 0.03 | - | - | 100 | 0.02 | - | - | 108,433 | 19.98 | - | - |
| GLLSB ⁽⁶⁾ | - | - | - | - | 58,710 | 13.51 | - | - | 58,710 | 10.82 | - | - |
| Komarkcorp ⁽⁶⁾ | - | - | - | - | - | - | 58,710 | ⁽³⁾ 13.51 | - | - | 58,710 | ⁽³⁾ 10.82 |

| | (III) After (II) and assuming full exercise of Warrants | | | |
|---------------------------------|--|------------------|----------------------|---------------------|
| | Direct | | Indirect | |
| | No. of shares ('000) | % ⁽⁵⁾ | No. of shares ('000) | % ⁽⁵⁾ |
| Substantial shareholders | | | | |
| ASB | 111,300 | 17.09 | - | - |
| Low Chee Min ⁽⁶⁾ | 216,767 | 33.29 | - | - |
| GLLSB ⁽⁶⁾ | 58,710 | 9.02 | - | - |
| Komarkcorp ⁽⁶⁾ | - | - | 58,710 | ⁽³⁾ 9.02 |

Notes:

- (1) Based on the issued share capital of 375,752,700 DTB Shares as at the LPD.
- (2) Based on the enlarged issued share capital of 434,462,377 DTB Shares after issuance of the Consideration Shares.
- (3) Deemed interested by virtue of its substantial shareholdings in GLLSB, being the holding company of GLLSB pursuant to Section 8(4) of the Act.
- (4) Based on the enlarged issued share capital of 542,795,710 DTB Shares after issuance of the Rights Shares.
- (5) Based on the enlarged issued share capital of 651,129,043 DTB Shares after full exercise of the Warrants.
- (6) Not a substantial shareholder of DTB as at the LPD.

Base Case Scenario

| | As at the LPD | | | (I) | | | | (II) | | | |
|-----------------------------|----------------------|------------------|----------------------|----------------------------|----------------------|------------------|-------------------------------------|------------------|----------------------|------------------|----------|
| | Direct | | Indirect | After Proposed Acquisition | | Indirect | After (I) and Proposed Rights Issue | | Indirect | | |
| | No. of shares ('000) | % ⁽¹⁾ | No. of shares ('000) | % ⁽¹⁾ | No. of shares ('000) | % ⁽²⁾ | No. of shares ('000) | % ⁽⁴⁾ | No. of shares ('000) | % ⁽⁴⁾ | |
| Substantial shareholders | | | | | | | | | | | |
| ASB | 111,300 | 29.62 | - | - | 111,300 | 25.62 | - | 222,600 | 25.62 | - | - |
| Low Chee Min ⁽⁶⁾ | 100 | 0.03 | - | - | 100 | 0.02 | - | 200 | 0.02 | - | - |
| GLLSB ⁽⁶⁾ | - | - | - | - | 58,710 | 13.51 | - | 117,419 | 13.51 | - | - |
| Komarkcorp ⁽⁶⁾ | - | - | - | - | - | - | (3)13.51 | - | - | 117,419 | (3)13.51 |

| Substantial shareholders | (III) After (II) and assuming full exercise of Warrants | | | |
|-----------------------------|--|------------------|----------------------|----------------------|
| | Direct | | Indirect | |
| | No. of shares ('000) | % ⁽⁵⁾ | No. of shares ('000) | % ⁽⁵⁾ |
| ASB | 333,900 | 25.62 | - | - |
| Low Chee Min ⁽⁶⁾ | 300 | 0.02 | - | - |
| GLLSB ⁽⁶⁾ | 176,129 | 13.51 | - | - |
| Komarkcorp ⁽⁶⁾ | - | - | 176,129 | ⁽³⁾ 13.51 |

Notes:

- (1) Based on the issued share capital of 375,752,700 DTB Shares as at the LPD.
- (2) Based on the enlarged issued share capital of 434,462,377 DTB Shares after issuance of the Consideration Shares,
- (3) Deemed interested by virtue of its substantial shareholdings in GLLSB, being the holding company of GLLSB pursuant to Section 8(4) of the Act.
- (4) Based on the enlarged issued share capital of 868,924,754 DTB Shares after issuance of the Rights Shares.
- (5) Based on the enlarged issued share capital of 1,303,387,131 DTB Shares after full exercise of the Warrants.
- (6) Not a substantial shareholder of DTB as at the LPD.

Maximum Scenario

| | As at the LPD | | | | (I) Assuming full exercise of the outstanding ESOS Options | | | | (II) After (I) and Proposed Acquisition | | | |
|---------------------------------|---|------------------|---|------------------|--|------------------|---|------------------|--|------------------|---|----------------------|
| | Direct | | Indirect | | Direct | | Indirect | | Direct | | Indirect | |
| | No. of shares (^{'000}) | % ⁽¹⁾ | No. of shares (^{'000}) | % ⁽¹⁾ | No. of shares (^{'000}) | % ⁽²⁾ | No. of shares (^{'000}) | % ⁽²⁾ | No. of shares (^{'000}) | % ⁽³⁾ | No. of shares (^{'000}) | % ⁽³⁾ |
| Substantial shareholders | | | | | | | | | | | | |
| ASB | 111,300 | 29.62 | - | - | 111,300 | 29.60 | - | - | 111,300 | 25.60 | - | - |
| Low Chee Min ⁽⁷⁾ | 100 | 0.03 | - | - | 100 | 0.03 | - | - | 100 | 0.02 | - | - |
| GLLSB ⁽⁷⁾ | - | - | - | - | - | - | - | - | 58,710 | 13.51 | - | - |
| Komarkcorp ⁽⁷⁾ | - | - | - | - | - | - | - | - | - | - | 58,710 | ⁽⁴⁾ 13.51 |

| | (III) After (II) and Proposed Rights Issue | | | | (IV) After (III) and assuming full exercise of Warrants | | | |
|---------------------------------|---|------------------|---|----------------------|---|------------------|---|----------------------|
| | Direct | | Indirect | | Direct | | Indirect | |
| | No. of shares (^{'000}) | % ⁽⁵⁾ | No. of shares (^{'000}) | % ⁽⁵⁾ | No. of shares (^{'000}) | % ⁽⁶⁾ | No. of shares (^{'000}) | % ⁽⁶⁾ |
| Substantial shareholders | | | | | | | | |
| ASB | 222,600 | 25.60 | - | - | 333,900 | 25.60 | - | - |
| Low Chee Min ⁽⁷⁾ | 200 | 0.02 | - | - | 300 | 0.02 | - | - |
| GLLSB ⁽⁷⁾ | 117,420 | 13.51 | - | - | 176,129 | 13.51 | - | - |
| Komarkcorp ⁽⁷⁾ | - | - | 117,420 | ⁽⁴⁾ 13.51 | - | - | 176,129 | ⁽⁴⁾ 13.51 |

Notes:

- (1) Based on the issued share capital of 375,752,700 DTB Shares as at the LPD.
- (2) Based on the issued share capital of 375,981,200 DTB Shares after full exercise of the outstanding ESOS Options.
- (3) Based on the enlarged issued share capital of 434,690,877 DTB Shares after issuance of the Consideration Shares.
- (4) Deemed interested by virtue of its substantial shareholdings in GLLSB, being the holding company of GLLSB pursuant to Section 8(4) of the Act.
- (5) Based on the enlarged issued share capital of 869,381,754 DTB Shares after issuance of the Rights Shares.
- (6) Based on the enlarged issued share capital of 1,304,072,631 DTB Shares after full exercise of the Warrants.
- (7) Not a substantial shareholder of DTB as at the LPD.

The Proposed ESOS Termination will not have any effects on shareholdings of the Company's substantial shareholders.

The Proposed New SIS is not expected to have an immediate effect on the substantial shareholders' shareholding in the Company until such time when the SIS Options are exercised. Any potential effect on the substantial shareholders' shareholding in the Company would depend on the number of new Shares to be allotted and issued at the relevant point in time.

12.5 Convertible securities

As at the LPD, the Company does not have any convertible securities except for the outstanding ESOS Options.

For information purpose, the Existing ESOS Scheme remains in effect as at LPD. According to Existing By-Laws, any unexercised ESOS Options or partially exercised ESOS Options shall be deemed to be terminated and be null and void after obtaining:

- (i) the approval of the relevant authorities, if required;
- (ii) the written consent of all ESOS Grantees who have yet to exercise their ESOS Options, either in part or in whole; and
- (iii) the approval of the Company's shareholders at a general meeting, wherein at least a majority of the shareholders present vote in favour of the Proposed ESOS Termination.

Consequent to the Proposed Rights Issue, the exercise price and numbers of ESOS Options will be adjusted in accordance with the provisions of the Existing By-Laws governing the Existing ESOS Scheme at a later date ("**Adjustments**"). Such necessary Adjustments will only be finalised on the Entitlement Date and will be effective on the next market day after the Entitlement Date. The details of such Adjustments shall be notified to the holders of the ESOS Options in accordance with the Existing By-Laws. Notwithstanding the above, it is the Company's intention to implement the Proposed Rights Issue after the Proposed ESOS Termination comes into effect.

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13. 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 58,709,677 Consideration Shares to be issued pursuant to the Proposed Acquisition;
 - (b) admission to the Official List and listing and quotation of up to 434,690,877 Warrants to be issued pursuant to the Proposed Rights Issue;
 - (c) listing and quotation of up to 434,690,877 Rights Shares to be issued pursuant to the Proposed Rights Issue;
 - (d) listing and quotation of up to 434,690,877 new DTB Shares arising from the exercise of the Warrants; and
 - (e) listing of such number of additional new DTB Shares, representing up to 15% of the total number of issued shares of DTB (excluding treasury shares, if any) at any point in time during the duration of the Scheme to be issued pursuant to the Proposed New SIS,

on the Main Market of Bursa Securities;

The approval has been given by Bursa Securities in its letter dated 27 September 2022 subject to, amongst others, the following conditions:

| No. | Conditions | Status of compliance |
|-----|---|----------------------|
| (a) | DTB and TA Securities must fully comply with the relevant provisions under the Listing Requirements at all times pertaining to the implementation of the Proposed Acquisition, Proposed Rights Issue and Proposed New SIS; | Noted |
| (b) | DTB and TA Securities are required to inform Bursa Securities upon the completion of the Proposed Acquisition and Proposed Rights Issue; | To be complied |
| (c) | DTB/ TA Securities is required to furnish Bursa Securities with a certified true copy of the resolutions passed by shareholders at the EGM for the Proposals prior to the listing and quotation of the new Shares to be issued pursuant to the Proposals; | To be complied |
| (d) | TA is required to submit a confirmation to Bursa Securities of full compliance of the Proposed New SIS pursuant to Paragraph 6.43(1) of the Listing Requirements and stating the effective date of implementation together with a certified true copy of the resolution passed by the shareholders in general meeting approving the Proposed New SIS; | To be complied |

| No. | Conditions | Status of compliance |
|-----|---|----------------------|
| (e) | DTB is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the issuance of new shares under the Proposed New SIS and exercise of Warrants as at the end of each quarter together with a detailed computation of listing fees payables; and | To be complied |
| (f) | DTB 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 respective proposals are completed. | To be complied |

- (ii) the approval of the Company's shareholders at an EGM to be convened;
- (iii) the written consent from all the ESOS Grantees who have yet to exercise their ESOS Options, either in part or in whole, for the Proposed ESOS Termination; and
- (iv) the approvals/ consents of any other relevant authorities/ parties, if required.

Highest percentage ratio

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 15.79% computed based on the Purchase Consideration of RM9.10 million over the DTB's market capitalisation of RM57.64 million computed based on 5D-VWAP of DTB Shares up to and including the LTD. As the highest percentage ratio is less than 25% and the Proposed Acquisition is not a related party transaction, the Proposed Acquisition does not require the approval of shareholders pursuant to Paragraph 10.07 of the Listing Requirements. Notwithstanding the above, as the issuance of Consideration Shares requires the approval of shareholders, the Company decided to table the Proposed Acquisition as a whole for the approval of shareholders pursuant to the terms of the SSA as set out in **Appendix II** of the Circular.

Conditionality

The Proposed Acquisition and Proposed Diversification are inter-conditional.

The Proposed Rights Issue is not conditional upon the Proposed Acquisition, Proposed Diversification, Proposed ESOS Termination and Proposed New SIS and vice versa.

The Proposed New SIS is conditional upon the Proposed ESOS Termination but not vice versa.

The Proposals are not conditional upon any other corporate proposal undertaken or to be undertaken by the Company.

The Proposed New SIS is not conditional upon the Proposed Allocations. However, the Proposed Allocations is conditional upon the Proposed New SIS and will only be implemented after the implementation of Proposed New SIS. Further, the Proposed Allocations are not inter-conditional upon each other.

Compliance of Section 85 of the Act

Section 85(1) of the Act provides that:

“Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders”.

Clause 11 of the Constitution of the Company states that:

“Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue be offered to such persons as at the date of the offer are entitled to received notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by the notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after expiration of that time, or the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Board may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Board may likewise also dispose of any new share or securities which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Board, be conveniently offered under this Constitution.”

By approving resolutions in relation to the Proposed Acquisition, Proposed Rights Issue and Proposed New SIS which entail the allotment and issuance of the DTB Shares (including the new Shares arising from the exercise of the SIS Options and Warrants) in the Company which will rank equally with the existing issued shares in the Company, the shareholders of the Company are deemed to have waived their pre-emptive rights pursuant to Section 85(1) of the Act and Clause 11 of the Constitution of the Company to be the first offered the DTB Shares which will result in a dilution to their shareholding percentage in the Company.

14. CORPORATE EXERCISE/ SCHEME ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals and as disclosed below, the Board confirms that the Company does not have any other outstanding corporate exercise/ scheme which has been announced by the Company but is pending implementation or completion prior to the printing of this Circular:

- (i) On 23 August 2018, the Company announced that its subsidiary, D'nonce (Kelantan) Sdn. Bhd., had entered into a Sale and Purchase Agreement (“**SPA 1**”) with Kelantan Match Factory Sdn. Bhd. (“**Vendor**”) to purchase 2 pieces of leasehold lands together with factory buildings erected thereon (“**Property**”) held under H.S.(D) 717, PT 1502 and H.S.(D) 718, PT 1503, both in Mukim Kemumin, Daerah Jajahan, Kota Bharu, Negeri Kelantan, for a total cash consideration of RM4,300,000. This transaction is conditional upon the conditions precedent being satisfied on or before the stop date (means the date falling 12 months from the date of the SPA 1 (i.e., 22 August 2019)) (“**Stop Date**”) or any other extended date mutually agreed between the parties. Notwithstanding the conditions precedent have not been met by the Stop Date, the Company has been in communication with the Vendor to extend the Stop Date. As at the LPD, the parties are in the midst of finalising the extension of the Stop Date. The Company expects to finalise the extension of the Stop Date and sign a supplemental agreement by end-October 2022. The Company will make the appropriate announcements on any material developments in respect to the above-mentioned transaction pursuant to the Listing Requirements, if required.

- (ii) On 5 August 2022, the Company announced that its subsidiary, Attractive Venture (JB) Sdn Bhd, had entered into a Sale and Purchase Agreement (“SPA 2”) with ACL Group Sdn Bhd for the acquisition of 2 pieces of vacant industrial land held under HS(D) 78374 PTD 114164 and HS(D) 78375 PTD 114165, both in Mukim of Senai, District of Kulai, State of Johor, for a total cash consideration of RM12,196,931.88. As at the LPD, the Group has paid deposit of RM1.22 million and the balance of RM10.98 million will be paid within 3 months from the date of SPA 2. Barring any unforeseen circumstances and subject to the fulfilment of all the terms and conditions stipulated under the SPA 2, this transaction is expected to be completed by the fourth quarter of 2022.

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

15.1 Proposed Acquisition, Proposed Diversification and Proposed Rights Issue

None of the Directors, major shareholders, chief executive and/ or persons connected with them have any interest, direct or indirect, in the Proposed Acquisition, Proposed Diversification and Proposed Rights Issue other than their respective entitlements under the Proposed Rights Issue as shareholders of the Company, to which all Entitled Shareholders are similarly entitled to, including the right to apply for additional Rights Shares under the excess applications.

15.2 Proposed New SIS

Save as disclosed below, none of the Directors, major shareholders, chief executive of the Company and/ or persons connected with them are deemed interested, direct or indirect, in the Proposed New SIS.

All the Company’s Directors are deemed interested in the Proposed New SIS by virtue of their eligibility for the SIS Options and in respect of their allocations as well as allocations to persons connected with them under the Proposed New SIS.

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 with them (if any).

The Directors of DTB shall abstain from voting in respect of any of their direct and/ or indirect shareholdings in the Company, on the ordinary resolutions to be tabled for any of their respective proposed allocation of SIS Options as well as to any proposed allocation of SIS Options to the persons connected with them (if any) at the forthcoming EGM.

Further, the Directors of DTB will undertake to ensure that any persons connected with them, if any, will abstain from voting in respect of any of their direct and/ or indirect shareholdings in the Company on the ordinary resolutions pertaining to their respective proposed allocation of SIS Options and proposed allocation of SIS Options to the persons connected with them (if any) to be tabled at the forthcoming EGM.

The direct and indirect shareholdings of the Directors and major shareholder as at the LPD are set out below:

| | Direct | | Indirect | |
|---------------------------------|----------------------|-------|----------------------|---|
| | No. of Shares ('000) | % | No. of Shares ('000) | % |
| <u>Directors</u> | | | | |
| Dato' Moktar Bin Mohd Noor | - | - | - | - |
| Choong Lee Aun | - | - | - | - |
| Datuk Sham Shamrat Sen Gupta | - | - | - | - |
| Kang Teik Yih | - | - | - | - |
| <u>Major shareholder</u> | | | | |
| ASB | 111,300 | 29.62 | - | - |

16. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered all aspects of the Proposals including, the salient terms of the SSA, the utilisation of the proceeds to be raised from the Proposed Rights Issue, 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 you vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

In view that individual Directors on the Board are deemed interested in the Proposed New SIS to the extent of their respective allocations, as well as allocations to persons connected with them (if any) under the Proposed New SIS, they abstain from forming an opinion and making any recommendation on the resolutions to be tabled at the forthcoming EGM on their respective allocations as well as allocations to persons connected to them (if any) under the Proposed New SIS.

17. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposals are expected to be completed by the 4th quarter of 2022.

The tentative timetable for the Proposals is as follows:

| Events | Tentative timeline |
|---|----------------------|
| • EGM for the Proposals | 1 November 2022 |
| • SSA becoming unconditional | Mid-November 2022 |
| • Completion of the Proposed Acquisition and Proposed Diversification and listing of the Consideration Shares | Mid-November 2022 |
| • Announcement of the Entitlement Date for the Proposed Rights Issue | By end-January 2023 |
| • Entitlement Date for the Proposed Rights Issue | By mid-February 2023 |
| • Despatch of abridged prospectus, notices of provisional allotment and rights subscription form | By mid-February 2023 |
| • Closing date of application for the Rights Shares with Warrants | By end-February 2023 |

| Events | Tentative timeline |
|---|--------------------|
| <ul style="list-style-type: none"> • Listing and quotation of the Rights Shares and Warrants | By mid-March 2023 |
| <ul style="list-style-type: none"> • Completion of the Proposed Right Issue | By mid-March 2023 |

18. EGM

The EGM, the notice which is set out in this Circular, will be conducted on virtual basis through live streaming from the Broadcast Venue at Lot 18.2, 18th Floor, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 1 November 2022 at 10:30 a.m., or at any adjournment thereof for the purpose of considering and if thought fit, passing with or without modifications, the resolutions to give effect to the Proposals and the Proposed Allocations.

You are entitled to attend and vote at the EGM or appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you may deposit the Proxy Form with DTB's Share Registrar at Workshire Share Registration Sdn Bhd of A1-2-2 Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, Wilayah Persekutuan, Malaysia not less than 48 hours before the time for holding the meeting or any adjournment thereof. The lodgment of the Proxy Form shall not preclude you from attending and voting at the EGM should you subsequently wish to do so and in such event, your Proxy Form shall be deemed to have been revoked.

19. FURTHER INFORMATION

You are advised to refer to the attached appendices for further information.

Yours faithfully
For and on behalf of the Board
D'NONCE TECHNOLOGY BHD

CHOONG LEE AUN
Executive Director

INFORMATION ON KTCL

1. BACKGROUND INFORMATION ON KTCL

KTCL was incorporated in Thailand on 29 June 1995 as a private company limited by shares under its present name. KTCL is principally involved in the manufacturing and selling of self-adhesive labels. KTCL commenced business operations in June 1995. As at the LPD, KTCL's registered office is located at 700/451 Moo 7, Amata City Chonburi Industrial Estate, Donhuaror, Muangchonburi, Chonburi 20000, Thailand.

