

FLEXIDYNAMIC HOLDINGS BERHAD ("FLEXIDYNAMIC" OR THE "COMPANY")

PROPOSED ESTABLISHMENT OF AN EMPLOYEES' SHARE OPTION SCHEME ("ESOS") INVOLVING UP TO 25% OF THE TOTAL NUMBER OF ISSUED SHARES OF FLEXIDYNAMIC AT ANY POINT IN TIME DURING THE DURATION OF THE ESOS ("PROPOSED ESOS")

1. INTRODUCTION

On behalf of the Board of Directors of Flexidynamic ("Board"), M&A Securities Sdn Bhd ("M&A Securities") wishes to announce that the Company proposes to establish an employees' share option scheme ("ESOS") of up to 25% of the total number of issued shares of Flexidynamic at any point in time during the duration of the Proposed ESOS ("Proposed ESOS").

Further details on the Proposed ESOS are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED ESOS

The Proposed ESOS entails the granting of options ("ESOS Options") to eligible directors (including non-executive directors) and employees of Flexidynamic and its subsidiaries ("Flexidynamic Group" or the "Group") (excluding dormant subsidiaries, if any) who meet the criteria of eligibility for participation in the Proposed ESOS as set out in the by-laws ("Eligible Persons") to subscribe for new ordinary shares in Flexidynamic ("Flexidynamic Shares" or "Shares").

The Proposed ESOS will be administered by a committee to be duly appointed and authorised by the Board ("ESOS Committee"). The ESOS Committee will comprise directors and/or other persons identified and appointed from time to time by the Board and will have the absolute discretion in administering the Proposed ESOS as it may deem fit, in accordance with the provisions set out in the by-laws governing the Proposed ESOS ("By-Laws"). The decision as to whether or not to stagger the allocation of the ESOS Options over the duration of the ESOS as well as for the granting of ESOS Options, shall be determined by the ESOS Committee at a later date.

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

2.1 Maximum number of new Shares available under the Proposed ESOS

The maximum number of new Flexidynamic Shares, which may be allotted and issued pursuant to the Proposed ESOS shall not exceed in aggregate 25% 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 Proposed ESOS.

2.2 Basis of allotment and maximum allowable allotment

The maximum number of new Flexidynamic Shares that may be offered to an Eligible Person under the Proposed ESOS shall be determined at the sole and absolute discretion of the ESOS Committee after taking into consideration, amongst other relevant factors, the Eligible Person's performance, seniority, number of years in service and such other factors that the ESOS Committee may deem relevant in its discretion and shall be subject to the following:

- (i) That the total number of new Flexidynamic Shares to be issued under the Proposed ESOS shall not exceed the amount stipulated in Section 2.1 of this Announcement;
- (ii) The allocation to any individual Eligible Person, who either individually or collectively, through persons connected with him/her, holds 20% or more of the total number of

issued shares of Flexidynamic, must not exceed 10% of the total number of new Flexidynamic Shares to be issued under the Proposed ESOS;

- (iii) The directors and senior management of Flexidynamic Group (excluding dormant subsidiaries, if any) do not participate in the deliberation or discussion of their own allocation of ESOS Options as well as allocation to persons connected with them, if any; and
- (iv) Not more than 70% of the total number of new Flexidynamic Shares to be issued under the ESOS shall be allocated, in aggregate, to the eligible directors and senior management of the Group (excluding dormant subsidiaries, if any) who are Eligible Persons ("Maximum Allocation"). The Maximum Allocation was determined after taking into consideration, the number of Eligible Persons falling within the grading of directors and senior management of the Group, as well as their position, seniority, length of service, performance and contribution to the Group,

provided always that it is in accordance with any prevailing requirements issued by Bursa Malaysia Securities Berhad ("Bursa Securities"), the ACE Market Listing Requirements of Bursa Securities ("Listing Requirements") as amended from time to time.

In the event that any Eligible Person is a member of the ESOS Committee, such Eligible Person shall not participate in the deliberation or discussion of their own allocation of the ESOS Options or persons connected with them.

The ESOS Committee has the discretion to determine whether the ESOS Options are subject to any vesting period and if so, the vesting conditions and whether such vesting conditions are subject to performance target. Further, the ESOS Committee has the discretion to determine whether the Eligible Person is required to achieve any specific performance target(s), if determined so, before he/she may exercise the ESOS Options granted to him/her, and that any such performance target(s) if set, shall be stated in the offer letter to the Eligible Person.

