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

PROPOSED PRIVATE PLACEMENT OF UP TO 28,467,900 NEW ORDINARY SHARES IN FLEXIDYNAMIC ("FLEXIDYNAMIC SHARES" OR "SHARES"), REPRESENTING APPROXIMATELY 10% OF THE TOTAL NUMBER OF ISSUED SHARES IN FLEXIDYNAMIC PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 ("PROPOSED PRIVATE PLACEMENT")

1. INTRODUCTION

On behalf of the Board of Directors of Flexidynamic ("**Board**"), Malacca Securities Sdn Bhd ("**Malacca Securities**") wishes to announce that the Company proposes to undertake a private placement of up to 28,467,900 Shares representing approximately 10% of the total number of issued Shares in Flexidynamic.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement will be undertaken in accordance with the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 ("**Act**") ("**General Mandate**") obtained from the shareholders of Flexidynamic at its 4th annual general meeting ("**AGM**") convened on 23 June 2023. The General Mandate is in force until the Company's next AGM (unless revoked or varied by the shareholders at a general meeting prior to the next AGM).

Furthermore, the Company had also obtained its shareholders' approval to waive the statutory pre-emptive rights to be offered any new Flexidynamic Shares which rank equally to the existing Flexidynamic Shares arising from any issuance of new Flexidynamic Shares pursuant to Section 85 of the Act.

Based on the total number of 284,679,925 issued Shares in Flexidynamic as at 28 December 2023, being the latest practicable date preceding the date of this Announcement ("**LPD**"), the Proposed Private Placement would entail the issuance of up to 28,467,900 Shares ("**Placement Shares**"), representing 10% of the total number of issued Shares in Flexidynamic.

As at the LPD, Flexidynamic has 16,696,725 options under an employees' share option scheme ("**ESOS**") comprising 13,297,275 unexercised ESOS options and 3,399,450 ESOS options allowed to be granted. The Board does not have intention to grant further ESOS options prior to the completion of the Proposed Private Placement. For the avoidance of doubt, any increase in the total number of issued Shares arising from the exercise of unexercised ESOS options will not affect the number of Placement Shares to be issued under the Proposed Private Placement.

Subject to the prevailing market conditions and timing of identification of the investor(s), the Proposed Private Placement may be implemented in a single or multiple tranche(s) within 6 months from the date of approval of Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the Proposed Private Placement or such other approved extended period, subject always to the expiry of the General Mandate or a new mandate being obtained from shareholders of Flexidynamic, as the case may be, so as to provide the Company with the flexibility to secure investor(s) and to maximise the number of Placement Shares to be issued. As such, there could potentially be several price fixing dates depending on the number of tranches of the Proposed Private Placement.

For information, Malacca Securities has also been appointed as the Placement Agent for the Proposed Private Placement.

2.1 Placement arrangement

The Placement Shares will be placed to independent third-party investor(s) to be identified later. Such investor(s) shall be person(s) or party(ies) who/which qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007.

In accordance with Rule 6.05(c) of the ACE Market Listing Requirements of Bursa Securities ("**Listing Requirements**"), the Placement Shares will not be placed to the following parties:

(i) a director, major shareholder or chief executive of Flexidynamic or a holding company of Flexidynamic ("**Interested Person**"); or

(ii) a person connected with an Interested Person; or

(iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The Company believes that the investor(s) may be identified and procured simultaneously or over a period of time. The details of investor(s) and the number of Placement Shares to be placed to each investor in accordance with Rule 6.15 of the Listing Requirements will be submitted to Bursa Securities before the listing of the Placement Shares to be issued pursuant to the Proposed Private Placement.

2.2 Basis of arriving at the issue price of the Placement Shares

The Placement Shares will be priced at a discount of not more than 10% to the five-day volume-weighted average market price ("**5D-VWAMP**") of Flexidynamic Shares immediately preceding the price-fixing date(s) for each tranche after taking into consideration, amongst others, the following:

(i) the funding requirements of Flexidynamic and its subsidiaries ("**Group**") as set out in Section 2.5 of this Announcement;

(ii) the prevailing market conditions on the price-fixing date; and

(iii) the rationale of the Proposed Private Placement as set out in Section 3 of this Announcement.

