

## KEJURUTERAAN ASASTERA BERHAD (“KAB” OR THE “COMPANY”)

### PROPOSED ESTABLISHMENT OF AN EMPLOYEES’ SHARE OPTION SCHEME INVOLVING UP TO 30% OF THE TOTAL NUMBER OF ISSUED SHARES OF KAB (EXCLUDING TREASURY SHARES, IF ANY) FOR ELIGIBLE DIRECTORS AND EMPLOYEES OF KAB AND ITS SUBSIDIARIES

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#### 1. INTRODUCTION

On behalf of the Board of Directors of KAB (“**Board**”), Mercury Securities Sdn Bhd (“**Mercury Securities**”) wishes to announce that the Company proposes to undertake the proposed establishment of an employees’ share option scheme (“**ESOS**” or the “**Scheme**”) involving up to 30% of the total number of issued shares of KAB (excluding treasury shares, if any) for eligible directors and employees of KAB and its subsidiaries (“**KAB Group**” or the “**Group**”) (“**Proposed ESOS**”).

#### 2. DETAILS OF THE PROPOSED ESOS

The Company proposes to establish and implement the Proposed ESOS, which involves granting of options (“**Options**”) to the Directors or employees of the Group who meet the criteria of eligibility for participation in the ESOS (“**Eligible Persons**”) as set out in the by-laws governing the Scheme (“**By-laws**”). The Options granted under the Scheme shall entitle Eligible Persons who have accepted a written offer of Options (“**Offer**”) (“**Grantee**”) to subscribe for new ordinary shares in KAB (“**KAB Shares**” or “**Shares**”) at an exercise price to be determined at a later date (“**Option Price**”).

The Scheme will be administered by a committee to be duly appointed and authorised by the Board from time to time to administer the Scheme in accordance with the By-laws (“**ESOS Committee**”). The ESOS Committee will have the absolute discretion in administering the Scheme. Any liberty, power or discretion which may be exercised or any decision or determination which may be made by the ESOS Committee (including any selection) pursuant to the By-laws may be exercised in the ESOS Committee’s sole and absolute discretion having regard to the terms of reference which the Board may establish to regulate and govern the ESOS Committee’s functions and responsibilities.

##### 2.1 Maximum number of Shares available under the Scheme

The maximum number of new Shares which may be made available under the Scheme shall not exceed 30% of the Company’s total number of issued shares (excluding treasury shares, if any) at any point of time during the duration of the Scheme (“**Maximum Shares**”).

Notwithstanding the above or any other provision contained in the By-laws, in the event that the number of new Shares to be issued pursuant to the exercise of the Options granted under the Scheme exceeds the Maximum Shares as a result of the Company purchasing its own Shares in accordance with the Companies Act 2016 (“**Act**”), or the Company undertaking any other 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 (excluding treasury shares) of the Company shall remain valid and exercisable in accordance with the provisions of the By-laws.

However, in such a situation, the ESOS Committee shall not offer any further Options until the total number of new Shares to be issued pursuant to the exercise of the Options granted or to be granted under the Scheme falls below the Maximum Shares during the duration of the Scheme.

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

## **2.2 Basis of allocation and maximum allowable allocation of new Shares**

Subject to the Maximum Shares and any adjustments which may be made under the By-laws, the aggregate maximum number of new Shares that may be allotted to any one Eligible Person shall be determined entirely at the discretion of the ESOS Committee after taking into consideration, amongst others, the position, performance and length of service of the Eligible Person in the Group, and/or such other factors which the ESOS Committee may in its absolute discretion deem fit, subject to the following conditions:-

- (i) the Directors or Employees do not participate in the deliberation or discussion in respect of their own allocation;
- (ii) not more than 10% of the Options available under the Scheme shall be allocated to any individual Eligible Persons who, either singly or collectively through persons connected with Eligible Persons, hold 20% or more of the total number of issued shares of the Company (excluding treasury shares, if any); and
- (iii) not more than 70% of the Options available under the Proposed ESOS shall be allocated in aggregate to the Directors and senior management of the companies in the Group (which are not dormant),

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

For the avoidance of doubt, the ESOS Committee shall have the sole and absolute discretion in determining whether the Options are to be granted to the Eligible Persons via:-

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

provided always that the aggregate number of new Shares in respect of the Offers granted to any Eligible Person shall not exceed the amount stipulated in Section 2.1 of this announcement.