The core product manufactured and sold by KTCL is self-adhesive labels. A summary of its revenue breakdown by types of customers for the FYE 30 April 2020, FYE 30 April 2021 and 11M-FPE 31 March 2022 are as follows:

| | FYE 30 April | | | | 11M-FPE 31 March | |
|----------------------|----------------|---------------|----------------|---------------|------------------|---------------|
| | 2020 | | 2021 | | 2022 | |
| | THB'000 | % | THB'000 | % | THB'000 | % |
| Food and Beverage | 43,903 | 33.86 | 33,647 | 29.32 | 34,751 | 30.72 |
| Pharmaceutical | 29,250 | 22.56 | 32,227 | 28.08 | 26,458 | 23.39 |
| FMCG | 20,521 | 15.83 | 21,857 | 19.04 | 25,581 | 22.61 |
| Automotive | 19,577 | 15.10 | 22,593 | 19.68 | 15,838 | 14.00 |
| Others* | 16,405 | 12.65 | 4,453 | 3.88 | 10,506 | 9.28 |
| Total revenue | 129,656 | 100.00 | 114,777 | 100.00 | 113,134 | 100.00 |

Note:

* Others include agro-chemical, chemical and animal feed.

KTCL's principal market is Thailand and mainly generates its revenue from Thailand. A summary of its revenue breakdown by geographical markets for the FYE 30 April 2020, FYE 30 April 2021 and 11M-FPE 31 March 2022 are as follows:

| | FYE 30 April | | | | 11M-FPE 31 March | |
|----------------------|----------------|---------------|----------------|---------------|------------------|---------------|
| | 2020 | | 2021 | | 2022 | |
| | THB'000 | % | THB'000 | % | THB'000 | % |
| Thailand | 129,617 | 99.97 | 114,777 | 100.00 | 113,134 | 100.00 |
| Singapore | 39 | 0.03 | - | - | - | - |
| Total revenue | 129,656 | 100.00 | 114,777 | 100.00 | 113,134 | 100.00 |

The main raw materials purchased by KTCL for the FYE 30 April 2020, FYE 30 April 2021 and 11M-FPE 31 March 2022 are as follows:

| | FYE 30 April | | | | 11M-FPE 31 March | |
|---|---------------|---------------|---------------|---------------|------------------|---------------|
| | 2020 | | 2021 | | 2022 | |
| | THB'000 | % | THB'000 | % | THB'000 | % |
| Label materials (e.g., paper and plastic film) | 60,364 | 71.83 | 53,623 | 70.19 | 51,332 | 72.90 |
| Inks | 10,217 | 12.16 | 9,015 | 11.80 | 7,896 | 11.21 |
| Factory supplies (e.g., die cut* cutter, printing cylinder, magnetic cylinder and other printing parts) | 13,456 | 16.01 | 13,759 | 18.01 | 11,187 | 15.89 |
| Total | 84,037 | 100.00 | 76,397 | 100.00 | 70,415 | 100.00 |

Note:

* Die cutting is a fabrication process that uses specialized machines and tools to convert stock material by cutting, forming, and shearing. In printing, die cuts are used to create custom shapes and designs for labels. A manufactured die is a specialized piece of metal tooling used to cut a specific shape out of a material.

INFORMATION ON KTCL (Cont'd)

KTCL sourced its raw materials from both local and international suppliers. These raw materials are readily available and obtainable from both local and international suppliers. The breakdown of the principal market of the suppliers (between local and international) and the raw material costs for the FYE 30 April 2020, FYE 30 April 2021 and 11M-FPE 31 March 2022 are as follows:

| | FYE 30 April | | | | 11M-FPE 31 March | |
|----------------|---------------|---------------|---------------|---------------|------------------|---------------|
| | 2020 | | 2021 | | 2022 | |
| | THB'000 | % | THB'000 | % | THB'000 | % |
| Local | 84,003 | 99.96 | 76,396 | 99.96 | 70,287 | 99.82 |
| International* | 34 | 0.04 | 28 | 0.04 | 128 | 0.18 |
| Total | 84,037 | 100.00 | 76,397 | 100.00 | 70,415 | 100.00 |

Note:

* Mainly from Malaysia.

KTCL operates from the following rented premise:

| Address/ location | Description/ Function | Land area/ built-up area |
|--|-----------------------|---|
| 700/451 Moo 7, Amata City Chonburi Industrial Estate, Donhuaror, Muangchonburi, Chonburi 20000, Thailand | Manufacturing | 4,560 m ² / 2,275 m ² |

The annual production capacity, output and utilisation rate of KTCL's manufacturing plant for the FYE 30 April 2020, FYE 30 April 2021 and 11M-FPE 31 March 2022 are as follows:

| | [A] | [B] | [B] / [A] (4)Annual production capacity utilisation rate (%) |
|-----------------------|---------------------------------------|---|---|
| | (1)Production capacity (metres) | Actual production output (metres) | |
| FYE 30 April 2020 | 20,880,000 | (2)13,574,501 | (2)65.01 |
| FYE 30 April 2021 | 20,880,000 | (2)13,812,386 | (2)66.15 |
| 11M-FPE 31 March 2022 | 19,140,000 | (3)12,441,000 | (3)65.00 |

Notes:

- (1) KTCL owns 5 label printing machines.
- (2) Calculated based on 24-hour shift per day, 25 days per month for 12 months.
- (3) Calculated based on 24-hour shift per day, 25 days per month for 11 months.
- (4) Excludes time for machine set-up, pilot run and maintenance.

The type of assets owned by KTCL include, amongst others, machinery, printing equipment, office equipment and motor vehicles. The breakdown are as follows:

| Details | Audited net book value as at 31 March 2022 THB'000 |
|--|---|
| Leasehold improvement (i.e., renovation) | 359 |
| Machinery | 41,822 |
| Printing equipment | 3,260 |
| Furniture, fixtures and office equipment | 1,634 |
| Motor vehicles | 79 |
| Total | 47,154 |

INFORMATION ON KTCL (Cont'd)

For information purposes, KTCL does not engage in any research and development activities. As such, KTCL did not incur any expenditure or capitalise any development cost that was specific to research and development for the past 3 financial years.

2. SHARE CAPITAL

As at the LPD, KTCL has an issued share capital of THB33,400,000 comprising 334,000 ordinary shares of THB100 each, all of which have been fully paid-up.

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

3. DIRECTORS' AND SHAREHOLDER'S SHAREHOLDINGS

The details of the Directors, shareholder and their respective shareholdings in KTCL as at the LPD are as follows:

| Name | Nationality/ Country of incorporation | Direct | | Indirect | |
|--|---|----------------------------|------------|----------------------------|---------|
| | | No. of shares ('000) | % | No. of shares ('000) | % |
| <u>Directors and shareholders</u> | | | | | |
| Roy Ho Yew Kee | Malaysian | ^ | Negligible | - | - |
| Chan Jee Peng | Malaysian | ^ | Negligible | - | - |
| Karnrawee Waitruardrok | Thai | ^ | Negligible | - | - |
| <u>Shareholders</u> | | | | | |
| GLLSB | Malaysia | 334 | 99.9991 | - | - |
| Komarkcorp | Malaysia | - | - | 334* | 99.9991 |

Notes:

^ Each of them holds 1 KTCL Share representing 0.0003% equity interest in KTCL.

* Deemed interested by virtue of its substantial shareholdings in GLLSB, being the holding company of GLLSB pursuant to Section 8(4) of the Act. GLLSB is a wholly-owned subsidiary of Komarkcorp.

3.1 Information on GLLSB

GLLSB was incorporated in Malaysia on 19 November 1982 under the Companies Act, 1965 (deemed registered under the Act) as a private limited company under the name of General Labels & Labelling (M) Sdn. Bhd. GLLSB is principally engaged in the manufacture of self-adhesive labels and stickers, trading of related products and manufacturing of labelling machineries.

As at the LPD, GLLSB has an issued share capital of RM44,054,374 comprising 44,054,374 ordinary shares. The directors of GLLSB and their respective shareholdings in GLLSB as at the LPD are as follows:

| Name | Nationality | Direct | | Indirect | |
|----------------|-------------|----------------------------|---|----------------------------|---|
| | | No. of shares ('000) | % | No. of shares ('000) | % |
| Roy Ho Yew Kee | Malaysian | - | - | - | - |
| Chu Chee Peng | Malaysian | - | - | - | - |

GLLSB is wholly-owned by Komarkcorp.

INFORMATION ON KTCL (Cont'd)

Information on Komarkcorp

Komarkcorp was incorporated in Malaysia on 17 January 1996 under Companies Act, 1965 (deemed registered under the Act), as a private limited company under the name of Komarkcorp Sdn Bhd. On 6 June 1996, Komarkcorp converted to a public limited company and assumed its present name. Komarkcorp was listed on the Second Board of Kuala Lumpur Stock Exchange (now known as the Main Market of Bursa Securities) on 8 September 1997. Komarkcorp is an investment holding company and through its subsidiaries are principally involved in the (i) manufacturing and trading of self-adhesive labels, stickers and related products; and (ii) manufacturing of disposable face mask.

As at the LPD, Komarkcorp has an issued share capital of RM132,926,934 comprising 577,356,548 ordinary shares. Komarkcorp's directors and substantial shareholder and their respective shareholdings in Komarkcorp as at the LPD are as follows:

| Name/ Designation | Nationality/ Country of incorporation | Direct | | Indirect | |
|--|---|----------------------------|-------|----------------------------|---|
| | | No. of shares (‘000) | % | No. of shares (‘000) | % |
| <u>Directors</u> | | | | | |
| YM Tengku Ezuan Ismara Bin Tengku Nun Ahmad (Independent Non-Executive Chairman) | Malaysian | 200 | 0.03 | - | - |
| Roy Ho Yew Kee (Executive Director) | Malaysian | 1,000 | 0.17 | - | - |
| Chan Jee Peng (Independent Non-Executive Director) | Malaysian | - | - | - | - |
| Ihsan Bin Ismail (Independent Non-Executive Director) | Malaysian | - | - | - | - |
| Koo Kien Keat (Independent Non-Executive Director) | Malaysian | - | - | - | - |
| <u>Substantial shareholder</u> | | | | | |
| Key Alliance Group Berhad (a company listed on ACE Market of Bursa Securities) | Malaysia | 122,318 | 21.19 | - | - |

4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**4.1 Material commitments**

As at the LPD, there are no material commitments incurred or known to be incurred by KTCL that have not been provided for, which upon becoming due or enforceable, may have a material adverse effect on KTCL's financial position or financial performance.

4.2 Contingent liabilities

As at the LPD, there are no contingent liabilities incurred or known to be incurred by KTCL that have not been provided for, which upon becoming due or enforceable, may have a material adverse effect on KTCL's financial position or financial performance.

5. MATERIAL CONTRACTS

KTCL has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past 2 years immediately preceding the LPD.

INFORMATION ON KTCL (Cont'd)

6. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, KTCL is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the directors of KTCL are not aware of any proceedings pending or threatened against KTCL or any facts likely to give rise to any proceedings, which may materially and/ or adversely affect the financial position or business of KTCL.

7. SUMMARY OF HISTORICAL FINANCIAL RESULTS OF KTCL

A summary of KTCL's financial information based on its audited financial statements for the FYE 30 April 2019 to 11M-FPE 31 March 2022 is as follows:

| | Audited | | | |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | FYE 30 April | | | 11M-FPE 31 March* |
| | 2019 THB('000) | 2020 THB('000) | 2021 THB('000) | 2022 THB('000) |
| Revenue | 165,102 | 131,462 | 115,338 | 113,164 |
| - Sales income | 161,369 | 129,657 | 114,777 | 113,134 |
| - Other income | 3,733 | 1,805 | 561 | 30 |
| Gross profit ("GP") | 10,334 | 7,383 | 1,784 | 10,051 |
| Loss before tax ("LBT") | (10,676) | (16,956) | (22,393) | (14,778) |
| Loss after tax ("LAT") | (10,676) | (16,956) | (22,393) | (14,778) |
| Share capital | 33,400 | 33,400 | 33,400 | 33,400 |
| Shareholders' funds/ NA | 78,473 | 61,516 | 39,123 | 24,345 |
| Total borrowings | 20,993 | 19,907 | 28,610 | 20,944 |
| Current assets | 77,652 | 76,351 | 75,112 | 72,132 |
| Current liabilities | 62,857 | 69,385 | 85,786 | 84,533 |
| Number of shares ('000) | 334 | 334 | 334 | 334 |
| Losses per share (THB) | (31.96) | (50.77) | (67.04) | (44.25) |
| NA per share (THB) | 234.95 | 184.18 | 117.13 | 72.89 |
| GP margin (%) | 6.26 | 5.62 | 1.55 | 8.88 |
| LBT margin (%) ⁽¹⁾ | (6.47) | (12.90) | (19.42) | (13.06) |
| LAT margin (%) ⁽²⁾ | (6.47) | (12.90) | (19.42) | (13.06) |
| Gearing (times) ⁽³⁾ | 0.27 | 0.32 | 0.73 | 0.86 |
| Current ratio (times) ⁽⁴⁾ | 1.24 | 1.10 | 0.88 | 0.85 |

Notes:

* Komarkcorp had on 24 March 2022 announced the change of the financial year end from 30 April to 31 March thus the same shall apply to KTCL.

(1) Computed based on LBT over revenue.

(2) Computed based on LAT over revenue.

(3) Computed based on total borrowings (leasing with the financial institutions) over total equity.

(4) Computed based on total current assets over total current liabilities.

There was no audit qualification on the audited financial statements of KTCL for the FYE 30 April 2020, FYE 30 April 2021 and 11M-FPE 31 March 2022. For the past FYE 30 April 2020, FYE 30 April 2021 and 11M-FPE 31 March 2022, KTCL has not adopted any accounting policy which is peculiar to KTCL due to the nature of its business or the industry in which it is involved in.

INFORMATION ON KTCL (Cont'd)

Commentaries:**(i) FYE 30 April 2020 compared to FYE 30 April 2019**

KTCL's revenue decreased by THB33.64 million (20.38%) to THB131.46 million for the FYE 30 April 2020 from THB165.10 million for the FYE 30 April 2019 mainly due to lower sales volume because of loss of some customers as a result of competitive pricing from its competitors.

KTCL's LAT increased by THB6.28 million (58.82%) to THB16.96 million for the FYE 30 April 2020 from THB10.68 million for the FYE 30 April 2019 mainly due to:

- (a) decrease in revenue and hence decrease in gross profit by THB2.95 million (28.56%) to THB7.38 million for the FYE 30 April 2020 (FYE 30 April 2019: THB10.33 million). In addition, KTCL's adhesive labels were sold at lower margins in FYE 30 April 2020 due to intense competition in the label industry. KTCL's gross profit margins stood at 6.26% and 5.62% for the FYE 30 April 2019 and FYE 30 April 2020, respectively; and
- (b) increase in administrative expenses by THB1.57 million (8.14%) to THB20.90 million for the FYE 30 April 2020 (FYE 30 April 2019: THB19.32 million) mainly due to the increase in the retirement benefits expense because of the amendments to the Labor Protection Act 1998 (came into effect in May 2019) which provide for more benefits for employees. The benefit changes affect severance pay, retirement, maternity leave and business leave.

(ii) FYE 30 April 2021 compared to FYE 30 April 2020

KTCL's revenue decreased by THB16.12 million (12.27%) to THB115.34 million for the FYE 30 April 2021 from THB131.46 million for the FYE 30 April 2020 mainly attributable to lower sales volume as a result of intense competition in the labels segment, loss of certain customers who have changed their product packaging specifications which no longer require labels and the outbreak of the COVID-19 pandemic.

KTCL's LAT increased by THB5.43 million (32.07%) to THB22.39 million for the FYE 30 April 2021 from THB16.96 million for the FYE 30 April 2020 mainly due to decreased in revenue and hence decrease in gross profit by THB5.60 million (75.84%) to THB1.78 million for the FYE 30 April 2021 (FYE 30 April 2020: THB7.38 million). In addition, KTCL's adhesive labels were sold at lower margins in FYE 30 April 2021 due to intense competition in the label industry. KTCL's gross profit margins stood at 5.62% and 1.55% for the FYE 30 April 2020 and FYE 30 April 2021 respectively.

(iii) 11M-FPE 31 March 2022 compared to FYE 30 April 2021

KTCL's revenue decreased by THB2.17 million (1.88%) to THB113.16 million for the 11M-FPE 31 March 2022 from THB115.34 million for the FYE 30 April 2021 (an increase of THB8.11 million (7.03%) when compared to the annualised revenue of THB123.45 million for the 11M-FPE 31 March 2022). The decrease in revenue for the 11M-FPE 31 March 2022 was due to KTCL accounted for 11-month financial results for the 11M-FPE 31 March 2022 as compared to 12-months financial results for the FYE 30 April 2021. Notwithstanding the foregoing, KTCL achieved higher average sales per month in 11M-FPE 31 March 2022 (11M-FPE 31 March 2022: THB10.28 million; FYE2021: THB9.56 million) mainly due to higher sales volume as the economy is moving onto recovery phase from COVID-19 pandemic.

INFORMATION ON KTCL (Cont'd)

KTCL's LAT decreased by THB7.62 million (34.01%) to THB14.78 million for the 11M-FPE 31 March 2022 from THB22.39 million for the FYE 30 April 2021 (a decrease of THB6.27 million (28.01%) when compared to the annualised LAT of THB16.12 million for the 11M-FPE 31 March 2022) mainly due to increase in gross profit by THB8.27 million (463.40%) to THB10.05 million for the 11M-FPE 31 March 2022 (FYE 30 April 2021: THB1.78million). KTCL's gross profit margins stood at 1.55% and 8.88% for the FYE 30 April 2021 and 11M-FPE 31 March 2022 respectively mainly due to the decrease in manufacturing downtime and absence of bonus payout in 11M-FPE 31 March 2022.

8. SUBSIDIARY AND ASSOCIATED COMPANY

As at the LPD, KTCL does not have any subsidiary or associated company.

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SALIENT TERMS OF THE SSA

The salient terms and conditions of the SSA include, among others, the following:

| 1. | Formation and parties involved | <table><tr><th>Purchaser</th><th>Vendor</th></tr><tr><td>DTB</td><td>GLLSB</td></tr></table> <div><div>DTB</div><div>GLLSB</div><div>SSA</div><div>Buy 99.9991%</div><div>Sell 99.9991%</div><div>KTCL</div></div> | Purchaser | Vendor | DTB | GLLSB |
|-----------|--------------------------------|--|-----------|--------|-----|-------|
| Purchaser | Vendor | | | | | |
| DTB | GLLSB | | | | | |
| 2. | Purchase consideration | RM9,100,000, to be satisfied entirely via the issuance of 58,709,677 new DTB Shares at an issue price of RM0.155 each | | | | |
| 3. | Conditions | <p>The sale and purchase of the Sale Shares is conditional upon the satisfaction (or waiver by the parties in accordance with the SSA) of the following Conditions:</p> <div><div><div>(i)</div><div>the passing by the shareholders of the Purchaser at a general meeting of an ordinary resolution:</div><div><div>(a)</div><div>approving the Proposed Acquisition pursuant to the terms of the SSA; and</div></div><div><div>(b)</div><div>approving the allotment and issuance of the Consideration Shares to the Vendor;</div></div></div><div><div>(ii)</div><div>the approval of Bursa Securities for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities;</div></div><div><div>(iii)</div><div>the approvals from KTCL's Board of Directors in respect of the following matters:</div><div><div>(a)</div><div>the transfer of shares of the Vendor, Mr. Roy Ho Yew and Mr. Chan Jee Peng to the Purchaser and/ or the Designated Person; and</div></div><div><div>(b)</div><div>the change of signatories to KTCL's all bank accounts as required by the Purchaser;</div></div></div><div><div>(iv)</div><div>the receipt by the Purchaser of the undated, pre-signed share transfer forms executed by each remaining shareholders of KTCL, namely Roy Ho Yew Kee and Chan Jee Peng, in relation to his transfer of 1 ordinary share, which each represents 0.0003% of the entire registered and issued share capital of KTCL to the Designated Person;</div></div><div><div>(v)</div><div>the completion of the due diligence investigation/ review on KTCL by the Purchaser and that the Purchaser issues a letter confirming that it is satisfied with the results of the due diligence investigation/ review on KTCL and provided always that the dissatisfaction of the results of the due diligence investigation shall have a material adverse change on the Purchaser;</div></div></div> | | | | |

