

KINERGY ADVANCEMENT BERHAD (FORMERLY KNOWN AS KEJURUTERAAN ASASTERA BERHAD) (“KAB” OR THE “COMPANY”)

PROPOSED ESTABLISHMENT OF AN EMPLOYEES’ SHARES SCHEME (“ESS” OR “SCHEME”) OF UP TO 5% OF THE TOTAL NUMBER OF ISSUED ORDINARY SHARES IN KAB (EXCLUDING TREASURY SHARES) AT ANY POINT IN TIME DURING THE TENURE OF THE SCHEME, FOR ELIGIBLE DIRECTORS AND EMPLOYEES OF KAB AND ITS SUBSIDIARIES (EXCLUDING DORMANT SUBSIDIARIES) (“PROPOSED ESS”)

This announcement is dated 25 March 2024 (“**Announcement**”).

1. INTRODUCTION

On behalf of the Board of Directors of KAB (“**Board**”), Malacca Securities Sdn. Bhd. (“**Malacca Securities**”) wishes to announce that the Company is proposing to establish an employees’ shares scheme of up to 5% of the total number of issued ordinary shares in KAB (“**KAB Shares**” or the “**Shares**”) (excluding treasury shares) at any point in time during the tenure of the Scheme for eligible Directors and employees of KAB and its subsidiaries (“**KAB Group**” or the “**Group**”) (excluding dormant subsidiaries).

Further details on the Proposed ESS are set out in the ensuing sections of this Announcement.

2. PROPOSED ESS

The Proposed ESS entails the granting to selected eligible Directors (including non-executive Directors but shall not include alternate and/or substitute Directors) and/or eligible employees of KAB Group (excluding dormant subsidiaries) who meet the criteria of eligibility for participation in the Proposed ESS as set out in the by-laws governing the Proposed ESS (“**By-Laws**”) (“**Eligible Person(s)**”), the following awards (“**Awards**”):-

- (i) the right of the Eligible Persons to whom a written offer has been made by the ESS Committee (as defined herein) under the Proposed ESS (“**Offer**”) and who has accepted the Offer (“**Participants**”), to receive new and/or existing KAB Shares (“**Shares Grant**”) at specified dates; and/or
- (ii) options which entitle the Participants the right to subscribe for and/or receive new and/or existing KAB Shares (“**ESS Options**”), at specified dates at pre-determined prices,

provided that prior to such specified date of vesting or exercise of the Awards, as the case may be, the relevant service condition(s) of the Eligible Persons to whom the Offer has been made by the ESS Committee (“**Selected Persons**”) and/or the relevant condition(s) as may be stipulated by the ESS Committee in the Offer to the Selected Persons, are duly fulfilled unless the ESS Committee otherwise determines.

The Proposed ESS shall be administered by a committee to be duly authorised and appointed from time to time by the Board in accordance with the By-Laws (“**ESS Committee**”).

As at 22 March 2024, being the latest practicable date prior to this Announcement (“**LPD**”), the ESS Committee is yet to be established.

2.1 Size of the Proposed ESS

The aggregate number of KAB Shares comprised in the Awards, which may be made available under the Proposed ESS shall not at any point in time, in aggregate exceed 5% of the total number of issued KAB Shares (excluding treasury shares) during the duration of the Proposed ESS (“**Maximum Awards**”).

In the event the Company purchases or cancels its own shares or undertakes any other corporate proposal resulting in the number of KAB Shares to be issued under the Proposed ESS to exceed 5% of the total number of issued KAB Shares (excluding treasury shares), no further Awards can be offered until the number of KAB Shares to be issued under the Proposed ESS falls below the 5% threshold.