2.3 Eligibility

Subject to the discretion of the ESOS Committee and provisions under the By-Laws, only Eligible Persons who meet the following conditions as at the date on which an offer is made by the ESOS Committee in writing ("Date of Offer") shall be eligible to participate in the Proposed ESOS:

- (i) The Eligible Person shall have attained the age of 18 years on the Date of Offer;
- (ii) The Eligible Person is employed on a full time basis (inclusive of employee with fixed term contract) and is on the payroll of any company within the Group (excluding dormant companies, if any) and his/her employment has been confirmed or such employee is serving in a specific designation under an employment contract for a fixed duration of not less than 1 year;
- (iii) The Eligible Person is neither an undischarged bankrupt nor subject to any bankruptcy proceedings;
- (iv) Such Eligible Person who is an director (including non-executive directors) has been appointed as a director of Flexidynamic or any company in the Group, which is not dormant; and
- (v) The Eligible Person has fulfilled any other eligibility criteria and/or falls within such grade/category set by the Group (excluding dormant companies, if any) as may be determined by the ESOS Committee at its sole discretion from time to time.

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 is eligible to participate in the Proposed ESOS. The specific allocation of Shares and/or ESOS Options granted by the Company to such Interested Party and/or persons connected with them under the Proposed ESOS 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/or persons connected with them shall not have voted on the resolution approving their respective allocation.

The ESOS Committee may, in its absolute discretion, determine any other conditions of eligibility or waive any of the conditions of eligibility as set out above. The eligibility and number of ESOS Options to be offered to an Eligible Person under the Proposed ESOS shall be at the sole and absolute discretion of the ESOS Committee and the decision of the ESOS Committee shall be final and binding.

In compliance to Rule 8.22 of the Listing Requirements, the non-executive directors must not sell, transfer or assign shares obtained through the exercise of ESOS Options offered to them pursuant to the Proposed ESOS within 1 year from the Date of Offer of such ESOS Options.

2.4 Duration

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

On or before the expiry of the above initial 5 year period, the Proposed ESOS may be extended by the Board at its absolute discretion upon the recommendation of the ESOS Committee, without having to obtain approval from the Company's shareholders, for a further period of up to 5 years, but will not in aggregate exceed 10 years from the Effective Date or such longer period as may be allowed by the relevant authorities. The Company shall make the necessary announcement to Bursa Securities should there be any extension of the tenure of the ESOS on or before the expiry of the initial 5 year period.

2.5 Basis of determining the exercise price of the ESOS Options

Subject to any adjustments made under the By-Laws and pursuant to the Listing Requirements, the exercise price shall be based on the 5-day volume-weighted average market price ("5D-VWAMP") of Flexidynamic Shares immediately preceding the Date of Offer, with a discount of not more than 10% or such other percentage of discount as may be permitted by any prevailing guidelines issued by Bursa Securities as amended from time to time, as determined by the Board upon recommendation of the ESOS Committee which shall be binding and conclusive.

2.6 Ranking of the ESOS Options and new Flexidynamic Shares to be issued arising from the exercise of the ESOS Options

The ESOS Options shall not carry any right to vote at any general meeting of the Company.

The new Flexidynamic Shares to be allotted and issued from the exercise of the ESOS Options will, upon allotment and issuance, rank equally in all respects with the existing Flexidynamic Shares, save and except that the new Flexidynamic Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distribution where the entitlement date precedes the relevant date of allotment and issuance of the new Flexidynamic Shares.

2.7 Alteration of share capital

Subject to the By-Laws, in the event of any alteration in the capital structure of the Company during the period commencing from the Date of Offer until the expiry of the Proposed ESOS ("Date of Expiry"), whether by way of capitalisation, rights issue, bonus issue, consolidation or subdivision of shares, capital reduction or any other variation of capital, the Company shall cause such adjustment to be made to:

- (i) The exercise price of the ESOS Options; and/or
- (ii) The number of new Flexidynamic Shares comprised in the ESOS Options granted to each Eligible Person,

to ensure that the capital outlay to be incurred by the grantee in subscribing for the same proportion of new Flexidynamic Shares to which the grantee was entitled to prior to the event giving rise to such adjustments shall remain unaffected.