SALIENT TERMS OF THE SSA (Cont'd)

| | | |
|----|--|---|
| | | <p>(vi) the undated, pre-executed complete applications for the amendment of KTCL's Articles of Association as required by the Purchaser, removal of the outgoing directors, namely Roy Ho Yew Kee and Chan Jee Peng, the appointment of up to 2 new director(s) nominated by the Purchaser, the amendment of the authorised signatories of KTCL and any other amendment required by the Purchaser as it deems appropriate, however, in the form required by and ready to be submitted to the Department of Business Development, Ministry of Commerce of Thailand;</p> <p>(vii) the receipt by the Purchaser of the legally binding, complete, executed and valid agreements or documentations that evidence the novation, transfer, assumption or assignment of:</p> <p>(a) the relevant amount owing by KTCL to KISB, Komarkcorp and the Vendor; and</p> <p>(b) the amount owing by KECL to KTCL;</p> <p>directly to the Vendor, whereby the Vendor shall assume all the existing amount owing (as further stipulated in the SSA); and</p> <p>(viii) if required, any other governmental, administrative or regulatory authorities and/ or any third party whose approvals are deemed necessary by the Purchaser and the Vendor to complete the sale and purchase of the Sale Shares on the terms herein contemplated.</p> |
| 4. | Representation, Warranties and Undertakings | <p><u>By the Vendor</u></p> <p>The Vendor amongst others, represents, warrants and undertakes to the Purchaser that:</p> <p>(i) it is a private limited company duly incorporated and validly existing under the laws of the jurisdiction of its incorporation;</p> <p>(ii) it has full power and capacity to enter into and perform the SSA, has obtained all necessary approvals, authorization or consents to enable it to do so and perform its obligations contained in the SSA;</p> <p>(iii) the entry into and performance of the SSA by it does not constitute a breach of any obligation (including any statutory, contractual or fiduciary obligation), or default under any agreement or undertaking, by which it and/ or KTCL is bound or affected or violates any rule or regulation of any administrative agency or governmental body or any order, writ, injunction or decree of any court, administrative agency or governmental body affecting it and/ or KTCL and by which it and/ or KTCL is bound;</p> <p>(iv) it is not insolvent or unable to pay its debts and it has not stopped paying its undisputed debt as and when it falls due;</p> |

SALIENT TERMS OF THE SSA (Cont'd)

| | | |
|--|--|--|
| | | <p>(v) it is not the subject of any inquiries or investigations by governmental, public or regulatory authorities;</p> <p>(vi) the SSA and such other agreement, deeds, documents, undertakings, deeds and/ or such other documents referred to in the SSA constitute its legal, valid and binding obligations in accordance with the terms hereof;</p> <p>(vii) the execution, delivery and performance of the SSA by it will not breach or violate (a) any statute, law, ordinance, rule, or regulation of any governmental entity or (b) any judgment, order, injunction, decree, contract, agreement or other instrument by which its or any of its respective assets are bound;</p> <p>(viii) it has full right, power and authority to enter into the SSA and the SSA when executed, will constitute its valid and binding obligations enforceable in accordance with its terms and conditions;</p> <p>(ix) it is the legal and beneficial holder of the Sale Shares and it is entitled to transfer the full legal and beneficial ownership of the Sale Shares as being held by it to the Purchaser on the terms of the SSA without the consent of any third party and give good and unencumbered title thereto; and</p> <p>(x) that the recitals of the SSA and warranties are true and accurate up to a date falling within 10 business days after the unconditional date or any other date as may be mutually agreed in writing between the parties on which completion (please refer to item no.7 below) shall take place.</p> <p><u>By the Purchaser</u></p> <p>The Purchaser represents, warrants and undertakes to the Vendor that:</p> <p>(i) it is a company duly incorporated and validly existing under the laws of Malaysia, with separate legal personality and the capacity to sue or be sued in its own name. No resolution has been passed in relation to the Purchaser, and no other step has been taken in relation to the Purchaser or legal proceedings have been started, or as far as the Purchaser is aware, threatened, against the Purchaser, for its winding-up or dissolution, or for the appointment of a liquidator, receiver, administrator, administrative receiver or similar officer over any or all of its assets;</p> <p>(ii) as at completion, the Purchaser shall be entitled, authorised and able to allot and issue the Consideration Shares free from all encumbrances to the Vendor;</p> <p>(iii) its execution, delivery and performance of the SSA have been duly authorised by all corporate or similar action required to be taken by it subject to the conditions of the SSA;</p> |
|--|--|--|

SALIENT TERMS OF THE SSA (Cont'd)

| | | |
|----|--------------------|---|
| | | <p>(iv) the execution, delivery and performance of the SSA by it will not breach or violate (a) its organisational documents, (b) any statute, law, ordinance, rule, or regulation of any governmental entity or (c) any judgment, order, injunction, decree, contract, agreement or other instrument by which its or any of its respective assets are bound; and</p> <p>(v) it has full right, power and authority to enter into the SSA and the SSA when executed, will constitute its valid and binding obligations enforceable in accordance with its terms and conditions.</p> |
| 5. | Indemnities | <p>Subject to limitations stipulated in the SSA, the Vendor shall indemnify and hold harmless the Purchaser fully at all times from and against all losses, damages, costs, claims, proceedings demands and expenses which the Purchaser may suffer, incur or pay as a result of or by reason:-</p> <p>(i) any breach of any of the warranties provided by the Vendor;</p> <p>(ii) any other material breach by the Vendor of its undertakings, covenants or obligations under the SSA; or</p> <p>(iii) any breach on the tax covenant clauses in the SSA; and</p> <p>(iv) any breach of the existing contracts and/ or agreement entered by KTCL.</p> |
| 6. | Limitations | <p>Among others:</p> <p>(i) The aggregate liability of the Vendor under the SSA for all claim by the Purchaser for breach of any representation, warranty, indemnity or undertaking under the SSA ("Claim") shall in no event exceed hundred percent (100%) of the Purchase Consideration;</p> <p>(ii) The Vendor will not be liable in respect of any claim unless the Claim or Claims exceeds RM1,000,000 in aggregate ("Minimum Threshold")*, and in such event the Vendor shall be liable for the whole of the Claim, including the amount up to the Minimum Threshold.</p> <p style="text-align: center;">* <i>The Minimum Threshold which represents 10.99% of the Purchase Consideration was decided upon commercial negotiations between the Vendor and Purchaser.</i></p> <p>(iii) Any Claim or notice of Claim by the Purchaser shall have to be brought by the Purchaser against the Seller on or before the date falling 12 months after the completion of the Proposed Acquisition; and</p> <p>(iv) The Vendor shall not be liable for any Claim in respect of any loss of profit, loss of business opportunity, loss of goodwill or any indirect or consequential losses and liabilities.</p> |

SALIENT TERMS OF THE SSA (Cont'd)

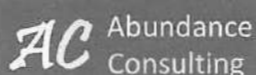
| | | |
|----|--------------------|---|
| 7. | Completion | <p>Subject to the satisfaction of the conditions as set out in item no. 3 above or the waiver of any such conditions, completion shall take place at the principal place of business of the Vendor as stipulated in the SSA on the completion date or such earlier or later date as mutually agreed upon in writing by the parties.</p> <p>For avoidance of doubt:</p> <p>(i) "completion date" here refers to a date falling within 10 business days after the unconditional date or any other date as may be mutually agreed in writing between the parties on which completion shall take place; and</p> <p>(ii) "unconditional date" here refers to the date on which all the Conditions are satisfied or obtained or waived (as the case may be), provided that such date shall not be later than cut-off date or such earlier or later date as the parties may from time to time agree to.</p> |
| 8. | Termination | <p><u>Event of termination by the Purchaser</u></p> <p>(i) Breach by Vendor</p> <p>The Vendor materially breaches all or any of the provisions of the SSA or any of the warranties and (if the breach is capable of being remedied) the defaulting party fails to remedy the breach within 30 business days, following the issuance of the notice by the non-defaulting party to the defaulting party; or</p> <p>(ii) Insolvency</p> <p>The Vendor becomes insolvent; or</p> <p>(iii) No Completion</p> <p>The Vendor does not complete the transfer of all or any of the Sale Shares in accordance with the completion of the SSA; or</p> <p>(iv) Warranties misleading</p> <p>If it appears that any of the warranties is or has become materially inaccurate or misleading, and on such notice being given, the provisions of the consequences of termination of the SSA shall apply.</p> <p><u>Event of termination by the Vendor</u></p> <p>(i) Insolvency</p> <p>The Purchaser becomes insolvent; or</p> <p>(ii) No Completion</p> <p>The Purchaser does not issue and allot the Consideration Shares in favour of the Vendor on the completion date.</p> |

SALIENT TERMS OF THE SSA (Cont'd)

| | | |
|-----|------------------------------------|---|
| 9. | Consequences of termination | <p>(i) If the SSA is terminated in accordance with the event of termination by the Purchaser as provided in the SSA, all obligations and liabilities of the parties hereunder shall cease and determine. Thereafter no party shall have any claim against the other save for any antecedent breaches of the SSA.</p> <p>(ii) If the SSA is terminated in accordance with the event of termination by the Vendor as provided in the SSA, all obligations and liabilities of the parties hereunder shall cease and determine. Thereafter no party shall have any claim against the other save for any antecedent breaches of the SSA.</p> |
| 10. | Governing law | Laws of Malaysia |

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Komark (Thailand) Company Limited
Report and financial statements
31 March 2022



Audit & Business Consulting

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Independent Auditor's Report

To the shareholders of Komark (Thailand) Company Limited

Opinion

I have audited the accompanying financial statements of Komark (Thailand) Company Limited which comprise the statement of financial position as at 31 March 2022, and the related statements of income and changes in shareholders' equity for the period as from 1 May 2021 to 31 March 2022, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Komark (Thailand) Company Limited as at 31 March 2022 and its financial performance for the period as from 1 May 2021 to 31 March 2022 in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

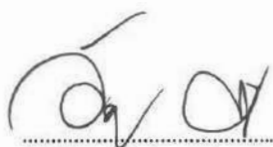
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Ms. Angsumalee Srisuthisa-ard

Certified Public Accountant No. 6138

120/445 Bond Street, Pakred,

Nonthaburi: 18 July 2022


Komark (Thailand) Company Limited

Statement of financial position

As at 31 March 2022

| | | (Unit : Baht) | |
|-----------------------------------|------|-----------------------|-----------------------|
| | Note | 31 March 2022 | 30 April 2021 |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 765,232.71 | 878,469.54 |
| Trade and other receivables | 5 | 24,267,447.84 | 22,547,039.38 |
| Short-term loans to related party | 6 | 9,934,037.11 | 9,943,314.01 |
| Inventories | 7 | 37,014,580.76 | 41,203,314.10 |
| Other current assets | | 151,159.06 | 540,083.72 |
| Total current assets | | 72,132,457.48 | 75,112,220.75 |
| Non-current assets | | | |
| Restricted bank deposits | 8 | - | 4,960,207.17 |
| Property, plant and equipment | 9 | 47,153,784.04 | 53,902,304.45 |
| Deposits refundable | | 2,102,000.00 | 1,710,200.00 |
| Total non-current assets | | 49,255,784.04 | 60,572,711.62 |
| Total assets | | 121,388,241.52 | 135,684,932.37 |

The accompanying notes are an integral part of the financial statements.



(Mr. Roy Ho Yew Kee)

Director



KOMARK (THAILAND) CO., LTD.

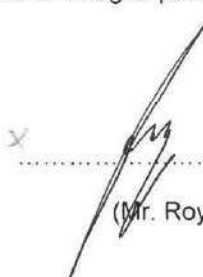
APPENDIX III

AUDITED FINANCIAL STATEMENTS OF KTCL FOR THE 11M-FPE 31 MARCH 2022 (Cont'd)

Komark (Thailand) Company Limited
Statement of financial position (continued)
As at 31 March 2022

| | | (Unit : Baht) | |
|--|-------------|----------------------|----------------------|
| | <u>Note</u> | <u>31 March 2022</u> | <u>30 April 2021</u> |
| Liabilities and shareholders' equity | | | |
| Current liabilities | | | |
| Bank overdrafts and short-term loans | | | |
| from financial institutions | 10 | - | 18,001,101.71 |
| Trade and other payables | | 26,719,353.15 | 21,365,500.67 |
| Trade and other payables - related parties | | 43,014,569.68 | 40,466,586.10 |
| Current portion of long term loans from related party | 12 | 8,797,332.87 | - |
| Current portion of liabilities under finance lease agreements | 11 | 4,981,449.15 | 5,514,346.28 |
| Other current liabilities | | 1,020,230.90 | 438,365.32 |
| Total current liabilities | | 84,532,935.75 | 85,785,900.08 |
| Non-current liabilities | | | |
| Long term loans from related party net of current portion | 12 | 5,658,827.13 | - |
| Liabilities under finance lease agreements, net of current portion | 11 | 1,507,488.84 | 5,094,919.38 |
| Provision for long-term employee benefits | 13 | 5,343,747.43 | 5,680,965.00 |
| Total non-current liabilities | | 12,510,063.40 | 10,775,884.38 |
| Total liabilities | | 97,042,999.15 | 96,561,784.46 |

The accompanying notes are an integral part of the financial statements.


 Director
 (Mr. Roy Ho Yew Kee)



KOMARK (THAILAND) CO., LTD.

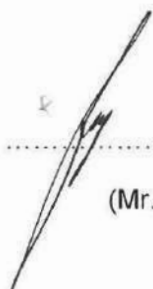
Komark (Thailand) Company Limited

Statement of financial position (continued)

As at 31 March 2022

| | | (Unit : Baht) | |
|---|-------------|-----------------------|-----------------------|
| | <u>Note</u> | <u>31 March 2022</u> | <u>30 April 2021</u> |
| Shareholders' equity | | | |
| Share capital | | | |
| Registered | | | |
| 334,000 ordinary shares of Baht 100 each | | 33,400,000.00 | 33,400,000.00 |
| Issued and fully paid-up | | | |
| 334,000 ordinary shares of Baht 100 each | | 33,400,000.00 | 33,400,000.00 |
| Retained earnings | | | |
| Appropriated-statutory reserve | 15 | 3,340,000.00 | 3,340,000.00 |
| Unappropriated | | (12,394,757.63) | 2,383,147.91 |
| Total shareholders' equity | | 24,345,242.37 | 39,123,147.91 |
| Total liabilities and shareholders' equity | | 121,388,241.52 | 135,684,932.37 |

The accompanying notes are an integral part of the financial statements.


 Director
 (Mr. Roy Ho Yew Kee)



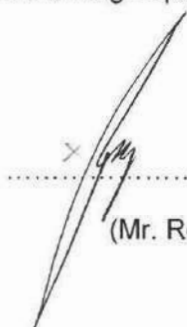
Komark (Thailand) Company Limited

Income statement

For the period as from 1 May 2021 to 31 March 2022

| | (Unit : Baht) | |
|--|---|--|
| | For the period as from 1 May 2021 to 31 March 2022 | For the year ended 30 April 2021 |
| Revenues | | |
| Sales income | 113,134,117.53 | 114,777,086.42 |
| Other income | 30,280.03 | 560,849.45 |
| Total revenues | 113,164,397.56 | 115,337,935.87 |
| Expenses | | |
| Cost of sales | 103,082,843.55 | 112,993,249.17 |
| Selling expenses | 3,443,916.52 | 3,862,626.64 |
| Administrative expenses | 20,410,485.72 | 19,480,502.39 |
| Total expenses | 126,937,245.79 | 136,336,378.20 |
| Loss before finance cost | (13,772,848.23) | (20,998,442.33) |
| Finance cost | (1,005,057.31) | (1,394,750.78) |
| Loss before income tax expenses | (14,777,905.54) | (22,393,193.11) |
| Income tax expenses | - | - |
| Net loss for the year | (14,777,905.54) | (22,393,193.11) |

The accompanying notes are an integral part of the financial statements.


 Director
 (Mr. Roy Ho Yew Kee)



AUDITED FINANCIAL STATEMENTS OF KTCL FOR THE 11M-FPE 31 MARCH 2022 (Cont'd)

Komark (Thailand) Company Limited


Statement of changes in shareholders' equity

For the period as from 1 May 2021 to 31 March 2022

(Unit : Baht)

| | Issued and fully paid-up | Retained earnings | | Total |
|-----------------------------|-----------------------------|-------------------|-----------------|-----------------|
| | share capital | Appropriated | Unappropriated | |
| Balance as at 1 May 2020 | 33,400,000.00 | 3,340,000.00 | 24,776,341.02 | 61,516,341.02 |
| Net loss for the year | - | - | (22,393,193.11) | (22,393,193.11) |
| Balance as at 30 April 2021 | 33,400,000.00 | 3,340,000.00 | 2,383,147.91 | 39,123,147.91 |
| Balance as at 1 May 2021 | 33,400,000.00 | 3,340,000.00 | 2,383,147.91 | 39,123,147.91 |
| Net loss for the period | - | - | (14,777,905.54) | (14,777,905.54) |
| Balance as at 30 March 2022 | 33,400,000.00 | 3,340,000.00 | (12,394,757.63) | 24,345,242.37 |

The accompanying notes are an integral part of the financial statements.



 Director

 (Mr. Roy Ho Yew Kee)



KOMARK (THAILAND) CO., LTD.

Komark (Thailand) Company Limited

Notes to financial statements

For the period as from 1 May 2021 to 31 March 2022

1. General information

Komark (Thailand) Company Limited ("the Company") is a limited company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacture and distribution of product labels. The registered office of the Company is at 700/451 Moo 7, Amata City Chonburi Industrial Estate, Donhuaror, Muangchonburi, Chonburi.

2. Basis of preparation

The financial statements have been prepared in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities as issued by the Federation of Accounting Professions and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

3. Significant accounting policies


3.1 Revenue recognition

Sales of goods

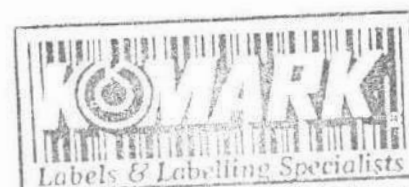
Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

3.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.


..... Director
(Mr. Roy Ho Yew Kee)

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KOMARK (THAILAND) CO., LTD.

3.3 Trade accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

3.4 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined by First-in First-out method.

3.5 Plant and equipment / Depreciation

Plant and equipment are stated at cost less accumulated depreciation and allowance for diminution in value (if any).

Depreciation of equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:


| | |
|--|-------------|
| Leasehold improvement | 10 years |
| Machinery | 5, 20 years |
| Printing equipment | 10 years |
| Furniture, fixtures and office equipment | 5, 10 years |
| Motor vehicles | 5 years |

Depreciation is included in determining income. No depreciation is provided on assets under installation.

3.6 Related party transactions

Related parties comprise individuals or enterprises that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies, and individuals or enterprises which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors, and officers with authority in the planning and direction of the Company's operations.


 Director
 (Mr. Roy Ho Yew Kee)

3.7 Long-term leases

Leases which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, which interest element is charged to the income statements over the lease period.

Leases which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

3.8 Foreign currencies

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of the reporting period.

Gains and losses on exchange are included in determining income.

3.9 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

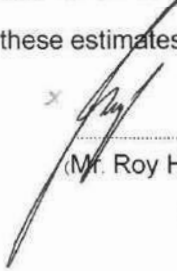
For long-term employee benefits, the Company calculates its long-term employee benefits obligation on the basis of its best estimate of its payment obligations as at the end of the reporting period.

3.10 Income tax

Income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

4. Use of accounting estimates

The preparation of financial statements in conformity with financial reporting standards requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.


..... Director
(Mr. Roy Ho Yew Kee)



5. Trade and other receivables

As at 31 March 2022 and 30 April 2021, trade and other receivables consisted of;

(Unit: Baht)

| | <u>31 March 2022</u> | <u>30 April 2021</u> |
|--|----------------------|----------------------|
| Trade receivables - related parties | 500,895.22 | 468,874.42 |
| Trade receivables - unrelated parties | 24,142,583.89 | 21,923,854.14 |
| Total | <u>24,643,479.11</u> | <u>22,392,728.56</u> |
| Less : Allowance for doubtful accounts | (698,901.62) | (534,700.82) |
| Trade receivables - net | <u>23,944,577.49</u> | <u>21,858,027.74</u> |
| Other receivables | 322,870.35 | 689,011.64 |
| Trade and other receivables - net | <u>24,267,447.84</u> | <u>22,547,039.38</u> |

6. Short - term loans to related party

Loans to a related company carried interest at the 0.20% per annum (30 April 2021: 1.10% per annum). The loans are unsecured and repayable on demand.

7. Inventories


As at 31 March 2022 and 30 April 2021, inventories consisted of;

(Unit: Baht)

| | <u>31 March 2022</u> | <u>30 April 2021</u> |
|---|----------------------|----------------------|
| Finish goods | 2,547,589.41 | 7,264,362.35 |
| Work in progress | 876,582.18 | 311,270.21 |
| Raw material | 3,374,454.29 | 5,056,000.95 |
| Factory supply and spare part | 33,794,755.20 | 32,726,453.97 |
| Total | <u>40,593,381.08</u> | <u>45,358,087.48</u> |
| Less: Allowance for obsoleted inventories | (3,578,800.32) | (4,154,773.38) |
| Inventories - net | <u>37,014,580.76</u> | <u>41,203,314.10</u> |

8. Restricted bank deposits

As at 30 April 2021, fixed deposits amounting to Baht 4.96 million were pledged with the banks to secure credit facilities (31 March 2022: Nil).


 Director
 (Mr. Roy Ho Yew Kee)

The gross carrying amount of the Company's fully depreciated plant and equipment that was still in use as at 31 March 2022 amounted to Baht 91.3 million (30 April 2021: 73.7 million).