2.2 Eligibility

Subject to the determination and sole discretion of the ESS Committee, only an Eligible Person who meets the following conditions as at the date on which the Offer is made by the ESS Committee in writing ("**Date of Offer**"), is eligible to participate in the Proposed ESS:-

- (i) the Director or employee shall have attained the age of 18 years on the Date of Offer and shall neither be an undischarged bankrupt nor subject to any bankruptcy proceedings;
- (ii) if he/she is an executive Director or employee, he/she must have been employed by the Group (excluding dormant subsidiaries) and his/her employment as an Eligible Person must have been confirmed on the Date of Offer, employed on a full-time basis and has not served a notice to resign nor received a notice of termination;
- (iii) if he/she is a non-executive Director, he/she must have been appointed and remain appointed as a Director of the Group (excluding dormant subsidiaries), as at the Date of Offer;
- (iv) if the Director or employee is employed by a company which is acquired by the Group during the duration of the Scheme and becomes a subsidiary upon such acquisition, the said Director or employee must become an Eligible Person within the meaning of the By-Laws following the date that such company becomes or is deemed to be a subsidiary of the Group; and
- (v) they must fulfil such other eligibility criteria as may be determined by the ESS Committee from time to time at its absolute discretion.

The eligibility for consideration under the Proposed ESS does not confer an Eligible Person a right to participate in the Proposed ESS unless the ESS Committee has made the Offer to the Eligible Person and the Eligible Person has accepted the Offer in accordance with the terms of the By-Laws.

In accordance with the Main Market Listing Requirements by Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"), the allotment of Awards to any of the Directors, chief executive officer, employee who is a major shareholder and/or persons connected with them pursuant to the Proposed ESS must be approved by the shareholders of KAB in a general meeting.

2.3 Basis of allocation and maximum allowable allotment

The allocation of Awards to an Eligible Person shall be determined entirely at the discretion of the ESS Committee and subject to the provisions set out in the By-Laws after taking into consideration, amongst others, the position, performance, ranking, length of service and his/her potential contribution to KAB Group and any other factors deemed appropriate by the ESS Committee.

Notwithstanding the foregoing, subject to any adjustments which may be made in accordance with the By-Laws, the aggregate number of Awards that may be allocated to an Eligible Person shall be subject to the following:-

- (i) the Directors (including non-executive Directors but shall not include alternate and/or substitute Directors) and senior management do not participate in the deliberation and discussion of their own allocation and/or allocation to persons connected to them;

- (ii) not more than 70% of the total number of KAB Shares comprised in the Awards, to be issued under the Proposed ESS shall be allocated to the Directors and/or senior management of KAB Group (excluding dormant subsidiaries); and
- (iii) not more than 10% of the total number of KAB Shares comprised in the Awards, to be issued under the Proposed ESS shall be allocated to any Selected Persons who, either singly or collectively through persons connected to them, hold 20% or more of the total number of issued shares of KAB (excluding treasury shares),

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

The ESS Committee shall at its absolute discretion decide in relation to an Offer, amongst others, the Date of Offer, forms of Awards (whether in Shares Grant and/or ESS Options), whether the Awards will be staggered, performance targets, performance period(s), service period(s), the vesting period(s), vesting date(s), release schedule(s), retention period(s) and the extent to which the KAB Shares which are the subject of the Award shall be released on the performance targets being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the vesting period(s).

As at LPD, it has yet to be determined if the granting of Awards will be one-off or on a staggered basis. It is also yet to be determined the maximum allocation and form of Awards (i.e. Shares Grant or ESS Options) to be made for each financial year should the Awards be granted on a staggered basis. In determining the basis and the quantum of allocation and the form of Awards, the ESS Committee will take into consideration, amongst others, the financial performance of KAB Group, the number Selected Persons and their positions, retention periods, prevailing market conditions and impact on the financial performance of the Group.

The ESS Committee may stipulate the terms or conditions (which may include performance targets) if any, for the vesting of an Award to a Participant at the material point in time. The ESS Committee has the absolute discretion in determining the terms of the Awards to be granted and/or vested during the duration of the Proposed ESS.