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

- (i) whether or not to stagger the Offer over the duration of the Scheme and each Offer shall be separate and independent from the others;
- (ii) the number of Options to be offered in each Offer;
- (iii) whether or not the Options are subject to any vesting period and if so, the vesting conditions and whether such vesting is subject to performance target; and
- (iv) such other terms and conditions as it shall deem fit and appropriate to be imposed for the participation in the Scheme.

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

### 2.3 Eligibility to participate in the Scheme

A director / employee of the Group, excluding the subsidiaries which are dormant, shall be eligible to participate in the Scheme if, as at the date on which the Offer was made ("**Date of Offer**"):-

- (i) he / she is a Malaysian citizen of at least 18 years of age and he / she is not an undischarged bankrupt or subject to any bankruptcy proceedings;
- (ii) he / she is:-
  - (a) employed full time by and on the payroll of any company in the Group and his / her employment has been confirmed by any company in the Group; or
  - (b) employed under an employment contract for a fixed duration and has been in the employment of the Group for such period as may be determined by the ESOS Committee prior to and up to the Date of Offer; and
- (iii) fulfils any other criteria and/or falls within such category as may be determined by the ESOS Committee at its absolute discretion for the purposes of selecting the Eligible Persons from time to time.

The eligibility to participate in the Scheme does not confer upon an Eligible Person a claim or right to participate in the Scheme or any rights whatsoever under the Scheme and an Eligible Person does not acquire or have any rights over or in connection with the Options or the Shares unless the ESOS Committee has made an Offer to the Eligible Persons and such Eligible Person has accepted the Offer in accordance with the terms of the By-laws.

### 2.4 Duration of the Proposed ESOS

The Scheme shall be in force for a duration of 5 years from the date on which the Scheme shall take effect, to be determined by the ESOS Committee ("**Effective Date**").

On or before the expiry of the first 5 years of the Scheme, the Board shall have the discretion, upon recommendation of the ESOS Committee, to 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 Effective Date or such longer period as may be permitted by Bursa Securities or any other relevant authorities from time to time.

For the avoidance of doubt, no further sanction, approval, consent or authorisation of the registered holders of KAB Shares ("**Shareholders**") in a general meeting is required for any such extension. In the event the Scheme is extended in accordance with the provision of the By-laws, the ESOS Committee shall furnish a written notification to all Grantees.

The Scheme may be terminated by the ESOS Committee at any time before its expiry and the Company shall make an announcement immediately through Bursa Securities.

In the event of termination of the Scheme, the following provisions shall apply:-

- (i) no further Offer shall be made by the ESOS Committee from the effective date of termination of the Scheme ("**Termination Date**");

- (ii) all Offers which have yet to be accepted by the Eligible Person(s) shall automatically lapse on the Termination Date;
- (iii) all Offers which have yet to be vested in the Eligible Person(s) shall automatically lapse on the Termination Date; and
- (iv) all outstanding Options which have yet to be exercised by the Grantees and/or vested (if applicable) shall be automatically terminated on the Termination Date.

Approval or consent of Shareholders by way of a resolution in a general meeting and written consent of the Grantees who have yet to exercise their Options are not required to effect the termination of the Scheme.

## **2.5 Exercise of Options**

Subject to the By-laws, a Grantee shall be allowed to exercise the Options granted to him / her either in whole or part in multiples of 100 Shares as the Grantee may be entitled under the Options at any time during the period commencing from the date of acceptance of an Offer by a Grantee and expiring on the last day of the duration of the Scheme or such other date as stipulated by the ESOS Committee in the Offer or upon the date of termination or expiry of the Scheme as provided in the By-laws (“**Option Period**”) whilst he / she is in the employment of any company within the Group.

There will be no restriction to the Grantee on the percentage of Options exercisable by him / her during the Option Period.