10. Bank overdrafts

As at 30 April 2021, the Company has engaged in bank overdrafts facilities one local bank in total of Baht 18 million. All these facilities are secured by the Company's bank deposit (31 March 2022: Nil).

11. Liabilities under finance lease agreements


As at 31 March 2022 and 30 April 2021, liabilities under finance lease agreements consisted of;

| | (Unit: Baht) | |
|---|-----------------------|-----------------------|
| | <u>31 March 2022</u> | <u>30 April 2021</u> |
| Liabilities under finance lease agreements | 6,830,160.00 | 11,400,870.00 |
| Less : Deferred interest expenses | (341,222.01) | (791,604.34) |
| Total | <u>6,488,937.99</u> | <u>10,609,265.66</u> |
| Less : Portion due within one year | <u>(4,981,449.15)</u> | <u>(5,514,346.28)</u> |
| Liabilities under finance lease agreements- net of current portion | <u>1,507,488.84</u> | <u>5,094,919.38</u> |

The Company has entered into the finance lease agreements with a leasing company for rental of machinery and motor vehicles for use in its operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally between 4 and 5 years.

12. Long - term loans from related party

Loans from a related company carried interest at the 7% per annum. The loans are unsecured and is due for repayment within January 7, 2024 (30 April 2021: Nil).


 _____ Director
 (Mr. Roy Ho Yew Kee)
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13. Long-term employee benefits

The provisions represent the Company's obligations payable to its employees when they reach a retirement age. They are determined based on the employee's age, length of employment services and staff turnover rate, among other things.

As at 31 March 2022 and 30 April 2021, provision for long-term employee benefit consisted of;

| | (Unit: Baht) | |
|-----------------------------------|----------------------|----------------------|
| | <u>31 March 2022</u> | <u>30 April 2021</u> |
| Balance at beginning period | 5,680,965.00 | 5,598,397.00 |
| Increase (decrease) during period | (337,217.57) | 82,568.00 |
| Balance at ending period | <u>5,343,747.43</u> | <u>5,680,965.00</u> |

14. The Provident Fund Employees is registration

The Company has a fund of contributions for employees under the Provident Fund Act B.E.2530. Membership to the fund is based on voluntary employees. They pay accumulated and the Company contributed to the fund monthly at the rate of 3 - 5 of salary. The Provident Fund employees is managed by the fund managers according the requirements of Regulation No.2 (2532), issued under the Provident Fund Act B.E.2530.

The company contributions above totaling Baht 439,153.31 and Baht 480,030.40 for the periods ended 31 March 2022 and 30 April 2021, in the income statement.

15. Statutory reserve

According to the Thai Civil and Commercial Code, the Company is required to set aside to a statutory reserve an amount equal to at least five percent of its net profit each time the Company pays out a dividend, until such reserve reaches ten percent of its registered share capital. The statutory reserve cannot be used for dividend payment.

At present, the statutory reserve has fully been set aside.

Mr. Roy Ho Yew Kee

Director



KOMARK (THAILAND) CO., LTD

16. Commitments and contingent liabilities

16.1. Operating lease commitments

Future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

| | (Unit: Baht) | |
|-----------------------------|----------------------|----------------------|
| | <u>31 March 2022</u> | <u>30 April 2021</u> |
| In up to 1 year | 3,787,875.00 | 5,050,500.00 |
| In over 1 and up to 5 years | - | 3,367,000.00 |

16.2. Guarantees

As at 30 April 2021, there was outstanding bank guarantee of approximately Baht 0.4 million issued by banks on behalf of the Company in respect of normal business operations (31 March 2022: Nil)

16.3. Letter of credit facilities

As at 31 March 2022 and 30 April 2021, the Company had a credit facility of letters of credit with overseas suppliers totaling USD 0.1 million.

17. Reclassification of accounts

The Company's financial statements for the period ended 30 April 2021 have been reclassified to conform to the period ended 31 March 2022 presentation. The reclassification does not any affect to the previously reported net loss or shareholders' equity.

18. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised director on 18 July 2022.



Director

(Mr. Roy Ho Yew Kee)

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KOMARK (THAILAND) CO., LTD

SALIENT TERMS OF THE WARRANTS

The indicative salient terms of the Warrants are set out as follows:

| Terms | Details |
|---|---|
| Issue size | : Up to 434,690,877 Warrants |
| Form and constitution | : The Warrants will be issued in registered form and constituted by the Deed Poll to be executed by the Company. |
| Tenure | : 5 years commencing from and including of the date of issuance of the Warrants (" Issue Date ") |
| Expiry date | : A date which falls on the day immediately before the fifth (5 th) anniversary of the Issue Date and if such day falls on a day which is not a Market Day, then it shall be the Market Day immediately preceding the said non-Market Day (" Expiry Date "). "Market Day" means a day on which the stock market of Bursa Securities is open for trading in securities. |
| Exercise price | : The exercise price of the Warrants (" Exercise Price ") shall be determined by the Board at a later date after obtaining the relevant approvals but prior to the Entitlement Date. The Exercise Price shall however be subject to adjustments in accordance with the provisions of the Deed Poll during the Exercise Period (as defined below). |
| Exercise period | : The period commencing on and including the Issue Date and ending at 5.00 p.m. on the Expiry Date (" Exercise Period "). Any Warrant not exercised at the expiry of the Exercise Period (as defined herein) will thereafter lapse and cease to be valid for any purpose. |
| Mode of exercise | : A Warrant holder is required to lodge an exercise form with the Company's share registrar which is duly completed, signed and stamped together with payment by way of banker's draft or cashier's order or money order or postal order drawn on a bank or post office operating in Malaysia or by way of interbank transfer for the credit of an account maintained by the Company for the amount equal to the Exercise Price payable when exercising their Warrants to subscribe for new Shares. The payment of such fee must be made in Ringgit Malaysia. |
| Exercise rights | : Each Warrant shall entitle the Warrant holder to subscribe for 1 new Share for every 1 Warrant at any time during the Exercise Period at the Exercise Price, upon terms and subject to the provisions of the Deed Poll. |
| Board lot | : For the purposes of trading on Bursa Securities, a board lot for the Warrants shall be 100 Warrants or such other denominations as permitted by any relevant authorities from time to time. |
| Adjustment in the exercise price and/ or number of Warrants | : The Exercise Price and/ or number of Warrants may be adjusted by the Board in consultation with an approved adviser appointed by the Company or certified by the auditors of the Company at any time during the tenure of the Warrants, whether by way of capitalisation issue, rights issue, bonus issue, consolidation of shares, subdivision of shares or reduction of capital, in accordance with the terms and conditions of the Deed Poll. |

SALIENT TERMS OF THE WARRANTS (Cont'd)

| Terms | Details |
|--|---|
| Rights of the Warrant holders in the event of winding-up, liquidation, compromise or arrangement | <p>: Where a resolution has been passed for a members' voluntary winding-up of the Company, or there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies, then:</p> <p>(i) for the purposes of such a winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the Warrant holders, or some persons designated by them for such purposes by a special resolution of the Warrants holders, shall be a party, the terms of such winding-up, compromise or arrangement shall be binding on all the Warrant holders; and</p> <p>(ii) in the event a notice is given by the Company to its shareholders to convene a general meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind up the Company, and in any other case and subject always to the provisions of Deed Poll, every Warrant holder shall thereupon be entitled to exercise his Warrants at any time within 6 weeks after the passing of such resolution for a members' voluntary winding up of the Company or within 6 weeks after the granting of the court order approving the winding-up, compromise or arrangement (as the case may be), whereupon the Company shall allot the relevant new Shares to the Warrant holder credited as fully paid subject to the prevailing laws, and such Warrant holder shall be entitled to receive out of the assets of the Company which would be available in liquidation if the Warrant holder had on such date been the holder of the new Shares to which the Warrant holder would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly. Upon the expiration of the aforesaid 6 weeks period, all exercise rights which have not then been exercised will lapse and every Warrant will cease to be valid for any purpose.</p> |
| Modifications of rights of the Warrant holders | : Subject to the provisions of the Deed Poll, no amendment or addition may be made to the provisions of Deed Poll without the consent or sanction of the Warrants holders unless the amendments or additions are required to correct any manifest errors or are required to comply with any provisions of the prevailing laws or regulations of Malaysia or in the opinion of the Company, will not be materially prejudicial to the interests of the Warrant holders. |
| Transferability | : Subject to the provisions of the Deed Poll, the Warrants shall be transferable in the manner provided under the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository, Listing Requirements, Act and any other relevant statute or regulation. |
| Listing | : The Warrants will be listed on the Main Market of Bursa Securities. |
| Governing law | : The laws of Malaysia. |

BY-LAWS OF D'NONCE TECHNOLOGY BHD'S SHARE ISSUANCE SCHEME**1. NAME OF THE SCHEME**

- 1.1. This scheme shall be called the “**D'Nonce Technology Bhd's Share Issuance Scheme**” (“**Scheme**”).

2. DEFINITIONS AND INTERPRETATION

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

| | |
|---------------------------------------|---|
| Act | the Companies Act, 2016 |
| Adviser | a person who is permitted to carry out regulated activity of advising on corporate finance under the Capital Markets and Services Act 2007 which includes a recognised principal adviser under the Guidelines on Submission of Corporate and Capital Market Product Proposals issued by the SC including any amendments thereto that may be made from time to time. |
| Audit and Management Committee | Risk the audit and risk management committee of the Company. |
| Auditor | the auditors for the time being of the Company or in the event of them being unable or unwilling to carry out any action requested by the Company pursuant to the provisions of this By-Laws, such other auditors licenced by the Audit Oversight Board (as established under Part IIIA of the Securities Commission Act 1993) as may be nominated by the Company for that purpose. |
| Board | the board of directors of the Company for the time being. |
| Bursa Depository | Bursa Malaysia Depository Sdn Bhd Registration No.: 198701006854 (165570-W) or its successor in title or such other depository as may be approved by the relevant authorities to be a central depository under the Central Depositories Act and shall where the context requires, include its nominee company. |
| Bursa Securities | Bursa Malaysia Securities Berhad Registration No.: 200301033577 (635998-W) or its successor in title. |
| By-Laws | the rules, terms and conditions of the Scheme, as may be modified, varied and/or amended from time to time in accordance with the terms and conditions therein. |
| CDS | Central Depository System. |
| CDS Account | an account established by Bursa Depository for a depositor for the recording of deposits and withdrawal of |

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| | securities for dealings in such securities by the depositor. |
| Central Depositories Act | the Securities Industry (Central Depositories) Act 1991. |
| Company or DTB | D'Nonce Technology Bhd Registration No.: 200001000687 (503292-K) or its successor in title. |
| Constitution | the Constitution of the Company for the time being in force or such other constituent document constituted in replacement of the constitution or memorandum and articles of association (as the case may be) |
| Date of Acceptance | has the meaning given to it in By-Law 7.2 . |
| Date of Expiry | the last day of the Duration of the Scheme. |
| Date of Offer | the date on which an Offer is made by the SIS Committee to an Eligible Person pursuant to By-Law 6 . |
| Director(s) | a natural person who holds a directorship within the Group, whether in an Executive or Non-Executive capacity, within the meaning of Section 2(1) of the Capital Markets & Services Act 2007. |
| Duration of the Scheme | the duration of the Scheme as defined in By-Law 19.2 and includes any extension or renewal thereof. |
| Effective Date | the date on which the Scheme comes into force as provided in By-Law 19.1 . |
| EGM | extraordinary general meeting. |
| Eligible Person(s) | the persons who meet the criteria of eligibility for participation in the Scheme as set out in By-Law 4 . |
| Employee | a natural person who is employed by and on the payroll of any company within the Group. |
| Entitlement Date | the date as at the close of business on which the shareholders' names must appear in the Company's Record of Depositors and/or Register of Members in order to be entitled to any dividends, rights, allotments and/or other distributions. |
| Executive Director | a natural person who holds a directorship within the Group and performs an executive function. |
| Grantee | an Eligible Person who has accepted an Offer in the manner provided in By-Law 7 . |
| Group | the Company and its Subsidiaries which are not dormant. |
| Interested Parties | as the meaning given to it in By-Law 4.3 . |

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| Letter of Offer | as the meaning given to it in By-Law 6.1 . |
| Listing Requirements | the Main Market Listing Requirements of Bursa Securities including any Practice Notes issued in relation thereto. |
| Market Day | a day on which the stock market of which Bursa Securities is open for trading of securities. |
| Maximum Allowable Allotment | the maximum number of Options that can be offered to an Eligible Person in accordance with the provisions of By-Law 5 . |
| Notice of Exercise | has the meaning given to it in By-Law 9.10 . |
| Non-Executive Director | a Director of within the Group who is not an Executive Director. |
| Offer(s) | a written offer by the SIS Committee from time to time to an Eligible Person to participate in the Scheme in the manner provided in By-Law 6 . |
| Offer Period | the period as stipulated in By-Law 6.5 . |
| Offeror | has the meaning given to it in By-Law 16.1(a) |
| Option(s) or SIS Option(s) | the right of a Grantee to subscribe for new Shares at the Option Price and where the context so requires, means any part of the Options as shall remain unexercised. |
| Option Certificate | has the meaning given to it in By-Law 7.4 . |
| Option Period | the period commencing from the Date of Offer and expiring on the Date of Expiry or such other dates as stipulated by the SIS Committee in the Offer or upon the date of termination of the Scheme as provided in By-Law 19 , whichever is earlier. |
| Option Price | the price at which a Grantee shall be entitled to subscribe for each new Share upon the exercise of an Option, as initially determined and as may be adjusted pursuant thereto in accordance with the provisions of By-Law 10 . |
| Permitted Period | has the meaning given to it in By-Law 14.6(a)(i) . |
| Person Connected | has the meaning given to "person connected" in Paragraph 1.01 of the Listing Requirements. |
| Previous Company | has the meaning given to it in By-Law 17.3 . |
| Representative | a legal or personal representative(s) or heir(s). |
| RM and sen | Ringgit Malaysia and sen respectively. |
| Rules of Bursa Depository | the rules of Bursa Depository and any appendices thereto, as issued pursuant to the Central Depositories |

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| | Act. |
| SC | Securities Commission Malaysia. |
| Scheme or SIS | DTB's Share Issuance Scheme established by the By-Laws for the grant of the Options to Eligible Persons to subscribe for new Shares. |
| Share(s) or DTB Share(s) | ordinary shares in the Company. |
| SIS Committee | the committee appointed by the Board to implement and administer the Scheme in accordance with these By-Laws, comprising such persons appointed by the Board from time to time. |
| Specified Date | has the meaning given to it in By-Law 16.1(b) . |
| Subsidiary(ies) | subsidiary of the Company within the meaning of Section 4 of the Act and shall include such subsidiaries which are existing as at the Effective Date and those subsequently acquired or incorporated at any time during the Duration of the Scheme but excludes those which have been divested in the manner provided in By-Law 17 . |
| Vesting Notice | has the meaning given to it in By-Laws 9.4 . |
- 2.2. Headings are for ease of reference only and do not affect the meaning of a By-Law.
- 2.3. Any reference to a statutory provision or an applicable law shall include a reference to:
- (a) any and all subsidiary legislation made from time to time under that provision of law;
 - (b) any and all Listing Requirements, policies and/or guidelines of Bursa Securities whether or not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies and/or guidelines are addressed by Bursa Securities;
 - (c) that provision as from time to time modified or re-enacted, whether before or after the date of these By-Laws, so far as such modification or re-enactment applies or is capable of applying to the Scheme;
 - (d) any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced.
- 2.4. Words importing the masculine gender shall include the feminine and neuter genders and all such references shall be construed interchangeably in that manner.
- 2.5. Words importing the singular number shall include the plural number and vice versa.

DRAFT BY-LAWS (Cont'd)

- 2.6. 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 Market Day after that day; and if an event is to occur on a stipulated day which falls after the Date of Expiry then the stipulated day shall be taken to be the last Market Day of the Duration of the Scheme.
- 2.7. Any liberty or power or discretion which may be exercised and/or any decision or determination which may be made, under these By-Laws:
- (a) by the Board may be exercised in the Board's sole and absolute discretion and the Board shall not be under any obligation to give any reasons therefor;
 - (b) by the SIS Committee may be exercised in the SIS Committee's sole and absolute discretion and the SIS Committee shall not be under any obligation to give any reasons therefor, but subject always to the Board's power to overrule any decision of the SIS Committee.
- 2.8. Unless the context otherwise expressly requires, words and expressions which are otherwise defined in the Listing Requirements shall have the same meaning when used in these By-Laws.
- 2.9. In the event of any change in the name of the Company from its present name, all references to "**Company**" in these By-Laws and all other documents pertaining to the Scheme shall be deemed to be references to the Company's new name.

3. MAXIMUM NUMBER OF SHARES AVAILABLE UNDER THE SCHEME

- 3.1. The maximum number of Shares which may be made available under the Scheme shall not in aggregate exceed **fifteen percent (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 Scheme.
- 3.2. Notwithstanding any provisions contained in these By-Laws, in the event the maximum number of Shares that may be made available under the Scheme exceeds in aggregate **fifteen percent (15%)** of the total number of issued shares of the Company (excluding treasury shares, if any) as a result of the Company purchasing, cancelling and/or reducing its Shares in accordance with the Act or the Company undertaking any corporate proposal and thereby diminishing its total number of issued shares, then such Options granted prior to the adjustment of the total number of issued shares of the Company (excluding treasury shares, if any) shall remain valid and exercisable in accordance with the provisions of these By-Laws. However, in such a situation, the SIS Committee shall not make any further Offers until the total number of issued shares of the Company (excluding treasury shares, if any) under the subsisting Options falls below **fifteen percent (15%)** of the total number of issued shares of the Company (excluding treasury shares, if any).

4. ELIGIBILITY

- 4.1. Subject to the discretion of the SIS Committee, only Eligible Persons who fulfil the following conditions shall be eligible to participate in the Scheme:
- 4.1.1. In respect of any Employee, the Employee must, as at the Date of Offer of the SIS Option:
- (a) attained the age of 18 years and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;

- (b) entered into a full-time or fixed-term contract with, and is on the payroll of, any company within the Group (excluding dormant subsidiaries), and whose service has been confirmed and have not served a notice of resignation or received a notice of termination by the relevant company within the Group; and
 - (c) fulfilled any other eligibility criteria as may be set by the SIS Committee at any time and from time to time.
- 4.1.2. In respect of any Director, the Director must, as at the Date of Offer of the SIS Option:
 - (a) attained the age of 18 years and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
 - (b) has been appointed as a Director of any company within the Group (excluding dormant subsidiaries) for such period as may be determined by the SIS Committee prior and up to the Date of Offer; and
 - (c) fulfilled any other eligibility criteria as may be set by the SIS Committee at any time and from time to time.
- 4.1.3. Notwithstanding the above, the SIS Committee may in its absolute discretion determine any other eligibility criteria and/or waive any of the eligibility criteria as set out in this **By-Law 4.1** for the purpose of selecting an Eligible Person at any time and from time to time, and the decision of the SIS Committee shall be final and binding.
- 4.1.4. In determining the eligibility of an Eligible Person to participate in the Scheme, the SIS Committee may take into account amongst other factors, the performance, contribution, employment grade, seniority and/or length of service to the relevant company within the Group and/or such other factors that the SIS Committee may deem fit.
- 4.2. Subject to these By-Laws, there are no performance targets to be achieved by the Grantee before the Options can be vested and exercised into Shares.
- 4.3. Notwithstanding **By-Law 4.1**, the specific allotment to be made to any Eligible Person who is Director, major shareholder or chief executive officer of the Company or holding company of the Company ("**Interested Parties**") or a person connected with any of the Interested Parties, the specific allocation of Shares and/or Options granted by the Company to him under the Scheme must be approved by the shareholders of the Company at a general meeting unless such approval is no longer required under the Listing Requirements provided always that such Interested Party and Persons Connected with them shall not have voted on the resolution approving their respective allocation.
- 4.4. An Eligible Person who holds more than one (1) position within the Group and by holding such positions, the Eligible Person is in more than one category, shall only be entitled to the Maximum Allowable Allotment of any one of those categories. The SIS Committee shall be entitled at its discretion to determine the applicable category.

DRAFT BY-LAWS (Cont'd)

- 4.5. An Employee or Director of a dormant company within the Group is not eligible to participate in the Scheme.
- 4.6. An Employee or Director who during the Duration of the Scheme becomes an Eligible Person may, at the discretion of the SIS Committee, be eligible to participate in the Scheme, subject to the Maximum Allowable Allotment.
- 4.7. The SIS Committee may from time to time at its absolute discretion select and identify suitable Eligible Persons to be offered the Options. In the event that any Eligible Person is a member of the SIS Committee, such Eligible Person shall not participate in the deliberation of his/her own allocations.
- 4.8. Eligibility under the Scheme does not confer upon the Eligible Person a claim or right to participate in or any rights whatsoever under the Scheme and the Eligible Person does not acquire or have any rights over or in connection with the Options or Shares unless the Offer has been made by the SIS Committee to the Eligible Person and, the Eligible Person has accepted the Offer in accordance with these By-Laws and satisfied all vesting conditions of the Options, if any.