2.4 Duration of the Proposed ESS

The Scheme, when implemented, shall be in force for a period of 5 years from the effective date of the implementation of the Scheme ("**Effective Date**") and may be extended for further period immediately from the expiry of the original 5 years period, at the absolute discretion of the Board, whether or not upon the recommendation of the ESS 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 or such other period as may be prescribed by Bursa Securities or any other relevant authorities from the Effective Date ("**Date of Expiry**").

Any extended Scheme shall be implemented in accordance with the terms of the By-Laws, subject however to any revisions and/or changes to the relevant statutes, laws and/or regulations then in force. In the event that the Proposed ESS is extended, KAB shall make the necessary announcements to Bursa Securities prior to the proposed extension of the ESS. For avoidance of doubt, unless otherwise required by the relevant authorities, no further sanction, approval, consent, or authorisation of the shareholders of KAB in a general meeting is required for any such extension. In the event the Scheme is extended, the Company shall serve appropriate notices on each Participant within 30 days prior to the Date of Expiry.

On the Date of Expiry, any Offer which have yet to be accepted by the Selected Person and/or any Awards which has yet to be released or vested (whether fully or partially) shall be deemed cancelled and be null and void.

2.5 Retention period

The Shares issued and/or transferred arising from the Shares Grant and/or exercise of the ESS Options under the Proposed ESS, to a Participant (save for an eligible Director who is a non-executive Director), will not be subjected to any retention period or restriction on transfer, unless otherwise as stated in the Award(s), as determined by the ESS Committee from time to time. Notwithstanding the foregoing, the ESS Committee shall be entitled to prescribe or impose, in relation to any Offer, any condition relating to any retention period or restriction on transfer as it deems fit.

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

2.6 Exercise price of ESS Options

Subject to any adjustment made in accordance with the By-Laws and pursuant to the Listing Requirements, the exercise price of the ESS Options ("**Exercise Price**") shall be based on the price to be determined by the Board upon recommendation of the ESS Committee based on the 5-day volume weighted average market price ("**VWAP**") 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 and/or any other relevant authorities from time to time during the duration of the Scheme.

For avoidance of doubt, the Shares Grant will be granted at no cost to the Participants.

2.7 Acceptance of the Offer

The Offer may only be accepted by the Participant during the Offer period in such form and manner as may be prescribed in the Offer and shall be accompanied by a non-refundable sum of RM1.00 only payable to the Company. The date of receipt by the ESS Committee of such form together with the money shall be the date of acceptance of the Offer by the Selected Person, provided that the Proposed ESS is not terminated pursuant to the By-Laws.

In the event that the Selected Person fails to accept the Offer in the manner prescribed within the Offer period, the Offer shall automatically lapse and shall then be null and void. The ESS Committee shall not be precluded from making a fresh Offer, on such terms as the ESS Committee may so decide, to the Selected Person subsequently.

2.8 Ranking of the KAB Shares pursuant to the Proposed ESS

The KAB Shares to be allotted and issued and/or transferred from treasury shares (as the case may be) upon the vesting of the Shares Grant and/or upon the exercise of the ESS Options pursuant to the Awards, shall upon allotment and issuance and/or transfer from treasury shares (as the case may be), carry the same rights with existing KAB Shares, save and except that the KAB Shares so issued and/or transferred will not be entitled for any dividends, rights, allotments and/or other distribution declared, made or paid to shareholders of KAB, the entitlement date of which is prior to the date of allotment or transfer.

2.9 Listing and quotation of the new KAB Shares to be issued pursuant to the Proposed ESS

An application will be made for the listing and quotation for the new KAB Shares to be issued pursuant to the Proposed ESS on the Main Market of Bursa Securities.

2.10 Alteration of capital

In the event of alteration in the capital structure of KAB during the Scheme period (whether by way of capitalisation of profit or reserves, rights issues, reduction, subdivision or consolidation of capital or otherwise but excluding any cancellation of capital which is lost or unrepresented by available assets), the Board, in accordance to the By-Laws, shall have the discretion, whether to make adjustments to the:-

- (i) the exercise price of the ESS Options; and/or
- (ii) number of KAB Shares comprised in the Awards.