## **2.6 Option Price**

Subject to any adjustments that may be made in accordance with the By-laws, the Option Price shall be based on a price to be determined by the Board upon recommendation of the ESOS Committee based on the 5-day volume weighted average market price (“**VWAP**”) of the 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 Bursa Securities or any other relevant authorities from time to time during the duration of the Scheme.

## **2.7 Ranking of the new Shares to be issued pursuant to the exercise of the Options**

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

## **2.8 Retention period**

The new Shares to be allotted and issued and/or transferred to a Grantee pursuant to the exercise of an Option may be subject to such reasonable retention period or restriction on transfer imposed or determined by the ESOS Committee at its discretion. However, Grantees are encouraged to hold the Shares as an investment rather than for any speculative purposes and/or for the realisation of any immediate gain.

Notwithstanding the above, a Grantee who is a non-executive Director must not sell, transfer or assign his / her Shares obtained through the exercise of the Options granted to him / her pursuant to the Scheme within 1 year from the Date of Offer or such period as may be prescribed by Bursa Securities.

## **2.9 Alteration of share capital during the Option period**

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

Such adjustments must be confirmed in writing by the external auditors of the Company or principal advisers (acting as experts and not as arbitrators), to be in their opinion, fair and reasonable.

## **2.10 Modification, variation and/or amendment to the Scheme**

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

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

- (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 set out in Section 2.1 of this announcement; or
- (iii) alter any matter which are required to be contained in the By-laws by virtue of the Listing Requirements to the advantage of the Eligible Person and/or Grantee.

## **2.11 Utilisation of proceeds**

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

Nevertheless, the Company intends to utilise the proceeds arising from the exercise of the Options, if any, as working capital for the Group, including providing performance bonds and tender bonds, purchase of materials and components, human resources expenses and other operating as well as administrative expenses, as and when received by the Company.

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### 3. RATIONALE FOR THE PROPOSED ESOS

The Proposed ESOS is established primarily to achieve the following objectives:-

- (i) to motivate, reward and retain the Eligible Persons who, upon exercising their Options would be given the opportunity to participate in the equity of the Company thereby relate their contribution directly to the Group;
- (ii) to provide incentives to the Eligible Persons to be committed to the Group without adversely affecting the cash flow of the Group; and
- (iii) to have a more competitive remuneration scheme to attract more skilled and experienced individuals to join the Group and contribute to its continued growth and profitability.

Further, any proceeds to be received by the Company pursuant to the exercise of the Options (which will depend on, amongst others, the number of Options granted and exercised at the relevant point in time and the Option Price) will be utilised for the Company's working capital purposes.

### 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 Options granted under the Scheme are exercised. The Company's share capital will increase progressively depending on the number of new Shares to be issued upon the exercise of the Options granted under the Scheme and the Option Price.

For illustration, assuming the Maximum Shares made available under the Proposed ESOS are fully issued to the Eligible Persons upon the exercise of Options granted under the Scheme, the pro forma effects of the Proposed ESOS on the issued share capital of the Company as at 16 April 2018, being the latest practicable date prior to the date of this announcement ("LPD"), is as follows:-

	No. of Shares	Share capital (RM)
Issued share capital as at the LPD	320,000,000	32,000,000
To be issued pursuant to the Proposed ESOS	<sup>(1)</sup> 96,000,000	<sup>(2)</sup> 21,120,000
<b>Issued share capital after the Proposed ESOS</b>	<b>416,000,000</b>	<b>53,120,000</b>

Notes:-

(1) Based on 30% of the total number of issued Shares as at the LPD.

(2) Based on an illustrative exercise price of RM0.22 per Option (calculated based on 10% discount to the 5-day VWAP of the Shares up to and including the LPD of RM0.2386 and rounded up to the nearest Sen.

#### 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 Options granted under the Scheme 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 Options granted under the Scheme and the Option Price.