5. BASIS OF ALLOTMENT AND MAXIMUM ALLOWABLE ALLOTMENT

- 5.1. Subject to **By-Law 3** and any adjustment which may be made under **By-Law 15**, the number of Options to be allocated to an Eligible Person at any time in each Offer made pursuant to the Scheme shall be at the sole and absolute discretion of the SIS Committee after taking into consideration, amongst other factors, the Eligible Person's performance, contribution, employment grade, seniority, length of service and/or such other factors as the SIS Committee deems fit, and subject to the following conditions:
 - (a) the total number of Shares made available under the Scheme shall not exceed the amount stipulated in **By-Law 3.1** at any point in time during the Duration of the Scheme;
 - (b) not more than **ten percent (10%)** of the total number of Shares to be issued under the Scheme shall be allocated to any Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds **twenty percent (20%)** or more of the total number of issued shares of the Company (excluding treasury shares);
 - (c) not more than **seventy five percent (75%)** of the total number of Shares to be issued under the Scheme shall be allocated, in aggregate, to the Directors and senior management of the Group who are Eligible Persons (where "senior management" shall be subject to any criteria as may be determined by the SIS Committee from time to time). This is intended to (a) incentivise the Directors of the Group for their contribution towards the development, growth and success and strategic direction of the Group, to drive long-term shareholder value enhancement of the Group; and (b) incentivise the senior management of the Group for their commitment, dedication and loyalty towards attainment of higher performance. The basis was determined by the Board taking into consideration:
 - (i) the number of Directors and senior management who are eligible to participate in the Scheme as well as their ranking, seniority length of service and contribution to the Group; and

DRAFT BY-LAWS (Cont'd)

- (ii) they are crucial to the performance of the Group as the Directors and senior management are key drivers of the Group's business and operations; and
 - (d) the Directors and senior management of the Group and members of the SIS Committee who are Eligible Persons shall not participate in the deliberation or discussion of their respective allocations as well as to persons connected with them, if any,

provided always that it is in accordance with the Listing Requirements or any prevailing guidelines issued by Bursa Securities or any other relevant authorities as amended from time to time.
- 5.2. The SIS Committee shall be entitled to determine the Maximum Allowable Allotment in relation to each class or grade of the Directors and Employees and the aggregate maximum number of Options that can be offered to the Directors and senior management of the Group under the Scheme from time to time, and the decision of the SIS Committee shall be final and binding.
- 5.3. In the event that an Eligible Person is promoted, the Maximum Allowable Allotment applicable to such promoted Eligible Person shall be the Maximum Allowable Allotment corresponding to the new category of employee which he/she then is a party, subject always to the availability of Options and the maximum number of Shares available under the Scheme under **By-Law 3.1**.
- 5.4. The Company shall ensure that allocation of Options is verified by the Audit and Risk Management Committee at the end of each financial year as being in compliance with the criteria for allocation of Options which have been disclosed to the Eligible Persons.
- 5.5. The SIS Committee may at its absolute discretion determine whether the granting of the Options to the Eligible Persons will be:
 - (a) based on staggered granting over the Duration of the Scheme or in one (1) single grant or separate and independent with each other, including the maximum allocation of the Offer for each financial year in the event the Offer is staggered over the duration of the Scheme;
 - (b) subject to any vesting period, and if so, to determine the vesting conditions for the Options; and
 - (c) whether any vesting condition has been fully and duly satisfied. If applicable, where the SIS Committee has determined that the vesting conditions have been fully and duly satisfied, the SIS Committee shall notify the Grantee the number of the Options vested or which will be vested to him/her on the vesting date.
- 5.6. To the extent possible and subject always these By-Laws, the SIS Committee will ensure that there should be equitable allocation to various categories of Eligible Persons.

6. OFFER

- 6.1. During the Duration of the Scheme, the SIS Committee may at any time and from time to time make an Offer in writing to an Eligible Person ("**Letter of Offer**"), subject to the Eligible Person's Maximum Allowable Allotment. Each Offer shall be in multiples of and not less than one hundred (100) Shares or such other units of Shares constituting one (1) board lot as may be determined by the SIS Committee. The Options shall only be accepted in multiples of and not less than one hundred (100) Shares or such other units of Shares constituting one (1) board lot as may be determined by the SIS Committee.
- 6.2. In implementing the Scheme, the SIS Committee may decide that the Options be satisfied by the following methods:
- (a) issuance of new Shares;
 - (b) transfer of the Company's treasury shares or any other methods as may be permitted by the Act; or
 - (c) a combination of any of the above.
- 6.3. The SIS Committee shall state the following in the Letter of Offer:
- (a) the number of Options that are being offered to the Eligible Person;
 - (b) the number of Shares which the Eligible Person shall be entitled to subscribe for upon the vesting (if applicable) and exercise of the Options;
 - (c) the Date of Offer;
 - (d) the Option Period;
 - (e) the Option Price;
 - (f) the Offer Period;
 - (g) the closing date for acceptance of the Offer;
 - (h) the vesting conditions of the Options as determined by the SIS Committee, if any;
 - (i) the manner and conditions of exercise of the Options; and
 - (j) any other information deemed necessary by the SIS Committee.
- 6.4. Without prejudice to **By-Law 20**, in the event of an error on the part of the Company in stating any of the particulars referred to in **By-Law 6.3**, the following provisions shall apply:
- (a) as soon as possible but in any event no later than **one (1) month** after discovery of the error, the Company shall issue a supplemental Letter of Offer, stating the correct particulars referred to in **By-Law 6.3**;

- (b) in the event that the error relates to particulars other than the Option Price, the Option Price applicable in the supplemental Letter of Offer shall remain as the Option Price as per the original Letter of Offer; and
 - (c) in the event that the error relates to the Option Price, the Option Price in the supplemental Letter of Offer shall be the Option Price applicable as at the date of the original Letter of Offer, save and except with respect to any Option which have already been exercised as at the date of issue of the supplemental Letter of Offer.
- 6.5. An Option shall be valid for acceptance for a period of **thirty (30) days** from the Date of Offer or the closing date for acceptance of the Offer stipulated in the Letter of Offer, whichever is later or such longer period as may be determined by the SIS Committee.
- 6.6. Subject to **By-Law 5**, nothing herein shall prevent the SIS Committee from making more than one (1) Offer to an Eligible Person **PROVIDED THAT** the total aggregate number of Options offered to such Eligible Person during the Duration of the Scheme shall not exceed the Maximum Allowable Allotment of such Eligible Person.
- 6.7. The actual number of Options that may be granted to an Eligible Person shall be determined by the SIS Committee and subject to any adjustment that may be made under **By-Law 15**.

7. ACCEPTANCE

- 7.1. An Offer shall be accepted by an Eligible Person within the Offer Period by written notice to the Company accompanied by a non-refundable payment to the Company of a sum of **Ringgit Malaysia One (RM1.00) only**, as acceptance of the Options, regardless of the number of Shares comprised therein.
- 7.2. The date of receipt by the Company of the written notice by an Eligible Person referred to in **By-Law 7.1** shall be the Date of Acceptance.
- 7.3. If an Offer made to an Eligible Person is not accepted in the manner set out in this **By-Law 7** within the Offer Period, the Offer shall automatically lapse and be null and void and be of no further force and effect. The Options comprised in such Offer may, at the discretion of the SIS Committee, be re-offered to other Eligible Persons.
- 7.4. The Company shall, within **thirty (30) days** from the acceptance of the Offer by the Eligible Person, issue to the Eligible Person an option certificate in such form as may be determined by the SIS Committee ("**Option Certificate**").
- 7.5. Notwithstanding **By-law 6.5**, in the event of death or cessation of employment of the Eligible Person or the Eligible Person becomes a bankrupt, as the case may be, prior to the acceptance of the Offer made to the Eligible Person, such Offer shall automatically lapse and be null and void and shall not be capable of acceptance. The Options comprised in such Offer may, at the discretion of the SIS Committee, be re-offered to other Eligible Persons.
- 7.6. The Company shall keep and maintain a register of Grantees at its expense and shall enter in that register the names and addresses of the Grantees and such information as may be prescribed by the SIS Committee.

8. NON-TRANSFERABILITY

- 8.1. An Option is personal to the Grantee and subject to the provisions of **By-Laws 14.2 to 14.6**, is exercisable only by the Grantee personally during his/her lifetime whilst he/she is in the employment of any company within the Group.
- 8.2. Unless permitted under these By-Laws, an Option shall not be transferred, assigned, disposed of or subject to any encumbrances by the Grantee. Any attempt to transfer, assign, dispose or encumber any Option shall result in the automatic cancellation of the Option.

9. VESTING CONDITIONS AND EXERCISE OF OPTIONS

- 9.1. Subject to **By-Laws 9.12, 14.1, 16 and 17**, an Option granted to a Grantee under this Scheme is exercisable only by that Grantee during his/her lifetime whilst he/she is in the employment of any company within the Group and within the Option Period (subject always to **By-Laws 9.2 and 9.8**). All unexercised Options shall become null and void after the Date of Expiry.
- 9.2. The SIS Committee may within its power under **By-Law 20**, at any time and from time to time, before or after the Options are granted, limit the exercise of the Options to a number of Shares and/or such percentage of the total Shares comprised in the Options during such periods within the Option Period and impose other terms and/or conditions deemed appropriate by the SIS Committee.
- 9.3. The SIS Committee shall, as and when it deems necessary, review and determine at its own discretion the vesting conditions specified in respect of the Offer. A Grantee shall be entitled to exercise the Options granted to him/her after the vesting conditions, if any, are fully and duly satisfied which includes amongst others, the following:
 - (a) the Eligible Person must remain as an employee and shall not have given a notice to resign to the Company or any company within the Group (as applicable) or receive a notice of termination from the Company or any company within the Group (as applicable) as at the vesting date; and
 - (b) any other conditions which are determined by the SIS Committee.
- 9.4. The SIS Committee shall have absolute discretion to determine whether any vesting condition has been fully and duly satisfied. If applicable, where the SIS Committee has determined that the vesting conditions have been fully and duly satisfied, the SIS Committee shall notify the Grantee the number of Options vested or which will be vested to him/her on the vesting date ("**Vesting Notice**").
- 9.5. Subject to these By-Laws, there are no performance targets to be achieved by the Grantee before the Options can be vested and exercised into Shares.
- 9.6. Where an Option is exercised only in part, the Option Certificate shall be endorsed by the SIS Committee stating *inter-alia*, the number of Shares which remain capable of being exercised.

- 9.7. A Grantee shall exercise the Options granted to him/her in multiples of and not less than one hundred (100) Shares or such other units of Shares constituting one (1) board lot as may determined by the SIS Committee save and except where a Grantee's balance of Options exercisable in accordance with these By-Laws shall be less than one hundred (100) Shares or such other units of Shares constituting one (1) board lot as may determined by the SIS Committee, in which case, the said balance shall, if exercised, be exercised in a single tranche. Such partial exercise of an Option shall not preclude the Grantee from exercising the Option as to the balance any new Option, if any, which he is entitled to subscribe under the Scheme.
- 9.8. Options which are exercisable in a particular year but are not exercised may be carried forward to subsequent years subject to the Option Period. Any Option which remain unexercised at the expiry of the Option Period shall be automatically terminated and lapse without any claim against the Company.
- 9.9. Subject to the absolute discretion of the SIS Committee, where a Grantee is serving under an employment contract, he/she may exercise any remaining unexercised Options within **sixty (60) days** before the expiry of the employment contract if the remaining duration of the employment contract from the date on which the Options are granted is less than the Option Period.
- 9.10. A Grantee shall exercise his/her Options by notice in writing to the Company in such form and manner as the SIS Committee may prescribe or approve ("**Notice of Exercise**"). The procedure for the exercise of the Options to be complied with by a Grantee shall be determined by the SIS Committee from time to time.
- 9.11. Every Notice of Exercise shall state the number of Shares an Eligible Person intends to subscribe and shall be accompanied by the relevant Option Certificate and the relevant evidence of remittance for the full amount of the subscription monies payable in respect thereof **PROVIDED THAT** the number of Shares stated therein shall not exceed the amount exercisable by such Eligible Person.
- 9.12. The Grantee shall state his/her CDS Account in the Notice of Exercise. Within **eight (8) Market Days** (or such other period as may be prescribed or allowed by Bursa Securities, and subject to the Constitution) after receipt of the complete and valid Notice of Exercise together with the remittance from the Grantee and subject to the provisions of the Listing Requirements, Central Depositories Act, Rules of Bursa Depository and the Constitution, the Company shall issue/transfer the relevant number of Shares, despatch a notice of allotment to the Grantee and make an application for the listing of and quotation for such relevant number of Shares (where applicable). No physical certificate will be issued. For Grantees who do not have a CDS Account, such Grantees are required to open a CDS Account at their own expense before they can exercise their Options.
- 9.13. Any failure to comply with the procedures specified by the SIS Committee or to provide information as required by the Company in the Notice of Exercise or inaccuracy in the CDS Account number provided shall result in the Notice of Exercise being rejected at the discretion of the SIS Committee. The SIS Committee shall inform the Grantee of the rejection of the Notice of Exercise within **ten (10) Market Days** from the date of rejection and the Grantee shall then be deemed not to have exercised his/her Option.

9.14. Notwithstanding anything contrary herein contained, the SIS Committee shall have the right at its absolute discretion by notice in writing to that effect, to suspend the right of any Grantee who is being subjected to disciplinary proceedings (whether or not such disciplinary proceedings may give rise to dismissal or termination of services of such Grantee or are found to have had no basis or justification) to exercise his/her Options pending the outcome of such disciplinary proceedings. In addition to this right of suspension, the SIS Committee may impose such terms and conditions as the SIS Committee shall deem appropriate on the Grantee's right to exercise his/her Options having regard to the nature of the charges made or brought against such Grantee, **PROVIDED ALWAYS** that:

- (a) in the event such Grantee is found not guilty of the charges which gave rise to such disciplinary proceedings, the SIS Committee shall reinstate the right of such Grantee to exercise his/her Option;
- (b) in the event the disciplinary proceedings result in a recommendation for the dismissal or termination of service of such Grantee, all unexercised and partially exercised Options of the Grantee shall immediately lapse and be null and void and of no further force and effect, without notice to the Grantee, upon pronouncement of the dismissal or termination of service of such Grantee notwithstanding that such recommendation, dismissal and/or termination of service may be subsequently challenged or disputed by the Grantee in any other forum;
- (c) in the event the Grantee is found guilty but no dismissal or termination of service is recommended, the SIS Committee shall have the right to determine whether or not the Grantee may continue to exercise his/her Options or any part thereof and if so, to impose such terms and conditions as it deems appropriate, on such exercise rights; and
- (d) in the event that no decision is made or disciplinary proceedings are not concluded prior to the expiry of the Option Period, the Option of such Grantee shall immediately lapse on the expiry of the Option Period without notice,

and nothing herein shall impose any obligation on the SIS committee to enquire into or investigate the substantiveness or validity of such disciplinary proceedings and the SIS Committee shall not under any circumstances be held liable for any cost, 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 these By-Laws.

9.15. Every Option shall be subject to the condition that no Shares shall be issued to the Grantee pursuant to the exercise of an Option if such an issue would be contrary to any law, enactment, rules and/or regulations of any legislative or non-legislative body which may be in force during the Option Period or such period as may be extended.

9.16. The Group, the Board (including Directors that had resigned but were on the Board during the Option Period) and the SIS Committee shall not under any circumstances be held liable to the Grantee and/or his Representative or any person or any entity for any third party claim, loss of profits, loss of opportunity, loss of savings or any punitive, incidental or consequential damage, including without limitation lost profits or savings, directly or indirectly arising from any delay on the part of the Company in allotting and issuing the Shares or in procuring Bursa Securities to list and quote the Shares subscribed for by the Grantee or any delay in respect of non-receipt by the Company of the notice to exercise the options or for any error in any Offer.

10. OPTION PRICE

- 10.1. Subject to any adjustment in accordance with **By-Law 15** and pursuant to the Listing Requirements, the Option Price shall be a price to be determined by the SIS Committee based on the weighted average market price of the Shares for the **five (5) Market Days** immediately preceding the Date of Offer subject to a discount of not more than **ten percent (10%)** or such other percentage or discount as may be permitted by Bursa Securities and/or any other relevant authorities from time to time.
- 10.2. The Option Price as determined by the SIS Committee shall be conclusive and binding on the Grantees.

11. RIGHTS OF A GRANTEE

- 11.1. The Options shall not carry any right to vote at any general meeting of the Company.
- 11.2. The Shares which are issued/transferred and credited into the Grantee's CDS Account upon the exercise of the Options, would carry rights to vote at any general meeting of the Company, if the Grantee is registered on the Register of Depositors on the Entitlement Date as at the close of business to be entitled to attend and vote at the general meeting.
- 11.3. A Grantee shall not in any event be entitled to any dividends, rights, allotments or any other distributions that may be declared, made or paid, or offer of further securities in the Company unless and until the Grantee becomes a shareholder of the Company by exercising the Options.

12. RANKING OF THE SHARES PURSUANT TO THE EXERCISE OF THE OPTIONS

- 12.1. The Shares to be issued/transferred to the Grantee arising from the exercise of the Options will, upon allotment and issue, rank *pari passu* in all respects with the then existing Shares of the Company, save and except that they will 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 precedes the date of allotment and issuance of the Shares.
- 12.2. The Shares under the Scheme will be subject to the provisions of the Constitution relating to transfer, transmission or otherwise of the Shares including the rights of the holder of the Shares on the winding up of the Company. The Grantees will not be entitled to any voting right or participation in any form of distribution and/or offer of further securities in the Company until and unless such Grantees exercise their Options into Shares and such Shares are credited into the Grantees' respective CDS Account.

13. RETENTION PERIOD AND RESTRICTION ON TRANSFER

- 13.1. The Shares to be issued/transferred to a Grantee (save for a Grantee who is a Non-Executive Director) under the Scheme, shall not be subject to any retention period or restriction on transfer. However, the Company encourages Grantees to hold the Shares subscribed for by them as a long-term investment and not for any speculative and/or realisation to yield a profit. Notwithstanding the foregoing, the SIS Committee shall be entitled to prescribe or impose, in relation to any Offer, any condition relating to any retention period or restrictions on transfer as it sees fit.

- 13.2. Notwithstanding **By-Law 13.1**, a Grantee who is a Non-Executive Director shall be subject to the restrictions on dealing in accordance with any prevailing and applicable guidelines issued by Bursa Securities or any other relevant authorities as amended from time to time including, but not limited to Paragraph 8.20 of the Listing Requirements which prohibits a Non-Executive Director from selling, transferring or assigning the Shares obtained through the exercise of the Options offered to him pursuant to this Scheme within **one (1) year** from the Date of Offer of such Options.

14. TERMINATION OF OPTIONS

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

- (a) termination or cessation of employment of the Grantee with the Group for any reason whatsoever, in which event the Option shall be automatically terminated on the day the Grantee's employer accepts his/her notice of resignation or the Grantee's employer notifies the Grantee of termination of his/her employment or on the day the Grantee notifies his/her employer of his/her resignation or on the Grantee's last day of employment, whichever is the earlier; or
- (b) bankruptcy of the Grantee, in which event the Option shall be automatically terminated on the date a bankruptcy order (or other similar order) is made against the Grantee by a court of competent jurisdiction; or
- (c) subject to **By-Law 18**, winding up or liquidation of the Company; or
- (d) termination of the Scheme pursuant to **By-Law 19.5**,

whichever shall be applicable.

Upon the termination of the Options pursuant to **By-Laws 14.1(a), (b), (c) or (d)**, the Grantee shall have no right to compensation or damages or any claim against the Group from any loss of any right or benefit or prospective right or benefit under the Scheme which he/she might otherwise have enjoyed, whether for wrongful dismissal or breach of contract or loss of office or otherwise howsoever arising from his/her ceasing to hold office or employment or from the suspension of his/her right to exercise his/her Options or his/her Options ceasing to be valid.

- 14.2. Notwithstanding **By-Law 14.1**, a Grantee may apply in writing to the SIS Committee to be allowed to continue to hold and to exercise any Option held by him/her upon termination of employment with the Group in the following circumstances:
- (a) retirement upon or after attaining the age in accordance with the Company's (including any company within the Group) retirement policy; or
 - (b) retirement before the age specified under the above said retirement policy, with the consent of his/her employer; or
 - (c) ill-health, injury, physical or mental disability; or
 - (d) redundancy, retrenchment or voluntary separation scheme; or

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- (e) any Director not being re-elected during a general meeting of the Company; or
- (f) transfer to any company outside the Group at the direction of the Company or a company within the Group; or
- (g) any other circumstance as may be deemed as acceptable to the SIS Committee.