Any adjustment will be made in accordance with the provisions of the By-Laws.

2.11 ESS Committee

The Proposed ESS will be implemented and administered by an ESS Committee, which will have the sole and absolute discretion in administering the Proposed ESS subject to the terms of reference which the Board may establish to regulate and govern the ESS Committee's functions and responsibilities under the By-Laws. The ESS Committee shall have the absolute discretion in determining whether the Awards will be granted in 1 single tranche or on a staggered basis over the duration of the Proposed ESS.

The ESS Committee shall comprise persons from the Board and/or senior management of the KAB Group and shall ensure that the respective members of ESS Committee do not participate in the deliberation or discussion of their own allocation and/or allocation to persons connected to them. A Selected Person who is a member of the ESS Committee shall abstain from deliberations in respect of any Awards granted or to be granted to him/her and/or persons connected to them.

In implementing the Proposed ESS, the ESS Committee may in its absolute discretion decide that the Awards be satisfied by any of the following methods:-

- (i) issuance of new KAB Shares;
- (ii) acquisition of existing KAB Shares from the open market;
- (iii) transferring KAB treasury shares, KAB Shares held by Trustee and/or any other methods as may be permitted by the Act;
- (iv) payment by cash; or
- (v) any combination of the above.

In considering the settlement of the Awards, the ESS Committee will take into consideration, amongst others, factors such as the prevailing market price of KAB Shares, funding considerations and dilutive effects on KAB's capital base.

To facilitate the implementation of the Proposed ESS, the Company may make the necessary arrangements, including appointing a trustee, to acquire treasury shares or other existing Shares or to subscribe for new shares, for the purpose of the Proposed ESS ("Trustee") under a trust to be established ("Trust"). The Trustee shall administer the Trust in accordance with a deed of trust to be executed between the Trustee and the Company.

2.12 Amendment, variation and/or modification to the Proposed ESS

Subject to the By-Laws and in compliance with the Listing Requirements and the approvals of any other authorities (if required), the ESS Committee may at any time and from time to time recommend to the Board any modification, variation and/or amendment of the By-Laws as it shall at its discretion deem fit and the Board shall have the power at any time and from time to time by resolution to make any modification, variation and/or amendment of the By-Laws upon such recommendation and subject to the Company submitting the amended By-Laws and a letter of compliance to Bursa Securities (within 5 market days after the effective date of the modification, variation and/or amendment of the By-Laws or such other period as may be prescribed by Bursa Securities or any other relevant authorities) each time any modification, variation and/or amendment is made, stating that the said modification, variation and/or amendment is in compliance with the provisions of the Listing Requirements pertaining to the Proposed ESS and the Rules of Bursa Malaysia Depository Sdn. Bhd.

The approval of the shareholders of the Company in a general meeting shall not be required in respect of modification, variation and/or amendment of the By-Laws provided that no modification, variation and/or amendment made to the By-Laws which would:-

- (i) materially prejudice any rights which would have accrued to any Participants without the prior consent or sanction of the affected Participants;
- (ii) increase the number of Shares available under the Proposed ESS beyond the Maximum Awards;
- (iii) prejudice any rights of the shareholders of the Company; and
- (iv) alter to the advantage of any Participant or group of Participants or all the Participants in respect of any matters which are required to be contained in the By-Laws unless allowed by the provisions of the Listing Requirements.

2.13 Fees, costs and expenses

All fees, costs and expenses incurred in relation to the Proposed ESS including but not limited to the costs and expenses (including stamp duty, if any) relating to the allotment and issuance and/or transfer of the Shares and/or KAB Share(s) pursuant to the Shares Grant and/or upon the exercise of any ESS Option(s) (excluding the Exercise Price of such ESS Option(s)), shall be borne by the Company.