For illustration purpose, based on the 5D-VWAMP of Flexidynamic Shares up to and including the LPD of RM0.2033 per Flexidynamic Share, the issue price of the Placement Shares shall be RM0.185 per Placement Share ("**Indicative Issue Price**"), representing a discount of approximately 9.00% to the 5D-VWAMP of Flexidynamic Shares.

2.3 Ranking of the Placement Shares

The Placement Shares shall, upon issuance and allotment, rank equally in all respects with the existing issued Flexidynamic Shares, save and except that the holders of the Placement Shares shall not be entitled to any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid to the shareholders of the Company, for which the relevant entitlement date is prior to the date of allotment and issuance of the Placement Shares.

2.4 Listing and quotation of the Placement Shares

Flexidynamic shall make an application to Bursa Securities for the listing and quotation of the Placement Shares on the ACE Market of Bursa Securities.

2.5 Utilisation of proceeds

Based on the Indicative Issue Price, the Proposed Private Placement is expected to raise gross proceeds of up to approximately RM5.27 million, which are intended to be utilised by the Group in the following manner:

Proposed utilisation of proceeds	Notes	RM'000	Expected timeframe for utilisation from the listing of each tranche of the Placement Shares
Working capital	(i)	2,667	Within 6 months
Future business expansion	(ii)	2,500	Within 18 months
Estimated expenses for the Proposed Private Placement	(iii)	100	Within 1 month
Total		**5,267**	

Notes:

(i) Working capital

The Group intends to utilise part of the proceeds from the Proposed Private Placement for the Group's working capital purposes in the following manner:

Working capital	RM'000	%
Purchase of raw materials [(a)]	1,400	52.49
Staff salaries, allowances and other statutory payments such as staff's personal income tax, Employees Providence Fund and SOCSO	1,000	37.50
Finance cost incurred pursuant to the Group's bank borrowings	267	10.01
Total	**2,667**	**100.00**

(a) The Group intends to purchase raw materials used for the manufacturing of parts and components used in its glove chlorination systems include plastic resins, fibre-reinforced plastic (FRP) materials, polyvinyl chloride (PVC) pipes and fittings and mild steel.

(ii) Future business expansion

The Group intends to utilise up to RM2.50 million of the proceeds for future business expansion opportunities which shall include the following:

(a) acquisition of company/business which complement the Group's existing businesses; and/or

(b) strategic partnerships, alliances and/or investments in areas of growth in the Glove manufacturing industry.

The breakdown of each component for future business expansion will be dependent on the opportunity, as and when it arises, and therefore cannot be determined at this juncture. As at the LPD, the Company is exploring potential prospects as outlined in (a) and (b) above. These discussions are still at a preliminary or inconclusive stage. Where applicable and as required under the Listing Requirements, Flexidynamic will make the relevant announcement(s) and/or seek approval from its shareholders (if required) for the Group's business expansion activities.

(iii) Estimated expenses for the Proposed Private Placement

The estimated expenses consist of professional fees, regulatory fees and other incidental expenses in relation to the Proposed Private Placement. Any variation in the actual amount of the expenses for the Proposed Private Placement will be adjusted proportionately to/from the proceeds earmarked for working capital requirements.

Any deficit/excess of the proceeds proposed for the estimated expenses will be adjusted accordingly to/from proceeds to be utilised for working capital purposes.

In the event the gross proceeds raised is less than RM5.27 million, the proceeds will be utilised in the following priority:

(a) Estimated expenses for the Proposed Private Placement;

(b) Working capital; and

(c) Future business expansion.

In the event the gross proceeds raised is more than RM5.27 million, all excess shall be utilised for the Group's working capital.

Pending utilisation of the proceeds from the Proposed Private Placement for the abovementioned purposes, the proceeds will be placed in interest-bearing deposits with licensed financial institution(s) and/or short-term money market instruments as the Board deems fit. The interest derived from the deposits placed with the financial institution(s) and/or any gain arising from the short-term money market instruments will be used for the Group's working capital.

3. RATIONALE OF THE PROPOSED PRIVATE PLACEMENT

Based on the above considerations and after due consideration of the various fund-raising options available, the Board is of the view that the Proposed Private Placement is the most appropriate avenue to raise funds for the Group due to the following reasons:

(i) the Proposed Private Placement will enable the Group to raise funds for the purposes set out in Section 2.5 of this Announcement without incurring interest expenses as compared to borrowings;

(ii) the Proposed Private Placement will allow the Company to raise funds more expeditiously as opposed to other fund-raising options via equity or debt; and

(iii) the Proposed Private Placement will strengthen the financial position of the Group by increasing the capital base of the Company.