14.3. Applications under **By-Law 14.2** shall be made within the Duration of the Scheme:

- (a) in a case where **By-Law 14.2(a), (b), (e) or (g)** is applicable, within **one (1) month** before the Grantee's last day of employment/service, the Grantee may exercise all his/her unexercised Options. In the event that no application is received by the SIS Committee before the Grantee's last day of employment/service, any Option held by the Grantee on his last day of employment shall be automatically terminated;
- (b) in a case where **By-Law 14.2(c)** is applicable, within **one (1) month** after the Grantee notifies his/her employer of his/her resignation due to ill health, injury, physical or mental disability, the Grantee may exercise all his/her unexercised Options. In the event that no application is received by the SIS Committee within the said period, any Option held by the Grantee at the expiry of the said period shall be automatically terminated;
- (c) in a case where **By-Law 14.2(d)** is applicable, the Grantee may exercise all his/her unexercised Options, within **one (1) month** after the Grantee is notified that he/she will be retrenched or, where he/she is given an offer by his employer as to whether he/she wishes to accept retrenchment upon certain terms, within **one (1) month** after he/she accepts such offer. In the event that no application is received by the SIS Committee within the said period, any Option held by the Grantee at the expiry of the said period shall be automatically terminated; and
- (d) in a case where **By-Law 14.2(f)** is applicable, within **one (1) month** after the Grantee is notified that he/she will be transferred to a company outside the Group, the Grantee may exercise all his/her unexercised Options. In the event that no application is received by the SIS Committee within the said period, any Option held by the Grantee at the expiry of the said period shall be automatically terminated.

14.4. The SIS Committee shall consider applications under **By-Law 14.2** on a case-by-case basis and may at its discretion approve or reject any application in whole or in part without giving any reasons thereof and may impose any terms and conditions in granting an approval. The decision of the SIS Committee shall be final and binding. In the event that the SIS Committee approves an application in whole or in part, the Grantee may exercise the Options which are the subject of the approval within the period so approved by the SIS Committee and subject to the provisions of **By-Law 9**. Any Options in respect of which an application is rejected shall be automatically terminated on the date of termination stipulated in the relevant paragraph of **By-Law 14.3** or on the date of the SIS Committee's decision, whichever is the later.

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- 14.5. In the event that the SIS Committee receives an application under **By-Law 14.2** after the expiry of the relevant period under **By-Law 14.3**, the SIS Committee shall take into account the reasons given by the Grantee for the delay in making the application, in exercising the SIS Committee's discretion and powers under **By-Law 14.4**. In the event that the SIS Committee approves the application in whole or in part, the Company shall make an Offer in respect of the unexercised Options which are the subject of approval to the Grantee and such Options offered, if accepted by the Grantee shall be exercisable:
- (a) only within the Option Period of those Options which were terminated due to the Grantee's delay in making the application;
 - (b) in accordance with the provisions of **By-Law 9** as applicable in respect of such terminated Options; and
 - (c) at the Option Price applicable in respect of such terminated Options.
- 14.6. In the event a Grantee dies before the expiration of the Option Period and at the time of his/her death held unexercised Options, the following provisions shall apply:
- (a) such unexercised Options may be exercised by the Representative of the deceased Grantee:
 - (i) within **twelve (12) months** after the Grantee's death ("**Permitted Period**"); or
 - (ii) within the Option Period;
 whichever expires first.
 - (b) In the event that the Option Period expires before the Permitted Period, any Option which has not been exercised by the Representative at the expiry of the Option Period shall be automatically terminated and the Representative shall not be entitled to apply for any extension of time for exercising such unexercised Options.
 - (c) In the event that the Permitted Period expires before the Option Period, the following provisions shall apply:-
 - (i) the Representative may, at any time before the expiry of the Permitted Period, apply in writing to the SIS Committee for an extension of the Permitted Period, stating the reasons as to why the extension is required. In the event that no application is received by the SIS Committee before the expiry of the Permitted Period, any Option which has not been exercised by the Representative at the expiry of the Permitted Period shall be automatically terminated; and
 - (ii) SIS Committee shall consider such applications on case-by-case basis and may in its discretion approve or reject an application in whole or in part without giving any reason thereof and may impose any term and condition in granting an approval. The decision of the SIS Committee shall be final and binding. In the event that the SIS Committee approves an application in whole or in part, the

Representative may exercise the Options which are the subject of the approval within such extension of the Permitted Period as is approved (which shall not exceed the Option Period) and in accordance with **By-Law 9**. Any Option in respect of which an application is rejected shall be automatically terminated at the expiry of the Permitted Period or on the date of the SIS Committee's decision, whichever is the later.

For the avoidance of doubt, in the event the Representative exercises such unexercised Options, the provisions in these By-Laws shall apply mutatis mutandis to the Representative.

15. ALTERATION OF SHARE CAPITAL AND ADJUSTMENTS

- 15.1. Subject to **By-Law 15.4**, in the event of any alteration in the capital structure of the Company during the Option Period, whether by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of Shares or reduction of capital or any other variation of capital shall take place or if the Company shall make a capital distribution during the Duration of the Scheme, the Company shall cause such adjustment to be made to:

- (a) the Option Price;
- (b) the number of Options granted to each Grantee (excluding the Options already exercised); and/or
- (c) the number of Shares and/or Option Price comprised in the Offer which is open for acceptance during the Offer Period (if such Offer is subsequently accepted in accordance with the terms and conditions of the Offer and these By-Laws),

to ensure that the capital outlay to be incurred by the Grantee in subscribing for the same proportion of Shares to which the Grantee was entitled to prior to the event giving rise to such adjustments (i.e. not taking into account the Options already exercised) shall remain unaffected.

Any adjustment (other than an adjustment pursuant to a bonus issue, subdivision or consolidation of Shares) must be confirmed in writing by the Company's external auditors or an approved company auditor or an Adviser of the Company, acting as an expert and not as an arbitrator, to be in their opinion, fair and reasonable.

- 15.2. The following provisions shall apply in relation to an adjustment which is made pursuant to **By-Law 15.1**:

- (a) any adjustment to the Option Price shall be rounded up to the nearest one (1) sen; and
- (b) in determining a Grantee's entitlement to subscribe for Shares, any fractional entitlements will be disregarded.

- 15.3. Subject to **By-Law 15.2**, the Option Price and/or the number of Options granted to each Grantee so far unexercised shall from time to time be adjusted, calculated and determined by the SIS Committee in accordance with the formulas set out in this **By-Law 15.3** in consultation with the Company's external auditors or an approved company auditor or an Adviser of the Company.

(a) **Consolidation or subdivision**

If and whenever a Share by reason of any consolidation or subdivision, the Option Price and/or the additional number of Options shall be adjusted, calculated or determined in the following manner:

$$\text{New Option Price} = \text{EP} \times \frac{\text{Total number of issued shares (excluding treasury shares, if any) before the consolidation or subdivision}}{\text{Total number of issued shares (excluding treasury shares, if any) after the consolidation or subdivision}}$$

$$\text{Additional number of Options} = \text{T} \times \frac{\text{Total number of issued shares (excluding treasury shares, if any) after the consolidation or subdivision} - \text{T}}{\text{Total number of issued shares (excluding treasury shares, if any) before the consolidation or subdivision}}$$

Where:

EP = Existing Option Price; and

T = Existing number of Options held.

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

(b) **Capitalisation of profits/reserves**

If and whenever the Company shall make any issue of new Shares to ordinary shareholders by way of bonus issue or capitalisation of profits or reserves of the Company (whether of a capital or income nature), the Option Price shall be adjusted by multiplying it by the following fraction:

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

and the additional number of Options to be issued shall be calculated as follows:

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

Where:

A = the aggregate number of issued shares of the Company immediately before such bonus issue or capitalisation issue;

B = the aggregate number of new Shares to be issued pursuant to any allotment to ordinary shareholders of the Company by way of

bonus issue or capitalisation of profits or reserves of the Company (whether of a capital or income nature); and

T = As defined in **By-Law 15.3(a)**.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date of such issue.

(c) If and whenever the Company shall make:

(i) **Capital distribution**

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) **Rights issue of Shares**

any offer or invitation to ordinary shareholders whereunder they may acquire or subscribe new Shares by way of rights; or

(iii) **Rights issue of convertible securities**

any offer or invitation to ordinary shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into new Shares or securities with rights to acquire or subscribe for new Shares attached thereto,

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

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

and in respect of the case referred to in **By-Law 15.3(c)(ii)**, the number of additional Options to be issued shall be calculated as follows:

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

Where:

C = the current market price of each Share on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation; and

D = (aa) in the case of an offer or invitation to acquire or subscribe for new Shares under **By-Law 15.3(c)(ii)** or for securities convertible into Shares or securities with rights to acquire or subscribe for new Shares under **By-Law 15.3(c)(iii)**, the value of rights attributable to one (1) existing Share (as defined below); or

(bb) in the case of any other transaction falling within **By-Law 15.3(c)**, the fair market value as determined by the Company (with the concurrence of the Company's external auditor or an approved company auditor) of that portion of the Capital Distribution attributable to one (1) existing Share.

T = as defined in **By-Law 15.3(a)**;

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

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

Where:

C = as defined in **By-Law 15.3(c)**;

E = the subscription price for one (1) additional Share under the terms of such offer or invitation or one (1) additional security convertible into Shares or one (1) additional security with rights to acquire or subscribe for Shares; and

F = the number of existing Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or security convertible into Shares or one (1) additional security with rights to acquire or subscribe for Shares.

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

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

Where:

C = as defined in **By-Law 15.3(c)**;

E* = the subscription price for one (1) additional Share under the terms of such offer or invitation to acquire or subscribe for Shares; and

F* = the number of existing Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share.

For the purpose of **By-Law 15.3(c)**, "**Capital Distribution**" shall (without prejudice to the generality of that expression) include distributions in cash or specie (other than dividends) or by way of issue of new Shares (not falling under **By-Law 15.3(b)**) or other securities by way of capitalisation of profits or reserves of the Company (whether of a capital or income nature).

Any distribution out of profits or reserves made (whenever paid and howsoever described) shall 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 statement of comprehensive income of the Company for any period as shown in the audited consolidated profit and loss accounts of the Company.

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

(d) **Capitalisation of profits/reserves and rights issue of Shares/convertible securities**

If and whenever the Company makes any allotment to its ordinary shareholders as provided in **By-Law 15.3(b)** and also makes any offer or invitation to its ordinary shareholders as provided in **By-Law 15.3(c)(ii)** or **(iii)** and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the Option Price shall be adjusted by multiplying it by the following fraction:-

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

and where the Company makes any allotment to its ordinary shareholders as provided in **By-Law 15.3(b)** and also makes any offer or invitation to its ordinary shareholders as provided in **By-Law 15.3(c)(ii)** and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the number of additional Options to be issued shall be calculated as follows:

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

Where:

B = as defined in **By-Law 15.3(b)**;

C = as defined in **By-Law 15.3(c)**;

G = the aggregate number of issued shares of the Company on the Entitlement Date;

H = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into new Shares or 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 Shares by way of rights;

I = the subscription price of one (1) additional new Share under the offer or invitation to acquire or subscribe for Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share, as the case may

be;

I* = the subscription price of one (1) additional new Share under the offer or invitation to acquire or subscribe for Shares; and

T = as defined in **By-Law 15.3(a)**.

Unless otherwise as may be prescribed by Bursa Securities, such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for such issue.

(e) **Rights issue of Shares and rights issue of convertible securities**

If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for new Shares as provided in **By-Law 15.3(c)(ii)** together with an offer or invitation to acquire or subscribe for securities convertible into new Shares as provided in **By-Law 15.3(c)(iii)** and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the Option Price shall be adjusted by multiplying it by the following fraction:

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

and the number of additional Options to be issued shall be calculated as follows:

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

Where:

C = as defined in **By-Law 15.3(c)**;

G = as defined in **By-Law 15.3(d)**;

H = as defined in **By-Law 15.3(d)**;

H* = as defined in **By-Law 15.3(d)**;

I = as defined in **By-Law 15.3(d)**;

I* = as defined in **By-Law 15.3(d)**;

J = the aggregate number of new Shares to be issued to its ordinary shareholders upon conversion of such securities or 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) additional Share; and

T = as defined in **By-Law 15.3(a)**;

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

(f) **Capitalisation of profits/reserve, rights issue of shares and rights issue of convertible securities**

If and whenever the Company makes an allotment to its ordinary shareholders as provided in **By-Law 15.3(b)** and also makes an offer or invitation to acquire or subscribe for Shares to its ordinary shareholders as provided in **By-Law 15.3 (c)(ii)**, together with rights to acquire or subscribe for securities convertible into new Shares or with rights to acquire or subscribe for Shares as provided in **By-Law 15.3 (c)(iii)**, and the Entitlement Date for the purpose of allotment is also the Entitlement Date for the purpose of the offer or invitation, the Option Price shall be adjusted by multiplying it by the following fraction:-

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

and the number of additional Options to be issued shall be calculated as follows:

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

Where:

B = as defined in **By-Law 15.3(b)**;

C = as defined in **By-Law 15.3(c)**;

G = as defined in **By-Law 15.3(d)**;

H* = as defined in **By-Law 15.3(d)**;

I* = as defined in **By-Law 15.3(d)**;

J = as defined in **By-Law 15.3(e)**;

K = as defined in **By-Law 15.3(e)**; and

T = as defined in **By-Law 15.3(a)**;

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

- (g) If and whenever (otherwise that pursuant to a rights issue available to all shareholders and requiring an adjustment under By-Laws 15.3(c)(ii), (c)(iii), (d), (e) or (f) above), the Company shall issue either any Share or any

security convertible into Shares or with rights to acquire or subscribe for Shares, and in any such case, the Total Effective Consideration per Share (as defined below) is less than ninety per centum (90%) of the Average Price for one (1) Share (as defined below) or, as the case may be, the price at which Shares will be issued upon conversion of such securities or exercise of such rights is determined, the Exercise Price shall be adjusted by multiplying it by the following fraction:

$$\frac{L + M}{L + N}$$

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 Shares which the Total Effective Consideration (as defined below) would have purchased at the Average Price (as defined below)(exclusive of expenses); and
- N = the aggregate number of Shares so issues or, in the case of securities convertible into Shares or with rights to acquire or subscribe for Shares, the maximum number (assuming no adjustment of such rights) of Shares issuable upon full conversion of such securities or the exercise in full of such rights.

For the purpose of By-Law 15.3(g), “**Total Effective Consideration**” shall be determined by the Board who may but are not obliged to consult the Adviser and/or Auditors and shall be:

- (i) in case of the issue of Shares, the aggregate consideration receivable by the Company on payment in full for such Shares;
- (ii) in the case of the issue by the Company of securities wholly or partly convertible into 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 subscribe for 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, discount or expense 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 Shares issued as aforesaid or, in the case of securities convertible into Shares or securities with rights to acquire or subscribe for Shares, by the maximum number of Shares issuable on full conversion of such securities or on exercise in full of such rights.

For the purpose of By-Law 15.3(g), "**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 Shares as quoted on Bursa Securities the Market Days comprised in the period used as a basis upon which the issue price of such Shares is determined.

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

- (h) For the purpose of **By-Laws 15.3(c), (d), (e) and (f)**, the "**Current Market Price**" in relation to one (1) existing Share for any relevant day shall be the average of the last traded prices for the five (5) consecutive Market Days before such date or during such other period as may be determined in accordance with any guidelines issued, from time to time, by the relevant authorities.
- (i) Any adjustment (other than an adjustment pursuant to a bonus issue, subdivision or consolidation of Shares) must be confirmed in writing by the Company's external auditors or an approved company auditor or an Adviser of the Company (acting as experts and not as arbitrators), upon reference to them by the SIS Committee, to be in their opinion, fair and reasonable, **PROVIDED ALWAYS THAT:**
 - (i) upon any adjustment to the Option Price shall be rounded up to the nearest one (1) sen;
 - (ii) in the event that a fraction of a new Share arising from the adjustment referred to in these By-Laws would otherwise be required to be issued upon the exercise of an Option by the Grantee, the Grantee's entitlement shall be rounded down to the nearest whole number;
 - (iii) upon any adjustment being made pursuant to these By-Laws, the SIS Committee shall within **thirty (30) days** of the effective date of the alteration in the capital structure of the Company, notify the Grantee (or his/her Representative where applicable) in writing informing him/her the adjusted Option Price thereafter in effect and/or the revised number of Options to be issued; and
 - (iv) any adjustments made must be in compliance with the provisions for adjustment as provided in these By-Laws.

Notwithstanding the foregoing, any adjustments to the Option Price and/or the number of Options to be issued so far as unexercised arising from bonus issue, need not be confirmed in writing by the Company's external auditors or an approved company auditor or an Adviser of the Company.

- 15.4. The provisions of this **By-Law 15** shall not be applicable where an alteration in the capital structure of the Company arises from any of the following:-

DRAFT BY-LAWS (Cont'd)

- (a) an issue of Shares pursuant to the exercise of the Options under the Scheme; or
 - (b) an issue of securities as consideration or part consideration for an acquisition of any other securities, assets or business; or
 - (c) an issue of securities via a placement (including an issuance of securities pursuant to Sections 75 or 76 of the Act); or
 - (d) any special issuance of new Shares or other securities to Bumiputera investors nominated by the Malaysian government and/or any other relevant authority of the Malaysian government to comply with the Malaysian government's policy on Bumiputera capital participation; or
 - (e) a restricted issue of securities; or
 - (f) an issue of new Shares arising from the exercise of any conversion rights attached to securities convertible into new Shares or upon exercise of any other rights including warrants, convertible loan stocks or other instruments by the Company; or
 - (g) a purchase by the Company of its own Shares of all or a portion of such Shares purchased pursuant to Section 127 of the Act;
 - (h) an issue of further Options to Eligible Persons pursuant to adjustments made under **By-Law 15**; or
 - (i) any other proposals which will not result in an adjustment to the reference price of the Shares and as amended from time to time by the relevant authorities such as Bursa Securities and Securities Commission Malaysia.
- 15.5. In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to the Act, **By-Law 15.1** shall be applicable 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 15.1** is applicable, but **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 15.1** is not applicable as described in **By-Law 15.4**.
- 15.6. An adjustment pursuant to **By-Law 15.1** shall be made according to the following terms:-
- (a) in the case of a rights issue, bonus issue or other capitalisation issue, on the next Market Day immediately following the Entitlement Date in respect of such issue; or
 - (b) in the case of a consolidation or subdivision of Shares or reduction of capital or any other variation of capital, on the next Market Day immediately following the date on which the consolidation, subdivision or reduction or variation becomes effective or such other period as may be prescribed by Bursa Securities.

Upon any adjustment being made, the Company shall give notice in writing within **thirty (30) days** from the date of adjustment to the Grantee, or his/her Representative, to inform him/her of the adjustment and the event giving rise thereto.

- 15.7. Notwithstanding the provisions referred to in these By-Laws, the SIS Committee may exercise its discretion to determine whether any adjustments to the Option Price and/or number of Options to be issued as provided for under these By-Laws, be calculated on a different basis or date or should take effect on a different date or that such adjustments be made to the Option Price and/or number of Options to be issued notwithstanding that no such adjustment formula has been explicitly set out in these By-Laws provided that the adjustment is in compliance with the Listing Requirements and Act and not detrimental to the Grantees.

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

- 16.1. In the event of:

- (a) A take-over offer being made for, under the Rules on Take-Overs, Mergers and Compulsory Acquisitions 2016 (or any replacement thereof), to acquire the whole of the issued share capital of the Company (or such part thereof not at the time held by the person making the take-over ("**Offeror**") or any persons acting in concert with the Offeror), a Grantee will be entitled within such period to be determined by the SIS Committee, to exercise all or any part of his/her Options and the Board shall use their best endeavours to procure that such a general offer be extended to the Shares that may be issued pursuant to the exercise of the Options under these By-Laws; or
- (b) The Offeror becoming entitled or bound to exercise the right of compulsory acquisition of Shares under the provisions of any applicable statutes, rules and/or regulations and gives notice to the Grantee that it intends so to exercise such rights on a specific date ("**Specified Date**"), a Grantee will be entitled to exercise all or any part of his/her Options from the date of service of the said notice to the Company until the expiry of the Specified Date.

In the foregoing circumstances, if the Grantee fails to exercise his/her Options or elects to exercise only in respect of a portion of such Shares, then any Options to the extent unexercised by the expiry of the periods stipulated in the aforesaid circumstances shall automatically lapse and be null and void.

- 16.2. Notwithstanding the provisions of **By-Law 9** and subject to the discretion of the SIS Committee, in the event of the court sanctioning a compromise or arrangement between the Company and its members proposed for the purpose of, or in connection with, a scheme of arrangement and reconstruction of the Company under the Act or its amalgamation with any other company or companies under the Act or the Company decided to merge with other company or companies, the SIS Committee may at its absolute discretion decide whether a Grantee may be entitled to exercise all or any part of his/her Options which remains unexercised at any time commencing from the date upon which the compromise or arrangement is sanctioned by the court and ending on the date upon which it becomes effective **PROVIDED ALWAYS THAT** no Option shall be exercised after the expiry of the Option Period. Upon the compromise or arrangement becoming effective, all unexercised Options shall automatically lapse and shall become null and void and of no further force and effect.