2.8 Modification, variation and/or amendment

Subject to the By-Laws and compliance with the Listing Requirements, the ESOS Committee may at any time and from time to time recommend to the Board any modifications and/or amendments to or deletions of the By-Laws as it shall, at its absolute 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.

2.9 Termination

Subject to the compliance with the Listing Requirements, other requirements of Bursa Securities, the Proposed ESOS may be terminated by the ESOS Committee at any time before the Date of Expiry provided that the Company makes an announcement immediately to Bursa Securities. The announcement shall include:

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

2.10 Listing of and quotation for the new Flexidynamic Shares to be issued arising from the exercise of the ESOS Options

An application will be made to Bursa Securities for the listing of and quotation for the new Flexidynamic Shares to be issued arising from the exercise of the ESOS Options on the ACE Market of Bursa Securities.

2.11 Utilisation of proceeds

The actual amount of proceeds to be raised from the Proposed ESOS will depend on the number of ESOS Options granted and exercised at the relevant point of time and the exercise price payable upon the exercise of the ESOS Options. As such, the actual amount of proceeds arising from the exercise of the ESOS Options as well as the timeframe for the utilisation of proceeds cannot be determined at this juncture.

Nevertheless, the Company intends to utilise the proceeds arising from the exercise of the ESOS Options, if any, as working capital for the Group. The working capital raised from the exercise of the ESOS Options will be utilised to finance the Group's day-to-day operations, including the payment of staff salaries as well as defrayment of operational, administrative expenses, marketing expenses and utilities. The actual funding breakdown cannot be determined at this juncture as it will depend on, amongst others, the actual proceeds to be raised from the exercise of ESOS Options as well as the working capital requirements of the Group at the relevant time.

Pending the utilisation, the proceeds will be placed in deposits with financial institutions and/or short-term money market financial instruments.

3. RATIONALE FOR THE PROPOSED ESOS

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

- (i) To recognise the contribution of the Eligible Persons whose services are valued and considered vital to the operations and continued growth of the Group;
- (ii) To motivate the Eligible Persons towards improved performance through greater productivity and loyalty;
- (iii) To cultivate a greater sense of belonging and dedication as the Eligible Persons are given the opportunity to participate directly in the equity of Flexidynamic; and
- (iv) To reward the Eligible Persons by allowing them to participate in the Group's profitability and eventually realise any potential capital gains arising from possible appreciation in the value of Flexidynamic Shares, upon exercising of the ESOS Options.

The Proposed ESOS is also extended to non-executive directors in recognition of their contributions and efforts to the Company and to enable them to participate in the Company's future growth. Their participation in the equity of the Company is expected to enhance their level of commitment and contribution as well as enable the Company to attract and retain capable individuals to act as nonexecutive directors of the Company.

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

Save as disclosed in below, Flexidynamic has not undertaken any equity fund-raising exercise in the past 12 months before the announcement of the Proposed ESOS.

On 30 March 2021, Flexidynamic was listed on the ACE Market of Bursa Securities ("Listing") and raised proceeds amounting to RM15.05 million via the public issue of 75,231,000 new Flexidynamic Shares at an issue price of RM0.20 per Share. As at 2 September 2021, being the latest practicable date prior to this announcement ("LPD"), the details and status of the utilisation of proceeds are as follows:

Utilisation of proceeds	Timeframe for utilisation ⁽¹⁾	Proposed utilisation RM'000	Actual utilisation RM'000	Percentage utilised %
Repayment of bank borrowings drawn to fund the acquisition of new factories	18 months ⁽²⁾	6,380	-	-

Utilisation of proceeds	Timeframe for utilisation ⁽¹⁾	Proposed utilisation RM'000	Actual utilisation RM'000	Percentage utilised %
Renovation of new factories	18 months ⁽²⁾	420	-	-
Acquisition of machinery and equipment	18 months ⁽²⁾	1,630	-	-
Working capital	24 months	3,616	900	24.89
Estimated listing expenses	1 month	3,000	3,000	100.00
Total proceeds		15,046	3,900	25.92

Notes:

(1) From the date of Listing.

(2) On 23 August 2021, the Board has resolved to extend the timeframe for the utilisation of proceeds earmarked for the repayment of bank borrowings drawn to fund the acquisition of new factories, renovation of new factories and acquisition of machinery and equipment from within 12 months to within 18 months.