4. DETAILS OF EQUITY FUND-RAISING EXERCISES UNDERTAKEN IN THE PAST 12 MONTHS

The Company has not implemented any other fund-raising exercises within the 12 months preceding the date of this Announcement.

5. OUTLOOK AND PROSPECTS

5.1 Outlook and overview of the Malaysian economy

Global economy is anticipated to exhibit moderate growth after experiencing a period of economic downturn. Lingering uncertainties have prompted the International Monetary Fund to project the global growth outlook to 3% in 2023 and 2024 (2022: 3.5%). Nevertheless, it remains constrained due to heightened downside risks, particularly tightening of monetary policies to ease inflationary pressures, hence, impeding a robust global economic recovery. Meanwhile, world trade growth is also expected to moderate to 2% in 2023 amid prolonged geopolitical tensions and to record 3.7% in 2024.

Despite escalating uncertainties in the global landscape, Malaysia's economy remains resilient. The GDP is forecast to expand by approximately 4% in 2023 and between 4% and 5% in 2024. The Government acknowledged the World Bank's forecast that Malaysia's growth will be 4.3% in 2024, which is slightly higher than its initial estimate. This is in line with Malaysia's 2024 growth projection, which will be achieved through robust domestic demand, effectively offsetting the challenges posed by the moderate global growth, supported by the implementation of measures in the new National Energy Transition Roadmap ("**NETR**"), New Industrial Master Plan 2030 ("**NIMP 2030**"), and the Mid-Term Review of the Twelfth Malaysia Plan ("**MTR of the Twelfth Plan**").

Furthermore, Malaysia's domestic demand in 2023 continues to be buoyed by expansion in consumption and investment spending. This is also supported by favourable labour market condition and easing inflationary pressures as well as vibrant tourism activities. The surge of private investment is attributed to the multiyear execution of infrastructure ventures and sustained capital investments in the services and manufacturing sectors. The robust activity in private sector expenditure is expected to offset the effects of moderate public spending in 2023. In 2024, private sector expenditure remains as the main contributor in driving economic activities owing to stronger domestic demand. In addition, Government initiatives to support household spending through cash transfers to targeted groups and the growing social commerce trend are expected to boost private consumption. Meanwhile, private investment is poised to accelerate further driven by improved business environment in consonance with positive response towards Government's strategies and measures in attracting high-tech and high-value investments via the NETR and NIMP 2030.

On the supply side, services and manufacturing sectors continue to be the primary engines of growth in 2023. The services sector performance is driven by tourism subsectors, resulted from higher tourist arrivals and improved consumer spending. However, the manufacturing sector is expected to register a modest growth amid sluggish external demand. In 2024, the wholesale and retail trade subsector will remain as the key contributor to the services sector, underpinned by the expansion in retail segment through digital transactions. In addition, the domestic-oriented industries are backed by higher output in high growth high value ("**HGHV**") industries which will drive the manufacturing sector, in tandem with the implementation of initiatives under the NETR, NIMP 2030 and MTR of the Twelfth Plan as well as Chemical Industry Roadmap 2030.

In 2023, exports have contracted in tandem with the global economic and trade slowdown, primarily influenced by China's slower-than anticipated economic growth and moderate commodity prices. In contrast, the current account surplus is expected to expand, driven by a narrowing deficit in the services and primary income accounts. However, the outlook for 2024 indicates a gradual upswing, attributed to improved global trade and prospects in the commodity sector.

(Source: Economic Outlook 2024, Ministry of Finance Malaysia)

5.2 Overview and outlook of the glove industry in Malaysia

The global glove industry outlook remains uncertain due to the oversupply arising from the new and expanded capacity during the COVID-19 pandemic.

Notwithstanding the above, it was reported in March 2023 that Malaysian Rubber Glove Manufacturers Association (MARGMA) anticipates that the global glove demand to normalise to pre-pandemic levels in 2023. The global glove demand is expected to increase to 300 billion pieces of gloves from 280 billion pieces of gloves in 2018 and 340 billion pieces of gloves in 2019.