17. DIVESTMENT FROM AND TRANSFER TO/FROM THE GROUP

17.1. If a Grantee is in the employment of a company within the Group and such company is subsequently divested, wholly or in part, from the Group:-

- (a) the SIS Committee will have the right to determine at its discretion whether or not the Grantee will be entitled to continue to hold and to exercise all the unexercised or partially exercised Options which were granted to him/her under the Scheme within a period which will be decided by the SIS Committee, failing which the right of such Grantee to subscribe for that number of Shares or any part thereof granted under such unexercised or partially exercised Option(s) shall automatically lapse and be null and void and of no further force and effect upon the expiry of the relevant period; and
- (b) the Grantee shall no longer be eligible to participate for further Options under the Scheme as from the date of completion of such divestment.

17.2. For the purposes of **By-Law 17.1**, a company shall be deemed to be divested from the Group or disposed of from the Group in the event that the effective interest of the Company in such company is reduced from above fifty percent (50%) to fifty percent (50%) or below so that such company would no longer be a subsidiary of the Company pursuant to the Act (other than pursuant to a takeover, scheme or arrangement, amalgamation, reconstruction, merger or otherwise as provided under the **By-Law 16**).

17.3. In the event that:-

- (a) an employee who was employed in a company which is related to the Company pursuant to 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 employee 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 an employee of the Previous Company will be eligible to participate in this Scheme for the remaining Option Period, if the affected employee becomes an "Eligible Person" within the meaning under these By-Laws.

For the avoidance of doubt, in the event of any acquisition or in company of any company into the Group pursuant to part (b) above as a subsidiary as defined in the Act or any other statutory regulation in place thereof during the tenure of the Scheme, the Scheme shall apply to the employee of such company (i) on the date such company becomes a subsidiary of the Group (provided that such subsidiary is not dormant) and (ii) falling within the meaning of the expression of "Eligible Person" and the provisions of the By-Laws shall apply.

18. WINDING-UP

- 18.1. All outstanding Options shall be automatically terminated and be of no further force and effect in the event that a resolution is passed or a court order is made for the winding-up of the Company commencing from the date of such resolution or the date of the court order. In the event a petition is presented in court for the winding-up or liquidation of the Company, all rights to exercise the Options shall automatically be suspended from the date of the presentation of the petition. Conversely, if the petition for winding-up is dismissed by the court, the right to exercise the Options shall accordingly be unsuspended.

19. DURATION, TERMINATION AND EXTENSION OF SCHEME

- 19.1. The Effective Date for the implementation of the Scheme shall be at the date of full compliance with all relevant requirements in the Listing Requirements, including the following:-

- (a) submission of the final copy of the By-Laws to Bursa Securities together with a letter of compliance pursuant to Paragraph 2.12 of the Listing Requirements and a checklist showing compliance with Appendix 6E of the Listing Requirements;
- (b) receipt of the approval from Bursa Securities for the listing of and quotation for such number of new Shares to be issued pursuant to the exercise of the Options granted under the Scheme;
- (c) procurement of shareholders' approval for the Scheme;
- (d) receipt of approval of any other relevant authorities, where applicable; and
- (e) fulfilment of all conditions attached to the above approvals, if any.

The Adviser of the Company shall submit a confirmation letter to Bursa Securities of full compliance with the relevant requirements of the Listing Requirements stating the Effective Date of implementation of the Scheme together with a certified true copy of the relevant resolution passed by the shareholders of the Company in a general meeting approving the Scheme. The confirmation letter shall be submitted to Bursa Securities no later than **five (5) Market Days** after the Effective Date.

- 19.2. The Scheme, when implemented, shall be in force for a period of **five (5) years** from the Effective Date and may be extended or renewed (as the case may be) for a further period of **five (5) years** or such shorter period, at the sole and absolute discretion of the Board upon the recommendation by the SIS Committee, provided always that the initial SIS period stipulated above and such extension of the SIS made pursuant to these By-laws shall not in aggregate exceed a duration of **ten (10) years** from the Effective Date. For the avoidance of doubt, no further sanction, approval or authorisation of the shareholders of the Company in a general meeting is required for any such extension or renewal (as the case may be).
- 19.3. Offer can only be made during the Duration of the Scheme and before 5.00 p.m. on the Date of Expiry.

DRAFT BY-LAWS (Cont'd)

- 19.4. Notwithstanding anything to the contrary, all unexercised Options shall lapse at 5.00 p.m. on the Date of Expiry.
- 19.5. Subject to compliance with the Listing Requirements, other requirements of Bursa Securities and any other relevant authorities, The Scheme may be terminated by the SIS Committee at any time before the Date of Expiry **PROVIDED THAT** the Company makes an announcement immediately to Bursa Securities. The announcement shall include:
- (a) the effective date of termination ("**Termination Date**");
 - (b) the number of Options exercised and/or Shares vested; and
 - (c) the reasons for termination.
- Notwithstanding anything to the contrary, all unexercised Options shall lapse on the Date of Expiry.
- 19.6. In the event of termination as stipulated in **By-Law 19.5**, the following provisions shall apply:
- (a) no further Offer shall be made by the SIS Committee from the Termination Date;
 - (b) all Offers which have yet to be accepted by Eligible Persons shall automatically lapse on the Termination Date; and
 - (c) all outstanding Options which have yet to be exercised shall be automatically terminated on the Termination Date.
- 19.7. For the avoidance of doubt, approval or consent of shareholders by way of a resolution in a general meeting and written consent of the Grantees whose Options have yet to be exercised or vested are not required to effect the termination of the Scheme.

20. ADMINISTRATION

- 20.1. 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 and with such powers and duties as are conferred upon it by the Board. The decision of the SIS Committee shall be final and binding.
- 20.2. Without limiting the generality of **By-Law 20.1**, the SIS Committee may, for the purpose of administering the Scheme, do all acts and things, execute all documents and delegate any of its powers and duties relating to the Scheme as it may at its discretion consider to be necessary or desirable for giving effect to the Scheme including the powers to:
- (a) subject to the provisions of the Scheme, construe and interpret the Scheme and/or Options granted under it, to define the terms therein and to recommend to the Board to establish, amend and/or revoke rules and regulations relating to the Scheme and its administration. The SIS Committee in the exercise of this power may correct any defect, supply any omission, or

reconcile any inconsistency in the Scheme or in any agreement providing for an Option in a manner and to the extent it shall deem necessary to expedite and make the Scheme fully effective; and

- (b) determine all questions of policy and expediency that may arise in the administration of the Scheme and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interests of the Company.

- 20.3. The Board shall have power at any time and from time to time to approve, rescind and/or revoke the appointment of any person in the SIS Committee as it shall deem fit.

21. MODIFICATION, VARIATION AND/OR AMENDMENT TO THE SCHEME

- 21.1. Subject to **By-Law 21.2** and compliance with the Listing Requirements, the SIS Committee may at any time and from time to time recommend to the Board any additions, modifications or amendments to or deletions of the By-Laws as it shall, at its sole discretion, deems fit and the Board shall have the power at any time and from time to time by resolution to add to, amend, modify and/or delete all or any of the terms in the By-Laws upon such recommendation and subject to the Company submitting the amended By-Laws and a letter of compliance to Bursa Securities each time an amendment and/or modification is made, stating that the amendment and/or modification is in compliance with the provisions of the Listing Requirements and the Rules of Bursa Depository.

- 21.2. Subject to **By-Law 21.3**, the approval of the shareholders of the Company in general meeting shall not be required in respect of additions, modifications or amendments to or deletions of these By-Laws (including any additions, modifications or amendments to or deletions of these By-Laws for purposes of complying with the Act) **PROVIDED THAT** no additions, modifications or amendments to or deletions of these By-Laws shall be made which would:

- (a) prejudice any rights which would have accrued to any Grantee without the prior consent or sanction of that Grantee; or
- (b) increase the number of Shares available under the Scheme beyond the maximum imposed by **By-Law 3.1**; or
- (c) prejudice any rights of the shareholders of the Company; or
- (d) alter the **By-Laws 3.1, 4.1, 5.1, 5.2, 5.4, 7.1, 9, 10, 11, 12, 15, 19.1, 19.2** and the definition of Option Period, to the advantage of an Eligible Person and/or Grantee unless prior approval of the shareholders of the Company in general meeting is obtained.

- 21.3. Upon amending or modifying all or any of the provisions of the Scheme, the Company shall within **five (5) Market Days** after the effective date of the amendments, cause to be submitted to Bursa Securities the amended By-Laws and a confirmation letter that the said amendment or modification complies and does not contravene any of the provisions of the Listing Requirements.

- 21.4. The Grantees shall be given written notices in the term prescribed by the SIS Committee from time to time in the event of any conditions, amendments to and/or modifications of these By-Laws within **fourteen (14) Market Days** of any of the foregoing taking effect.

22. INSPECTION OF THE AUDITED FINANCIAL STATEMENTS

- 22.1. All Grantees shall be entitled to inspect the latest audited financial statements of the Company at the registered office of the Company during normal business hours on any working day of the registered office.

23. SCHEME NOT A TERM OF EMPLOYMENT

- 23.1. 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 in the Group under which the Eligible Person is employed 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 Group.

24. NO COMPENSATION FOR TERMINATION

- 24.1. No Eligible Persons shall be entitled to any compensation for damages arising from the termination of any 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 of any company of the Group. The rights of any Eligible Person under the terms of his/her office and/or employment with any company within the Group shall not be affected by his/her participation in the Scheme, nor shall such participation or the Offer or consideration for the Offer afford such Eligible Person any additional rights to compensation or damages in consequence of the termination of such office or employment for any reason;
- (b) this Scheme shall not confer on any person any legal or equitable right or other rights under any law (other than those constituting the Options) against the Company or any company of the Group, directly or indirectly, or give rise to any course of action in law or in equity or under any other theory of law against any company within the Group;
- (c) no Grantee or his/her Representative shall bring any claim, action or proceeding against any company of the Group, the SIS Committee or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension/cancellation of his/her rights/exercise of his/her Options or his/her rights/Options ceasing to be valid pursuant to the provisions of these By-Laws; and
- (d) the Company, the Board (including Directors that had resigned but were on the Board during the Option Period) or the SIS Committee shall in no event be liable to the Grantee or his/her Representative (as the case may be) or any other person or entity for any third party claim, loss profits, loss of opportunity,

loss of saving or any punitive, incidental or consequential damage, including without limitation lost profits or savings, directly or indirectly arising from the breach or non-performance of these By-Laws or any loss suffered by reason of any change in the price of the Shares or from any other cause whatsoever whether known or unknown, contingent, absolute or otherwise, whether based in contract, tort, equity, indemnity, breach of warranty or otherwise and whether pursuant to common law, statute, equity or otherwise, even if any company of the Group, the Board or the SIS Committee has been advised of the possibility of such damage.

25. DISPUTES/ DIFFERENCES

- 25.1. In case any dispute or difference shall arise between the SIS Committee and an Eligible Person or a Grantee or in the event of an appeal by an Eligible Person, as the case may be, as to any matter of any nature arising hereunder, such dispute or appeal must have been referred to and received by the SIS Committee during the duration of the Scheme, then the SIS Committee shall determine such dispute or difference by a written decision (without the obligation to give any reason thereof) given to the Eligible Person and/or Grantee, as the case may be PROVIDED THAT where the dispute is raised by a member of the SIS Committee, the said member shall abstain from voting in respect of the decision of the SIS Committee in that instance. In the event the Eligible Person or Grantee, as the case may be, shall dispute the same by written notice to the SIS Committee within **fourteen (14) days** of the receipt of the written decision, then such dispute or difference shall be referred to the Board, whose decision shall be final and binding on all respects, provided that any Director of the Company who is also in the SIS Committee shall abstain from 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. Notwithstanding anything herein to the contrary, any costs and expenses incurred in relation to any dispute or difference or appeal brought by any party to the SIS Committee shall be borne by such party.
- 25.2. Notwithstanding the foregoing provisions of **By-Law 25.1**, matters concerning adjustments made pursuant to **By-Law 15** shall be referred to the Company's external auditors or an approved company auditor or an Adviser of the Company who shall act as experts and not as arbitrators and whose decision shall be final and binding in all respects.

26. COSTS AND EXPENSES

- 26.1. Unless otherwise stipulated by the Company in the Scheme, all fees, costs and expenses incurred in relation to the Scheme including but not limited to the fees, costs and expenses relating to the issuance and/or transfer of the Shares pursuant to the exercise of Options, shall be borne by the Company. Notwithstanding this, the Grantee shall bear any fees, costs and expenses incurred in relation to his/her acceptance and exercise of the Options under the Scheme, any holding or dealing of Shares to be allotted and issued pursuant to the exercise of the Options, including but not limited to brokerage commissions and stamp duties, and any costs related to the replacement of a lost Option Certificate, upon such terms and conditions as the SIS Committee shall determine.

DRAFT BY-LAWS (Cont'd)

27. CONSTITUTION

- 27.1. Notwithstanding the terms and conditions contained in these By-Laws, if a situation of conflict should arise between these By-Laws and the Constitution of the Company, the provisions of the Constitution of the Company shall prevail at all times.

28. TAXES

- 28.1. All taxes (including income tax), if any, arising from the acceptance and/or exercise of any Options under the Scheme shall be borne by the Grantee for his/her own account and the Company shall not be liable for any one or more of such costs, fees, levies, charges and/or taxes.

29. LISTING OF AND QUOTATION FOR SHARES

- 29.1. Bursa Securities has vide its letter dated 27 September 2022 approved the listing of such number of new Shares representing up to 15% of the Company's total number of issued Shares (excluding treasury shares, if any) to be issued pursuant to the Scheme on the Main Market of Bursa Securities.
- 29.2. The Company and the SIS Committee shall not under any circumstances be held liable for any costs, losses and damages whatsoever and however relating to the delay on the part of the Company in allotting and issuing the Shares or in procuring Bursa Securities to list the Shares for which the Grantee is entitled to subscribe.

30. NOTICE

- 30.1. Any notice under the Scheme required to be given to or served upon the SIS Committee by an Eligible Person or Grantee or any correspondence to be made between an Eligible Person or Grantee to the SIS Committee shall be given or made in writing and either delivered by hand or sent to the SIS Committee or the Company by facsimile or ordinary letter. Notwithstanding the foregoing, proof of posting shall not be evidence of receipt of the letter.
- 30.2. 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/her address, such notice or request shall be deemed to have been received **three (3) Market Days** after posting;
 - (b) if it is delivered 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; and
 - (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 confirmation or notification received after the sending of notice or request by the Company.

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

- 30.3. Where any notice which the Company or the SIS Committee is required to give, or may desire to give, in relation to matters which may affect all the Eligible Persons or all the Grantees (as the case may be) pursuant to the Scheme, the Company or the SIS Committee may give such notice through an announcement to all employees of the Group to be made in such manner deemed appropriate by the SIS Committee (including via electronic media). Upon the making of such an announcement, the notice to be made to all affected Eligible Persons or Grantee, as the case may be.

31. SEVERABILITY

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

32. DISCLOSURES IN ANNUAL REPORT

- 32.1. The Company will make the relevant disclosures in relation to the Scheme in its annual report for as long as the Scheme continues in operation as from time to time required by the Listing Requirements.

33. SUBSEQUENT SHARE ISSUANCE SCHEME

- 33.1. Subject to the approval of Bursa Securities and any other relevant authorities, the Company may establish a new share issuance scheme after the expiry date of this Scheme or upon termination of this Scheme.
- 33.2. The Company may implement more than one (1) Scheme 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.

34. GOVERNING LAW AND JURISDICTION

- 34.1. The Scheme, these By Laws, all Offers made and Options granted and actions taken under the Scheme shall be governed by and construed in accordance with the laws of Malaysia. The Eligible Persons, by accepting the Offer in accordance with the By-Laws and terms of the Scheme and the Constitution, irrevocably submit to the exclusive jurisdiction of the courts in Malaysia.

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FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

The Board has seen and approved this Circular, and they collectively and individually accept full responsibility for the accuracy of the information contained in this Circular. The Board confirms that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no 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 Proposed Acquisition, Proposed Diversification, Proposed Rights Issue and Proposed New SIS, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular. TA Securities has confirmed that there is no conflict of interest which exists or is likely to exist in its capacity as the Principal Adviser for the Proposed Acquisition, Proposed Diversification, Proposed Rights Issue and Proposed New SIS.

Infobusiness Research & Consulting Sdn Bhd, being the IMR, has given and has not subsequently withdrawn its written consent to the inclusion of its name, extracts of the IMR Reports and all references in the form and context in which they are included in this Circular. Providence has confirmed that there is no conflict of interest which exists or is likely to exist in its capacity as the Independent Market Researcher.

3. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the Board confirmed that there are no proceeding pending or threatened against the Group or of any fact likely to give rise to any proceeding which may materially affect the financial position or business of the Group.

4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**4.1 Material commitments**

Save as disclosed below, 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:

| | RM'000 |
|-------------------------------------|--------|
| <u>Approved and contracted for:</u> | |
| - Land and building | 15,823 |

4.2 Contingent liabilities

Save as disclosed below, 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:

| Contingent liabilities | RM'000 |
|--|--------|
| Corporate guarantees issued to financial institutions for banking facilities granted to certain subsidiaries | 23,023 |

FURTHER INFORMATION (Cont'd)

5. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of DTB Shares as traded on Bursa Securities for the past 12 months are as follows:

| | Highest (RM) | Lowest (RM) |
|-------------|-----------------|----------------|
| 2021 | | |
| October | 0.450 | 0.350 |
| November | 0.375 | 0.280 |
| December | 0.340 | 0.265 |
| 2022 | | |
| January | 0.345 | 0.265 |
| February | 0.330 | 0.235 |
| March | 0.240 | 0.200 |
| April | 0.240 | 0.210 |
| May | 0.215 | 0.180 |
| June | 0.190 | 0.150 |
| July | 0.170 | 0.150 |
| August | 0.180 | 0.095 |
| September | 0.105 | 0.085 |

Last transacted market price on 10 August 2022 (being the last trading date prior to the announcement of the Proposals) was RM0.155 per DTB Share.

Last transacted market price on 30 September 2022 (being the LPD prior to the printing of this Circular) was RM0.085 per DTB Share.

(Source: Bloomberg)

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's Registered Office at A1-2-2 Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, Wilayah Persekutuan, Malaysia during normal business hours from 9.00 a.m. to 5.30 p.m. Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:

- (i) the Company's Constitution and KTCL's Constitution;
- (ii) the audited consolidated financial statements of the Company for the FYE 30 April 2021 and 11M-FPE 31 March 2022 as well as the latest unaudited financial results of the Group for the 3-month FPE 30 June 2022;
- (iii) the audited financial statements of KTCL for the FYE 30 April 2021 and 11M-FPE 31 March 2022;
- (iv) the IMR Reports;
- (v) the letters of consent and conflict of interest as referred to in **Section 2** above;
- (vi) SSA;
- (vii) the draft Deed Poll in relation to the Warrants to be issued under the Proposed Rights Issue; and
- (viii) the draft By-Laws in relation to the Proposed New SIS.



D'NONCE TECHNOLOGY BHD
[Registration No. 200001000687 (503292-K)]
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“**EGM**”) of D’nonce Technology Bhd (“**DTB**” or “**Company**”) will be conducted on virtual basis through live streaming from the Broadcast Venue at Lot 18.2, 18th Floor, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 1 November 2022 at 10:30 a.m., or at any adjournment thereof, for the purpose of considering and if thought fit, passing the resolutions below with or without modifications:

ORDINARY RESOLUTION 1

PROPOSED ACQUISITION BY D’NONCE TECHNOLOGY BHD (“DTB”) OF 333,997 ORDINARY SHARES IN KOMARK (THAILAND) COMPANY LIMITED (“KTCL”) (“KTCL SHARES” OR “SALE SHARES”), REPRESENTING 99.9991% EQUITY INTEREST IN KTCL FROM GENERAL LABELS & LABELLING (M) SDN BHD (“VENDOR” OR “GLLSB”) (A WHOLLY-OWNED SUBSIDIARY OF KOMARKCORP BERHAD (“KOMARKCORP”)) FOR A PURCHASE CONSIDERATION OF RM9,100,000 (“PURCHASE CONSIDERATION”) TO BE SATISFIED ENTIRELY VIA THE ISSUANCE OF 58,709,677 NEW ORDINARY SHARES IN DTB (“DTB SHARES” OR “SHARES”) AT AN ISSUE PRICE OF RM0.155 EACH (“CONSIDERATION SHARES”) (“PROPOSED ACQUISITION”)

“THAT, subject to the passing of the Ordinary Resolution 2 and the relevant conditions as stipulated in the Share Sale Agreement dated 11 August 2022 (“**SSA**”) between the Company and the Vendor for the Proposed Acquisition being met or waived (as the case may be) and the approvals of all relevant regulatory authorities being obtained (where applicable), and to the extent permitted by law and the Constitution of the Company, the Board be and is hereby authorised and empowered to acquire from the Vendor, 333,997 KTCL Shares, representing 99.9991% equity interest in KTCL for a purchase consideration of RM9,100,000 to be satisfied entirely via the issuance of 58,709,677 Consideration Shares at an issue price of RM0.155 each, subject to the terms and conditions of the SSA including any modifications, variations, amendments, and additions thereto from time to time in relation to the Proposed Acquisition;

THAT the Consideration Shares shall, upon allotment and issuance, rank equally with the then existing DTB Shares. However, the Consideration Shares will not be entitled to any dividends, rights, allotments and/ or any other distributions which may be declared, made or paid to the Company’s shareholders unless such Consideration Shares were allotted and issued on or before the entitlement date of such rights, allotments and/ or other distributions;

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 Acquisition and to assent to any conditions, modifications, variations and/ or amendments in any manner as may be required by the relevant authorities or as Directors may deem fit, necessary and/ or expedient in order to implement, finalise, give full effect and to complete the Proposed Acquisition;

AND THAT the existing shareholders of the Company hereby waive any or all pre-emptive rights to new shares pursuant to Section 85(1) of the Companies Act 2016 (“**Act**”) and Clause 11 of the Constitution of the Company in order for the Consideration Shares to be allotted and issued to the Vendor under the Proposed Acquisition which rank equally with the existing issued shares in the Company.”