#### **4.3 Earnings and earnings per share (“EPS”)**

Apart from the estimated expenses to be incurred for the Proposed ESOS of RM200,000, the Proposed ESOS is not expected to have any immediate effect on the earnings and EPS of the Company until such time when the Options are granted and exercised. Any potential effect on the EPS of the Company in the future will depend on the number of Options granted and exercised, the Option Price and the non-cash expenses arising from the granting of the 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 Options and recognised as an expense in the profit or loss account of the Company over the vesting period of such Options. However, it should be noted that the estimated cost does not represent a cash outflow by the Company 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 Options to the Eligible Persons.

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#### 4.4 Substantial Shareholders' shareholdings

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

For illustration, assuming the Maximum Shares made available under the Proposed ESOS are fully issued to the Eligible Persons upon the exercise of Options granted under the Scheme, the pro forma effects of the Proposed ESOS on the substantial Shareholders' shareholdings as at the LPD are as follows:-

Substantial Shareholders	As at the LPD				After the Proposed ESOS			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
Dato' Lai Keng Onn	196,000,000	61.25	-	-	<sup>(3)</sup> 196,000,000	47.12	-	-

Notes:-

(1) Based on the total number of issued shares of 320,000,000 Shares as at the LPD.

(2) Based on the total number of issued shares of 416,000,000 Shares after the Proposed ESOS.

(3) Assuming none of the Options are granted to Dato' Lai Keng Onn.

#### 4.5 Convertible securities

The Company does not have any outstanding convertible securities as at the LPD.

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## 5. APPROVALS REQUIRED AND CONDITIONALITY

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

- (i) Bursa Securities for the listing and quotation of new Shares to be issued upon the exercise of the Options granted pursuant to the Proposed ESOS.
- (ii) Shareholders at an extraordinary general meeting (“EGM”) to be convened for the Proposed ESOS; and
- (iii) any other relevant authorities and/or parties, if required.

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 AND/OR PERSONS CONNECTED WITH THEM

All the Directors are entitled to participate in the Proposed ESOS and are therefore deemed interested in the Proposed ESOS to the extent of their respective specific allocations as well as specific allocations to persons connected to them, if any, under the Proposed ESOS.

Accordingly, the Directors have abstained and will continue to abstain from all deliberations and voting in relation to any specific allocation of Options to themselves respectively as well as any specific allocation of Options to persons connected to them, if any, at all relevant Board meetings.

The Directors, including Dato’ Lai Keng Onn who is also the major Shareholder of the Company, further undertake to ensure that they and the persons connected to them, if any, will abstain from voting in respect of their direct and/or indirect shareholdings in the Company, if any, on the relevant resolutions pertaining to the specific allocation of Options to themselves respectively as well as the specific allocation of Options to persons connected to them, if any, to be tabled at an EGM to be convened for the Proposed ESOS.

The shareholdings of the Directors and interested major Shareholder of the Company as at the LPD are set out below:-

	As at the LPD			
	Direct		Indirect	
	No. of Shares	(1)%	No. of Shares	(1)%
<b><u>Directors</u></b>				
Ferdaus Bin Mahmood	-	-	-	-
Dato’ Lai Keng Onn	196,000,000	61.25	-	-
Choong Gaik Seng	12,000,000	3.75	-	-
Datin Chan Pey Kheng	-	-	-	-
Lu Chee Leong	100,000	0.03	-	-
Tong Siut Moi	-	-	-	-
<b><u>Interested major Shareholder</u></b>				
Dato’ Lai Keng Onn	196,000,000	61.25	-	-

## 7. DIRECTORS’ STATEMENT

The Board, having considered the current and prospective financial position, needs and capacity of the Group, and after careful deliberation and taking into consideration the rationale and all other aspects of the Proposed ESOS, is of the opinion that the Proposed ESOS is in the best interests of the Company.

**8. APPLICATION TO THE AUTHORITIES**

The corresponding application in relation to the Proposed ESOS is expected to be submitted to Bursa Securities within 1 month from the date of this announcement.

**9. ESTIMATED TIME FRAME FOR COMPLETION**

Subject to all relevant approvals being obtained, the Proposed ESOS is expected to be implemented by the second quarter of 2018.

**10. ADVISER**

Mercury Securities has been appointed by the Company to act as the Principal Adviser in relation to the Proposed ESOS.

This announcement is dated 23 April 2018.