However, each Participant will be solely responsible for any taxes (including income tax) which may be levied on the Participant arising out of or as a result of such allotment and issuance and/or transfer of KAB Shares.

2.14 Termination of the Proposed ESS

Notwithstanding anything set out in the By-Laws and subject always to compliance with the Listing Requirements and any other relevant rules or requirements, the Proposed ESS may be terminated by the Board upon consultation with the ESS Committee, at any time before its expiry without obtaining the approvals or consents from the Participants or its shareholders provided that the Company makes an announcement immediately to Bursa Securities. The announcement shall include:-

- (i) effective date of termination of the Scheme ("**Termination Date**");
- (ii) number of ESS Options vested and/or exercised and Shares Grant vested pursuant to the Scheme;
- (iii) reasons for termination of the Scheme; and
- (iv) any other information required pursuant to the Main Market Listing Requirements.

Notwithstanding anything to the contrary, in the event of such termination:-

- (i) no further Offers shall be made by the ESS Committee from the termination date;
- (ii) all Offers which have yet to be accepted by Selected Persons shall automatically lapse on the termination date;
- (iii) all outstanding ESS Options which have yet to be exercised by the Participants shall automatically lapse on the termination date; and
- (iv) all unvested Awards will cease to be capable of being vested in the relevant Participants.

3. UTILISATION OF PROCEEDS

The Company will not receive any proceeds from the granting of Awards under the Proposed ESS and subsequent allotment and listing of the KAB Shares pursuant to the Shares Grant.

The Company will not receive any proceeds from the ESS Options until such time the ESS Options are exercised by the Participant. The actual proceeds to be received from the ESS Options will be dependent on amongst others, the number of ESS Options exercised at the relevant point in time and the exercise price.

KAB intends to utilise such proceeds arising from the exercise of the ESS Options, if any, as working capital for KAB Group over a period of 24 months from the date of receipt of such proceeds. The proceeds raised from the exercise of the ESS Options will be utilised to finance the Group's working capital, including but not limited to payment of staff salaries and defrayment of operational and administrative expenses, such as office maintenance, utilities and other office operating expenses. 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 ESS Options as well as the working capital requirements of the Group at the relevant time.

Pending the utilisation of proceeds from the exercise of the ESS Options, the proceeds shall be placed in a profit-bearing bank account, as deposits with licensed financial institution(s) and/or in short-term money market instruments, as the Board deems fit. The Group proposes to utilise such interest/profits arising from the deposits/financial instruments as working capital for KAB Group as stated above, within 24 months from the date proceeds are received.

4. RATIONALE FOR THE PROPOSED ESS

The Company believes it is important to continue to motivate, incentivise and reward its employees and also to align the interests of the Eligible Persons with the corporate goals of KAB Group. The Proposed ESS is intended to:-

- (i) reward Eligible Persons for their contribution towards KAB Group;
- (ii) create a sense of loyalty and ownership amongst the employees, by giving the employees an opportunity to participate in the equity of the Company;
- (iii) increase the level of commitment and dedication of the Eligible Persons by rewarding them with an equity stake in the Company; and
- (iv) provide incentive for the Eligible Persons to participate more actively in the operations of the Group and encourage them to contribute to the future growth of the Group.

The Proposed ESS is also extended to include the non-executive Directors of KAB Group in recognition of their contributions towards the growth and performance of KAB Group. Their participation in the equity of the Company is expected to enhance their level of commitment and contribution as well as to enable the Company to attract and retain capable individuals to act as non-executive Directors of the Company, who will assist in the overall strategic decisions and directions of the Group.

Further, any proceeds to be received by the Company pursuant to the exercise of the ESS Options (which will depend on, amongst others, the number of ESS Options granted and exercised at the relevant point in time and the Exercise Price) will be utilised for the Group's working capital purposes as set out in Section 3 of this Announcement.