It was further reported in December 2023 that the sentiment on the glove industry sector has improved recently following sequential pick-up in sales volume. The 2023 industry annual supply assumption is reported at 373 billion pieces. Whilst local glove manufacturers continue to be pressed by increased competition resulting in volatility in sales volume as buyers are in no rush to lock in a contract due to excess supply, there have been reports quoting stabilisation of raw material prices and a potential reduction in natural gas costs.

Further reports of local players decommissioning or consolidation of some of their facilities could assist in alleviating pressure on profit margins as obsolete plants are less energy and manpower efficient. The glove-inventory rationalisation is expected to materialise by second half of 2024 as a result of favourable cost outlook and improvement in average selling price of the glove in 2024. This will result in better margins for the glove players.

5.3 Prospects of the Group

The global glove industry outlook remains uncertain due to the oversupply arising from the new and expanded capacity during the COVID-19 pandemic. As such, capacity rationalisation resulting in the slowdown in expansion by the glove manufacturers have adversely affected the Group.

Despite the current negative sentiment, global glove consumption is expected to increase in the long term in tandem with increased awareness and glove usage as glove continue to be an essential item not only in the medical sector but other extended sector as well.

As the management expects the glove-inventory rationalisation to materialise by second half of 2024, the Group expects the glove manufacturers to retire aged production capacity and upgrade to more efficient production lines to better compete in the market. Meanwhile, the Group is focusing on refurbishment of old glove manufacturing facilities as well as maintenance and services. This is aimed to increase the revenue stream of the Group.

Nevertheless, as the business landscape remains challenging in the near term, the Group will continue to focus on better cost rationalisation, operational efficiency and cash management to mitigate the impact of the negative business environment.

(Source: Management of Flexidynamic)

5.4 Impact of the Proposed Private Placement and value creation to the Group and its securities holders

The Proposed Private Placement is expected to enlarge the issued share capital of the Group and thus increase its shareholder's equity and enhance the overall financial position where the net assets of the Group shall improve to RM41.83 million from RM36.67 million and gearing level of the Group shall improve to 0.27 times from 0.31 times, as set out in Section 6.2 of this Announcement.

However, the shareholdings of the Group's existing shareholders will be diluted as a result of the increase in the number of issued Shares pursuant to the Proposed Private Placement. In addition, the future earnings per Share ("**EPS**") of the Group may be diluted if the earnings of the Group do not increase in tandem with the increase in the number of issued Shares pursuant to the Proposed Private Placement.

5.5 The adequacy of the Proposed Private Placement in addressing the Group's financial concerns

The Group is principally involved in the glove manufacturing industry, with the bulk of revenue being project-based arising from the expansion of capacity by the glove manufacturers, namely by construction of new glove manufacturing factories. It has been a challenging period for the Group in financial year ended ("**FYE**") 31 December 2022, as the glove manufacturing industry was hit by excessive capacity expansion during the COVID-19 pandemic, resulting in pause or cancellation of expansion plans. This resulted in delays and difficulties in replenishing the Group's orderbooks. Concurrently, the downtrend in the industry resulted in tighter financial situations for many of the glove manufacturers, especially the newcomers that entered the glove manufacturing industry as a result of the pandemic. This resulted in the Group suffering a loss after taxation of RM4.05 million, after allocating RM4.08 million in allowance of expected credit loss on trade receivables.

The Proposed Private Placement will enable the Group to achieve the following objectives:

(i) an interim measure to meet the Group's immediate and urgent funding needs for its working capital requirements; and

(ii) the Proposed Private Placement is expected to improve the financial position of the Company, as illustrated in Section 6 of this Announcement.

At this juncture, the Board is of the opinion that the Proposed Private Placement is adequate in addressing the immediate financial needs of the Group and ensure business continuity is not negatively affected by cash flow constraints. However, it will not substantially turn around the Group financial performance as the management believes that the glove manufacturing industry in Malaysia will remain challenging. Notwithstanding that, the Proposed Private Placement will allow the Group a greater degree of flexibility and agility to explore any future business expansion to reduce the Group's reliance on the current segment of the glove manufacturing industry that the Group presently operates in.

The Group shall continue to explore other future business expansion opportunities which complement the Group's existing business and/or investment in areas of growth in the glove manufacturing industry to diversify its revenue stream.

5.6 Steps undertaken and/or to be undertaken to improve the financial condition of the Group.

Historically, the Group's primary revenue stream has been reliant on customers expanding their capacities by establishing new factories. As a consequence of the industry-wide overexpansion of production capacity during the COVID-19 pandemic, the Group is now experiencing a reduced orderbook from customers seeking to expand their glove manufacturing facilities.