ORDINARY RESOLUTION 2

PROPOSED DIVERSIFICATION OF THE PRINCIPAL ACTIVITIES OF DTB AND ITS SUBSIDIARIES (“DTB GROUP” OR “GROUP”) TO INCLUDE MANUFACTURING AND SELLING OF SELF-ADHESIVE LABELS (“PROPOSED DIVERSIFICATION”)

“THAT, subject to the passing of the Ordinary Resolution 1 above and the approvals of all relevant regulatory authorities being obtained (where applicable), and to the extent permitted by law and the Constitution of the Company, the Board be and is hereby authorised and empowered to diversify the principal activities of DTB Group to include manufacturing and selling of self-adhesive labels;

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 Diversification and to assent to any conditions, modifications, variations and/ or amendments in any manner as may be required by the relevant authorities or as Directors may deem fit, necessary and/ or expedient in order to implement, finalise, give full effect and to complete the Proposed Diversification.”

ORDINARY RESOLUTION 3

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 434,690,877 DTB SHARES (“RIGHTS SHARES”) ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 1 EXISTING SHARE HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER (“ENTITLEMENT DATE”), TOGETHER WITH UP TO 434,690,877 FREE DETACHABLE WARRANTS (“WARRANTS”) ON THE BASIS OF 1 WARRANT FOR EVERY 1 RIGHTS SHARE SUBSCRIBED FOR (“PROPOSED RIGHTS ISSUE”)

“THAT subject to the approvals of all the relevant authorities and/ or parties being obtained (where required), for the listing of and quotation for the Rights Shares and Warrants to be issued hereunder and the new Shares to be issued pursuant to the exercise of the Warrants, the Board be and is hereby authorised to undertake the Proposed Rights Issue as follows:

- (i) to provisionally allot and issue by way of renounceable rights issues of up to 434,690,877 Rights Shares together with up to 434,690,877 Warrants. The Proposed Rights Issue is to be implemented on a renounceable basis of 1 Rights Share for every 1 existing DTB Share held by the shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date (**“Entitled Shareholders”**), together with 1 Warrant for every 1 Rights Share subscribed for, at an issue price to be determined and announced by the Board at a later date, to raise minimum gross proceeds of RM6,500,000;
- (ii) to determine the issue price of the Rights Share and exercise price of the Warrants which shall be announced later by the Board on the price fixing date, with a discount of not more than 20% to the theoretical ex-all price of DTB Shares;
- (iii) to enter into and execute the deed poll constituting the Warrants (**“Deed Poll”**) and to do all acts, deeds and things as the Board may deem fit or expedient in order to implement, finalise and give effect to the Deed Poll (including, without limitation, the affixing of the Company’s company seal, where necessary);
- (iv) allot and issue such number of additional Warrants pursuant to adjustments as provided under the Deed Poll and as may be imposed, required or permitted by Bursa Malaysia Securities Berhad (**“Bursa Securities”**) and/ or any other relevant authorities (where required) (**“Adjustment Warrants”**), and to adjust from time to time the exercise price of the Warrants as a consequence of the adjustments under the provisions of the Deed Poll and/ or to effect such modifications, variations and/ or amendments as may be imposed, required or permitted by Bursa Securities and/ or any other relevant authorities (where required);
- (v) allot and issue new DTB Shares credited as fully paid-up to the holders of Warrants pursuant to the exercise of the Warrants (including the Adjustment Warrants, if any), during the tenure of the Warrants;
- (vi) utilise the proceeds to be derived from the Proposed Rights Issue in the manners as set out in Section 7.1 of the circular to the shareholders of the Company dated 17 October 2022 (**“Circular”**), and vary the manner and/ or purpose of utilisation of such proceeds as they may deem fit, necessary, expedient and/ or in the best interest of the Company, subject to the approval of the relevant authorities (where required); and

- (vii) to do all such acts and things including but not limited to the application to Bursa Securities for the listing and quotation for the Rights Shares and the new DTB Shares which may from time to time allotted and issued arising from the exercise of the Warrants;

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 Rights Issue and to assent to any conditions, modifications, variations and/ or amendments in any manner as may be required by the relevant authorities or as Directors may deem fit, necessary and/or expedient in order to implement, finalise, give full effect and to complete the Proposed Rights Issue;

THAT the Rights Shares and new Shares to be issued arising from the exercise of Warrants (including Adjustment Warrants), shall, upon allotment and issuance, rank equally in all respects with the existing DTB Shares. However, such new Shares will not be entitled to any dividends, rights, allotments and/ or any other distributions which may be declared, made or paid to the Company's shareholders unless such new Shares were allotted and issued on or before the entitlement date of such rights, allotments and/ or other distributions.

THAT the Board be and is hereby entitled to deal with all or any of the fractional entitlements of the Rights Shares and the Warrants arising from the Proposed Rights Issue, if any, will be disregarded and/ or dealt with by the Board in such manner and on such terms and conditions as the Board in its absolute discretion may deem fit or expedient and in the best interest of the Company;

THAT the Rights Shares with Warrants which are not taken up or validly taken up shall be made available for excess applications by the Entitled Shareholders and/or their renouncee(s)/ transferee(s) (if applicable). It is the intention of the Board to allocate the excess Rights Shares with Warrants in a fair and equitable manner on a basis to be determined by the Board and announced thereupon by the Company;

THAT the Warrants shall be allotted and issued in the registered form on the basis that, subject to any adjustments to the subscription rights attached to the Warrants under the provisions of the Deed Poll, each Warrant entitles its holder to subscribe for 1 DTB Share at an exercise price to be determined later by the Board and on such terms and conditions and in such manner as the Board may determine, during its prescribed exercise period;

THAT this Ordinary Resolution 3 constitutes specific approval for the issuance of securities in the Company contemplated herein which is made pursuant to an offer, agreement or option and shall continue in full force and effect until all Rights Shares, Warrants, and new Shares to be issued pursuant to or in connection with the Proposed Rights Issue have been duly allotted and issued in accordance with the terms of the Proposed Rights Issue;

AND THAT the existing shareholders of the Company hereby waive any or all pre-emptive rights to new shares which they may have pursuant to Section 85(1) of the Act and Clause 11 of the Constitution of the Company arising from or in relation to the Proposed Rights Issue including and not limited to any renunciation of right, in order for the DTB Shares to be allotted and issued under the Proposed Rights Issue which rank equally with the existing issued shares in the Company."

ORDINARY RESOLUTION 4

PROPOSED TERMINATION OF THE EXISTING EMPLOYEES' SHARE OPTION SCHEME ("ESOS") ("EXISTING ESOS SCHEME") OF DTB ("PROPOSED ESOS TERMINATION")

"THAT, subject to the consents from all the eligible persons who have accepted the options granted pursuant to the Existing ESOS Scheme, the Board be and is hereby authorised to terminate the Existing ESOS Scheme which took effect on 18 May 2016 and extended until 17 May 2026;

AND THAT the Board be and is hereby authorised to do all such acts as they may consider necessary or expedient to give effect to the Proposed ESOS Termination with full power to consent to and to adopt such conditions, modifications, variations, and/ or amendments as may be required by the relevant regulatory authorities and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as they deem necessary or expedient to implement, finalise and give full effect to the Proposed ESOS Termination."

ORDINARY RESOLUTION 5

PROPOSED ESTABLISHMENT OF A NEW SHARE ISSUANCE SCHEME ("SCHEME" OR "SIS") OF UP TO 15% OF THE TOTAL NUMBER OF ISSUED SHARES (EXCLUDING TREASURY SHARES, IF ANY) AT ANY POINT IN TIME DURING THE DURATION OF THE SCHEME, FOR ELIGIBLE EMPLOYEES, EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS OF THE COMPANY AND ITS NON-DORMANT SUBSIDIARIES ("PROPOSED NEW SIS" OR "SCHEME")

"**THAT**, subject to and conditional upon the passing of the Ordinary Resolution 4 above, provisions under the Act and the approvals of all relevant regulatory authorities being obtained (where applicable), and to the extent permitted by law and the Constitution of the Company, the Board be and is hereby authorised and empowered to:

- (i) establish, implement and administer the Proposed New SIS of up to 15% of the total number of issued Shares (excluding treasury shares, if any) of the Company at any point in time during the duration of the Scheme for the eligible employees, executive directors and non-executive directors ("**Eligible Persons**", collectively) of DTB and its non-dormant subsidiaries ("**DTB Group**" or "**Group**") who fulfil the eligibility criteria for participation in the Scheme as set out in the By-Laws governing the Scheme ("**By-Laws**"), a draft of which is set out in **Appendix V** of the Circular, and to give full effect to the Scheme with full power to assent to any conditions, variations, modifications and/ or amendments as may be required by the relevant authorities;
- (ii) make the necessary applications to 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 exercise of the SIS options under the Scheme ("**SIS Options**");
- (iii) establish a committee to implement and administer the Scheme for the benefit of the Eligible Persons, in accordance with the By-Laws governing the Scheme as set out in **Appendix V** of the Circular;
- (iv) 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 granted under the Scheme provided that the aggregate number of Shares to be allotted and issued under the Proposed New SIS shall not exceed in aggregate of 15% of the total number of issued Shares (excluding treasury shares, if any) at any point in time over the duration of the Scheme;
- (v) new Shares to be issued arising from the exercise of SIS Options, shall upon allotment and issuance, carry the same rights with the then existing DTB Shares. However, such new Shares will not be entitled to any dividends, rights, allotments and/ or any other distributions which may be declared, made or paid to the Company's shareholders unless such new Shares were allotted and issued on or before the entitlement date of such rights, allotments and/ or other distributions. The new DTB Shares to be issued arising from the exercise of SIS Options will be subject to the provisions of the Company's Constitution relating to transfer, transmission or otherwise of the Shares including the rights of the holder of the Shares on the winding up of the Company;
- (vi) 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 New 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 New 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 Scheme;
- (vii) extend the duration of the Scheme, provided always that such extension of the Scheme made pursuant to the By-Laws shall not in aggregate exceed a duration of 10 years from the date on which the Scheme 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

- (viii) 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 New SIS and terms of the By-Laws;

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

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

AND THAT the existing shareholders of the Company hereby waive all or any pre-emptive rights to new shares pursuant to Section 85(1) of the Act and Clause 11 of the Constitution of the Company in order for the DTB Shares to be allotted and issued under the Proposed New SIS which rank equally with the existing issued shares in the Company.”

ORDINARY RESOLUTIONS 6 TO 9

PROPOSED ALLOCATIONS OF SIS OPTIONS TO THE DIRECTORS OF DTB (“PROPOSED ALLOCATIONS”)

“THAT, subject to the passing of Ordinary Resolution 4 and Ordinary Resolution 5 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 Scheme (“**SIS Committee**”) in accordance with the By-Laws, to offer and grant, from time to time throughout the duration of the Scheme, such number of SIS Options to subscribe for new Shares under the SIS to the following Directors:

- | | | |
|-------|--|--------------------------------|
| (i) | Dato’ Moktar Bin Mohd Noor, Independent Non-Executive Chairman | (Ordinary Resolution 6) |
| (ii) | Choong Lee Aun, Executive Director | (Ordinary Resolution 7) |
| (iii) | Datuk Sham Shamrat Sen Gupta, Independent Non-Executive Director | (Ordinary Resolution 8) |
| (iv) | Kang Teik Yih, Independent Non-Executive Director | (Ordinary Resolution 9) |

PROVIDED ALWAYS THAT:

- (i) he must not participate in the deliberation or discussion of his own allocation as well as allocation to persons connected to him;
- (ii) not more than 10% of the total number of DTB Shares to be issued under the Proposed New SIS shall be allocated to him, if he, either singly or collectively through persons connected with him, holds 20% or more of the total number of issued DTB Shares (excluding treasury shares);
- (iii) not more than 75% of the total number of Shares to be issued under the Scheme shall be allocated, in aggregate, to the Directors and senior management of the Group who are Eligible Persons (where “senior management” shall be subject to any criteria as may be determined by the SIS Committee from time to time);
- (iv) it is in accordance with 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 and subject always to such terms and conditions and/ or adjustments which may be made in accordance with the By-Laws; and
- (v) the Directors and senior management of the Group and members of the SIS Committee who are Eligible Persons shall not participate in the deliberation or discussion of their respective allocations as well as to persons connected with them, if any.

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 Allocations 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 Allocations 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 KOK SIONG (LS0009932)
(SSM PC NO. 202008001592)
Company Secretary

Date: 17 October 2022

NOTES:

1. IMPORTANT NOTICE

The Broadcast Venue is **strictly for the purpose of complying with Section 327(2) of the Companies Act 2016** which requires the Chairman of the Meeting to be present at the main venue of the meeting.

Shareholders/ proxies **WILL NOT BE ALLOWED** to attend this Extraordinary General Meeting (“EGM”) in person at the Broadcast Venue on the day of the meeting. Shareholders who wish to participate remotely at the meeting will therefore have to register via the Remote Participation and Voting (“RPV”) facilities operated by Mlabs Research Sdn Bhd at <https://rebrand.ly/DTB-EGM>.

Please read these Notes carefully and follow the procedures in the Administrative Guide for the EGM in order to participate remotely via RPV facilities.

2. APPOINTMENT OF PROXY

- (a) For the purpose of determining who shall be entitled to participate this EGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 25 October 2022. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this EGM via RPV.
- (b) A member entitled to participate in this EGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate and vote in his place. A proxy may but need not be a member of the Company.
- (c) A member of the Company who is entitled to participate and vote at a general meeting of the Company may appoint not more than two (2) proxies to participate and vote instead of the member at the EGM.
- (d) If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- (e) Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 (“Central Depositories Act”), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
- (f) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one 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. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
- (g) Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

- (h) The instrument appointing a proxy and any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Company's Share Registrar at Workshire Share Registration Sdn Bhd of A1-2-2 Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, Wilayah Persekutuan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned EGM at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed. The duly completed proxy form transmitted by facsimile or electronic mail will not be accepted.
- (i) Please ensure ALL the particulars as required in the proxy form is completed, signed and dated accordingly.
- (j) Last date and time for lodging the proxy form is Sunday, 30 October 2022 at 10:30 a.m.
- (k) For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative executed in the manner as stated in the proxy form with the Company's Share Registrar at Workshire Share Registration Sdn Bhd of A1-2-2 Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

3. Ordinary Resolutions 1, 3 and 5 – Proposed Acquisition, Proposed Rights Issue and Proposed New SIS

Section 85(1) of the Companies Act 2016 ("the Act") provides that:

"Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders".

Clause 11 of the Company's Constitution states as follows:

"Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue be offered to such persons as at the date of the offer are entitled to received notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by the notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after expiration of that time, or the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Board may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Board may likewise also dispose of any new share or securities which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Board, be conveniently offered under this Constitution."

By approving the allotment and issuance of the DTB Shares in the Company pursuant to the Proposed Acquisition, Proposed Rights Issue and Proposed New SIS which will rank equally with the existing issued shares in DTB, the shareholders of the Company are waiving any or all pre-emptive rights to new shares pursuant to Section 85(1) of the Act and Clause 11 of the Constitution to be first offered the DTB Shares which will result in a dilution to their shareholding percentage in the Company.

Voting by Poll

Pursuant to Paragraph 8.29A(1) of Bursa Malaysia Securities Berhad's Main Market Listing Requirements, all resolutions set out in this Notice are to be voted by poll.

D'NONCE TECHNOLOGY BHD

[Registration No. 200001000687 (503292-K)]

(Incorporated in Malaysia)

PROXY FORM

| | |
|---------------------|--|
| No. of Shares Held: | |
| CDS Account No.: | |

I/We _____ NRIC/ Passport/ Registration No. _____
[Full name in block as per NRIC/Passport]

of _____
[Address]

Email Address: _____ Contact No.: _____

being member(s) of D'nonce Technology Bhd, hereby appoint:-

| Full Name (in Block as per NRIC/Passport) | NRIC/Passport No. | Proportion of Shareholdings | |
|---|-------------------|-----------------------------|---|
| | | No. of Shares | % |
| Address | | | |
| Email Address: | | Contact No.: | |

and/or^

| Full Name (in Block as per NRIC/Passport) | NRIC/Passport No. | Proportion of Shareholdings | |
|---|-------------------|-----------------------------|---|
| | | No. of Shares | % |
| Address | | | |
| Email Address: | | Contact No.: | |

or failing him/her, the Chairman of the Meeting, as ^my/our proxy/proxies to vote for ^me/us and on ^my/our behalf at the Extraordinary General Meeting of the Company, which will be conducted on virtual basis through live streaming from the Broadcast Venue at Lot 18.2, 18th Floor, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on **Tuesday, 1 November 2022 at 10:30 a.m.** or any adjournment thereof, and to vote as indicated below:-

| Ordinary Resolution | Description of Resolution | For | Against |
|---------------------|--|-----|---------|
| 1 | Proposed Acquisition | | |
| 2 | Proposed Diversification | | |
| 3 | Proposed Rights Issue | | |
| 4 | Proposed ESOS Termination | | |
| 5 | Proposed New SIS | | |
| 6 | Proposed Allocation of SIS Options to Dato' Moktar Bin Mohd Noor | | |
| 7 | Proposed Allocation of SIS Options to Choong Lee Aun | | |
| 8 | Proposed Allocation of SIS Options to Datuk Sham Shamrat Sen Gupta | | |
| 9 | Proposed Allocation of SIS Options to Kang Teik Yih | | |

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will 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 proxy form 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 proxy form 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



- (ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

NOTES:-

1. IMPORTANT NOTICE

The Broadcast Venue is **strictly for the purpose of complying with Section 327(2) of the Companies Act 2016** which requires the Chairman of the Meeting to be present at the main venue of the meeting.

Shareholders/proxies **WILL NOT BE ALLOWED** to attend this Extraordinary General Meeting ("EGM") in person at the Broadcast Venue on the day of the meeting. Shareholders who wish to participate remotely at the meeting will therefore have to register via the Remote Participation and Voting ("RPV") facilities operated by Mlabs Research Sdn Bhd at <https://rebrand.ly/DTB-EGM>.

Please read these Notes carefully and follow the procedures in the Administrative Guide for the EGM in order to participate remotely via RPV facilities.

2. APPOINTMENT OF PROXY

- (a) For the purpose of determining who shall be entitled to participate this EGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 25 October 2022. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this EGM via RPV.
- (b) A member entitled to participate in this EGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate and vote in his place. A proxy may but need not be a member of the Company.
- (c) A member of the Company who is entitled to participate and vote at a general meeting of the Company may appoint not more than two (2) proxies to participate and vote instead of the member at the EGM.
- (d) If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- (e) Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
- (f) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one 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. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
- (g) Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- (h) The instrument appointing a proxy and any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Company's Share Registrar at Workshire Share Registration Sdn Bhd of A1-2-2 Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, Wilayah Persekutuan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned EGM at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed. The duly completed proxy form transmitted by facsimile or electronic mail will not be accepted.
- (i) Please ensure ALL the particulars as required in the proxy form is completed, signed and dated accordingly.
- (j) Last date and time for lodging the proxy form is Sunday, 30 October 2022 at 10:30 a.m.
- (k) For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative executed in the manner as stated in the proxy form with the Company's Share Registrar at Workshire Share Registration Sdn Bhd of A1-2-2 Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

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AFFIX
STAMP

The Share Registrar of
D'NONCE TECHNOLOGY BHD [Registration No. 200001000687 (503292-K)]

c/o Workshire Share Registration Sdn Bhd
A1-2-2 Solaris Dutamas
No. 1, Jalan Dutamas 1
50480 Kuala Lumpur
Wilayah Persekutuan
Malaysia

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