4. EFFECTS OF THE PROPOSED ESOS

4.1 Share capital

The Proposed ESOS is not expected to have an immediate effect on the Company's share capital until such time when the ESOS Options are granted and exercised. The Company's share capital will increase as and when new Flexidynamic Shares are issued arising from the exercise of the ESOS Options.

For illustrative purposes, the pro-forma effects of the Proposed ESOS on the issued share capital of the Company are as follows:

	No. of Shares	RM'000
Share capital as at LPD	283,891,200	35,912
To be issued assuming full granting and exercise of the ESOS Options	70,972,800	⁽¹⁾ 24,840
Enlarged issued share capital	354,864,000	60,752

Note:

(1) Based on the indicative exercise price of RM0.35, being not more than 10% discount from the 5D-VWAMP of Flexidynamic Shares up to and including the LPD of RM0.3839.

4.2 Net assets ("NA") and gearing

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

For illustration purposes, upon exercise of the ESOS Options, the NA per Share is expected to:

(i) Increase if the exercise price of the ESOS Options is higher than the NA per Share;
or

(ii) Decrease if the exercise price of the ESOS Options is lower than the NA per Share,

at such point of exercise of the ESOS Options.

4.3 Substantial shareholders' shareholding

The Proposed ESOS is not expected to have any immediate effect on the shareholdings of the Company's substantial shareholders until such time when the ESOS Options are exercised into the new Flexidynamic Shares. Any potential effect on the shareholdings of the substantial shareholders would depend on the number of new Flexidynamic Shares to be issued pursuant to the exercise of the ESOS Options at the relevant point in time.

4.4 Earnings and Earnings Per Share ("EPS")

The Proposed ESOS is not expected to have any immediate effect on the earnings and EPS of the Group until such time when the ESOS Options are granted and exercised. However, any potential effect on the EPS of the Group in the future would depend on the impact of the Malaysian Financial Reporting Standard 2 ("MFRS 2"), the number of the ESOS Options exercised as well as the utilisation of the proceeds arising therefrom.

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

The Company has taken 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 the ESOS Options in the future.

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

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

4.5 Convertible securities

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

5. APPROVALS REQUIRED AND CONDITIONALITY

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

- (i) Bursa Securities for the listing of and quotation for the new Flexidynamic Shares to be issued arising from the exercise of the ESOS Options on the ACE Market of Bursa Securities; and
- (ii) Shareholders of Flexidynamic for the Proposed ESOS at an extraordinary general meeting to be convened.

The Proposed ESOS is not conditional upon any other corporate exercise/scheme being or proposed to be undertaken by the Company.

6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE OF THE COMPANY AND/OR PERSONS CONNECTED TO THEM

All the Directors of the Company are entitled to participate in the Proposed ESOS and are therefore deemed interested in the Proposed ESOS to the extent of their respective allocations under the Proposed ESOS. All Directors have abstained and will continue to abstain from deliberating and voting on the resolutions pertaining to their respective allocations, and allocations to persons connected with them under the Proposed ESOS at the relevant Board meetings.

All Directors will also abstain from voting in respect of their direct and/or indirect shareholdings in Flexidynamic, if any, on resolutions pertaining to their respective allocations and allocations to persons connected with them under the Proposed ESOS to be tabled at the forthcoming extraordinary general meeting ("EGM").

All Directors have undertaken to ensure that persons connected with them, if any, will abstain from voting on the resolutions pertaining to their respective allocations and allocations to persons connected with them under the Proposed ESOS to be tabled at the forthcoming EGM.

7. DIRECTORS' STATEMENT

The Board, as a whole, having considered all aspects of the Proposed ESOS, including but not limited to the rationale and effects of the Proposed ESOS, is of the opinion that the Proposed ESOS is in the best interests of the Company.

8. ADVISER

M&A Securities has been appointed as the Principal Adviser for the Proposed ESOS.

9. ESTIMATED TIMEFRAME FOR SUBMISSION AND COMPLETION

The application to the relevant authorities will be made within 2 months from the date of this announcement.

Barring any unforeseen circumstances and subject to all approvals being obtained, the Proposed ESOS is expected to be completed by the fourth quarter of 2021.

This announcement is dated 14 September 2021.