In light of this, the Group has shifted its focus to refurbishment of old glove manufacturing facilities as well as maintenance and services. The Group has introduced refurbishment programme to its customers where it focuses on offering cost-effective solutions to refurbish its older manufacturing facilities.

In addition, the Group has increased its marketing efforts on customer education and awareness focusing on the benefits that regular maintenance can have to increase operational efficiency, equipment lifespan, and long-term cost savings. In line with this, the Group has simultaneously introduced tailored service packages including scheduled preventive and predictive maintenance solutions that can cater to the differing requirements across the Group's customer base. This is aimed to increase the revenue stream of the Group.

Save for the above, the Group will continue to explore future business expansion opportunities which complement the Group's existing business and/or investment in areas of growth in the glove manufacturing industry. The Board is of the opinion that the Group's strategies are expected to improve the financial position of the Group moving forward.

6. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

6.1 Share capital

The pro forma effects of the Proposed Private Placement on the issued share capital of the Company are set out below:

	No. of Shares	RM
Issued share capital as at LPD	284,679,925	35,623,055
Placement Shares to be issued pursuant to the Proposed Private Placement	28,467,900	(1)5,166,562
After the Proposed Private Placement	**313,147,825**	**40,789,617**
To be issued pursuant to the full exercise of the unexercised ESOS options	13,297,275	(2)3,723,237
Enlarged share capital	**326,445,100**	**44,512,854**

Notes:

(1) Assuming all of the Placement Shares are issued at the Indicative Issue Price of RM0.185 per Placement Share and after deducting the estimated expenses of the Proposed Private Placement of RM0.10 million.

(2) Assuming all the unexercised ESOS options are fully exercised at the exercise price of RM0.28 each.

6.2 Net assets ("NA") and gearing

The pro forma effects of the Proposed Private Placement on the NA and gearing of the Group based on the latest audited consolidated financial position of the Group as at 31 December 2022 are as follows:

	I	II	III
	Audited as at 31 December 2022	**After the Proposed Private Placement**	**After II and full exercise of the unexercised ESOS options**
	RM'000	**RM'000**	**RM'000**
Share capital	35,623	(1)40,790	46,167
Merger deficit	(20,431)	(20,431)	(20,431)
Capital reserve	631	631	631
Share-based payment reserve	1,114	1,114	-
Foreign exchange reserve	(8)	(8)	(8)
Retained earnings	19,737	19,737	(2)19,197
Shareholders' fund/NA	**36,666**	**41,833**	**45,556**
Non-controlling interests	513	513	513
Total equity	**37,179**	**42,346**	**46,069**
No. of Shares in issue ('000)	284,680	313,148	326,445
NA per Share (RM)	0.13	0.13	0.14
Total borrowings (RM'000)	11,487	11,487	11,487
Gearing (times)	0.31	0.27	0.25

Notes:

(1) Based on the issuance of 28,467,900 Placement Shares at the Indicative Issue Price and after deducting the estimated expenses in relation to the Proposed Private Placement of approximately RM0.10 million.

(2) After deducting share-based payment expenses of RM0.54 million pursuant to the ESOS.

6.3 Earnings and EPS

The Proposed Private Placement will result in an immediate dilution in Flexidynamic's EPS as a result of the increase in the number of Flexidynamic Shares in issue upon completion of the Proposed Private Placement.

The actual impact of the Proposed Private Placement on the future earnings and EPS of Flexidynamic will depend on the level of returns generated from the utilisation of proceeds raised from the Proposed Private Placement.

For illustrative purposes, based on the audited consolidated financial statements for FYE 31 December 2022, the pro forma effects on the earnings/(loss) and loss per share position of Flexidynamic Group are as follows:

	Audited as at 31 December 2022	**After Proposed Private Placement**
Loss after taxation (RM'000)	4,055	4,055
Number of Shares ('000)	284,680	(1)313,148
Loss per share (sen)	1.42	1.29

Note:

(1) Based on the issuance of 28,467,900 Placement Shares.

6.4 Substantial shareholders' shareholding

The pro forma effects of the Proposed Private Placement on the shareholding of the substantial shareholders of Flexidynamic as at the LPD are set out in the table below:

					(I)				(II)			
	As at the LPD[1]				After the Proposed Private Placement[2]				After (I) and the full exercise of unexercised ESOS options[3]			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Substantial shareholders	**No. of Shares '000**	**%**	**No. of Shares '000**	**%**	**No. of Shares '000**	**%**	**No. of Shares '000**	**%**	**No. of Shares '000**	**%**	**No. of Shares '000**	**%**
Tan Kong Leong	117,893	41.41	[4]9,138	3.21	117,893	37.65	[4]9,138	2.92	117,893	36.11	[4]9,138	2.80
Liew Heng Wei	53,208	18.69	[5]130	0.05	53,208	16.99	[5]130	0.04	53,208	16.30	[5]2,500	0.77
Phitchaya Arsangku	6,260	2.20	[5]120,771	42.42	6,260	2.00	[5]120,771	38.57	6,260	1.92	[5]120,771	37.00
Lion Suk Chin	130	0.05	[5]53,208	18.69	130	0.04	[5]53,208	16.99	2,500	0.77	[5]53,208	16.30
Placees (collectively)	-	-	-	-	28,468	9.09	-	-	28,468	8.72	-	-

Notes:

(1) Based on the existing share capital of 284,679,925 Shares as at the LPD.

(2) Based on the enlarged share capital of 313,147,825 Shares after the Proposed Private Placement.

(3) Based on the enlarged share capital of 326,445,100 Shares after the full exercise of unexercised ESOS options.

(4) Deemed interested by virtue of spouse's shareholding and his shareholding in TECS Properties Sdn Bhd pursuant to Section 8 of the Act.

(5) Deemed interested by virtue of spouse's shareholding in the Company.

6.5 Convertible securities

Save for the 13,297,275 unexercised ESOS options as at the LPD, the Company does not have any other outstanding convertible securities as at the LPD. The Proposed Private Placement will not result in any adjustment to the exercise price and number of ESOS options.

7. APPROVALS REQUIRED

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

(i) Bursa Securities for the listing and quotation of the Placement Shares on the ACE Market of Bursa Securities; and

(ii) any other relevant authorities or parties, if required.

On 23 June 2023, the Company had obtained its shareholders' approval for the General Mandate that authorises the Board to issue new Flexidynamic Shares from time to time upon such terms and conditions and for such purposes as and to such persons whomsoever the Directors may, in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be issued does not exceed 10% of the total issued Shares of the Company and approval of all the relevant regulatory bodies being obtained for such issue pursuant to Sections 75 and 76 of the Act.

On 23 June 2023, the Company had also obtained its shareholders' approval to waive the statutory pre-emptive rights to be offered any new Flexidynamic Shares which rank equally to the existing Flexidynamic Shares arising from any issuance of new Flexidynamic Shares pursuant to Section 85 of the Act.

The Proposed Private Placement is not conditional upon any other corporate proposals undertaken or to be undertaken by Flexidynamic.

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

None of the other directors, major shareholders, chief executive of Flexidynamic and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Private Placement.

9. DIRECTORS' RECOMMENDATION

The Board, after having considered all aspects of the Proposed Private Placement (including, but not limited to the proposed utilisation of proceeds, rationale and the effects of the Proposed Private Placement), is of the opinion that the Proposed Private Placement is in the best interest of the Company and its shareholders.

10. PRINCIPAL ADVISER AND PLACEMENT AGENT

Malacca Securities has been appointed as Principal Adviser and Placement Agent for the Proposed Private Placement.

11. ESTIMATED TIMEFRAME FOR SUBMISSION AND COMPLETION

Barring unforeseen circumstances, the application to Bursa Securities in relation to the Proposed Private Placement is expected to be made within 1 month from the date of this Announcement.

Subject to the relevant approvals being obtained and barring any unforeseen circumstances, the Proposed Private Placement is expected to be completed by the first half of 2024.

This announcement is dated 2 January 2024.

APPENDIX

The summary of historical financial performance and financial position of Flexidynamic based on the audited consolidated financial statements for the FYE 31 December 2020, FYE 31 December 2021 and FYE 31 December 2022, the unaudited consolidated statements for the corresponding 3-month financial period ended ("**FPE**") 30 September 2022 and the latest unaudited consolidated statements for the 3-month FPE 30 September 2023 are as follows:

	Audited			Unaudited	
	FYE 31 December 2020	FYE 31 December 2021	FYE 31 December 2022	3-months FPE 30 September 2022	3-months FPE 30 September 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	56,886	105,778	88,285	18,129	5,503
Profit/(Loss) before taxation	6,220	5,682	(1,302)	644	(950)
Profit/(Loss) after taxation	4,604	3,506	(4,055)	(957)	(911)
Profit/(Loss) after taxation attributable to:					
- owners of the Company	4,528	3,184	(3,910)	(1,168)	(824)
- non-controlling interests	76	322	(145)	211	(87)
Weighted number of ordinary shares ('000)	13,113	265,753	284,462	284,680	284,680
EPS/(LPS) (sen)	34.53	1.20	(1.37)	(0.41)	(0.29)
Diluted EPS/(LPS) (sen)	NA	1.20	(1.36)	(0.40)	(0.29)
Net Assets	24,745	43,366	37,180	39,830	36,520
Number of outstanding shares ('000)	208,660	283,891	284,680	284,680	284,680
Net Assets per share (RM)	0.12	0.15	0.13	0.14	0.13
Total bank borrowings (including lease liabilities)	11,587	10,098	11,487	9,904	8,744
Gearing ratio (times)	0.47	0.23	0.31	0.25	0.24

Financial commentary

(i) FYE 31 December 2021 vs FYE 31 December 2020

The Group recorded a revenue of RM105.78 million for the FYE 31 December 2021, an increase of RM48.89 million or 85.95% compared to RM56.89 million recorded in the FYE 31 December 2020. The increase in revenue was mainly attributed to the progress of projects works-on-site as the Group's customers ramp up their expansion plans to meet increased glove demands.

Although the Group recorded higher revenue and gross profit, the Group recorded a lower profit before taxation ("**PBT**") for the FYE 31 December 2021, which decreased by approximately RM0.54 million or 8.65% from RM6.22 million in the FYE 31 December 2020 to RM5.68 million for the FYE 31 December 2021. The decrease in PBT was mainly due to listing expenses of RM2.44 million and the share-based payment expenses of RM0.69 million pursuant to the ESOS implemented in December 2021 incurred during the FYE 31 December 2021.

As a result of the decreased PBT, the Group recorded a lower profit after taxation ("**PAT**") of RM3.51 million for the FYE 31 December 2021 (FYE 31 December 2020: PAT RM4.60 million).

(ii) FYE 31 December 2022 vs FYE 31 December 2021

The Group recorded revenue of RM88.29 million for the FYE 31 December 2022, a decrease of RM17.49 million or 16.54% compared to RM105.78 million recorded in the FYE 31 December 2021. The decrease in revenue was mainly due to slowdown in expansion by the Group's customers in the FYE 31 December 2022.

The Group recorded loss before tax ("**LBT**") of RM1.30 million for the FYE 31 December 2022 in comparison to PBT of RM5.68 million recorded in the FYE 31 December 2021. The was mainly due to an increase in raw material costs and an increase in operating expenses such as allowance of expected credit losses on trade receivables of RM4.08 million and unrealised loss on foreign exchange of RM1.44 million resulted from the strengthening of RM against USD at the end of 2022.

As a result, the Group recorded loss after taxation ("**LAT**") of RM4.06 million for the FYE 31 December 2022 (FYE 31 December 2021: PAT RM3.51 million). The high taxation was attributable to the reversal of deferred tax assets arising from the recognition of contract liabilities in the consolidated statements of profit or loss and operating expenses.

(iii) 3-months FPE 30 September 2023 vs 3-months FPE 30 September 2022

The Group recorded revenue of RM5.50 million for the 3-months FPE 30 September 2023, representing a decrease of RM12.63 million or 69.65% as compared to RM18.13 million in the 3 months FPE 30 September 2022. The decrease in revenue was mainly due to the slowdown in expansion by the Group's customers.

The Group recorded LBT of RM0.95 million for the 3-months FPE 30 September 2023 as compared to PBT of RM0.64 million recorded in the 3-months FPE 30 September 2022. This was attributable to lower gross profit of RM0.82 million recorded in the 3-months FPE 30 September 2023 while administrative expenses was at RM1.51 million (3-months FPE 30 September 2022: RM1.84 million).

As a result, the Group recorded LAT of RM0.91 million for the 3-months FPE 30 September 2023.