5. EFFECTS OF THE PROPOSED ESS

5.1 Issued share capital

The Proposed ESS will not have an immediate effect on the existing issued share capital of the Company until and unless the Shares Grant are vested and/or ESS Options are exercised pursuant to the Awards granted under the Proposed ESS. The issued share capital of KAB will increase progressively depending on the number of Awards vested and exercised.

For illustrative purposes, the effects of the Proposed ESS on the issued share capital have been illustrated based on the following scenarios:-

Minimum Scenario : Assuming none of the treasury shares are resold in the open market and none of the outstanding warrants 2021/2024 in KAB ("**Warrants**") are exercised into new Shares.

Maximum Scenario : Assuming all the treasury shares are resold on the open market and all outstanding Warrants are exercised into new Shares.

The pro forma effects of the Proposed ESS on the issued share capital of KAB as at LPD are as follows:-

	Minimum Scenario		Maximum Scenario	
	Number of KAB Shares	RM	Number of KAB Shares	RM
Issued shares as at the LPD ^(a)	1,986,342,883	164,543,064	1,986,342,883	164,543,064
Resale of treasury shares in open market ^(b)	-	-	88,898	4,231
Issuance of new Shares pursuant to exercise of Warrants ^(c)	-	-	845,902,607	1,015,083,128
	<u>1,986,342,883</u>	<u>164,543,064</u>	<u>2,832,334,388</u>	<u>1,179,630,423</u>
Issuance of new Shares pursuant to the Proposed ESS ^(d)	99,317,144	36,201,099	141,616,719	51,619,294
Enlarged issued share capital	<u>2,085,660,027</u>	<u>200,744,163</u>	<u>2,973,951,107</u>	<u>1,231,249,717</u>

Notes:-

(a) Excluding 88,898 treasury shares.

(b) Assuming all the treasury shares are resold at the cost of buy-back the respective treasury shares.

- (c) Assuming all the 845,902,607 outstanding Warrants are exercised at the exercise price of RM1.20 per Warrant.
- (d) Assuming all 5% of the Awards granted in relation to the Proposed ESS are settled via issuance of new KAB Shares at RM0.3645 each, representing the 5-day VWAP of KAB Shares up to LPD.

5.2 Net assets (“NA”), NA per Share and gearing

The Proposed ESS is not expected to have an immediate effect on the NA and gearing of the Group until such time when the Awards are granted and vested.

Any potential effect on the NA, NA per Share and gearing of our Company will depend on the mode of settlement of the ESS Options and Shares Grant, which will only be determined at the time of exercise of ESS Options and/or vesting of Shares Grant. Any allotment and issuance of new KAB Shares and/or transfer of treasury Shares pursuant to the Proposed ESS may have a dilutive effect on the NA per Share of the Company due to the resultant increase in the number of issued Shares (excluding treasury Shares).

Upon exercise of the ESS Options pursuant to the Proposed ESS and/or vesting of the Awards, the NA per Share is expected to :-

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

at such point of exercise of the ESS Options and/or allotment and issuance of new Shares pursuant to the vesting of the Shares Grant.

5.3 Earnings and earnings per share (“EPS”)

The Proposed ESS is not expected to have an immediate effect on the earnings and EPS of the Group until such time when the Awards are granted and exercised/vested. Any potential effects on the earnings and EPS of the Group will depend on the number of ESS Options and/or Share Grants granted and/or vested, the Exercise Price and the non-cash expenses arising from the granting of the Awards under the accounting standards Malaysian Financial Reporting Standards 2, on “Share-Based Payment” issued by the Malaysian Accounting Standards Board.

The quantum of such impact cannot be determined at this juncture as it will be measured at the date of granting or vesting of the Awards based on, amongst others, the share price volatility, risk-free interest rate, share price/fair value of the share and/or pricing model.

The fair value of the ESS Options and/or Shares Grants granted under the Proposed ESS will be recognised as an expense in the profit or loss account of the Group over the vesting period of the Share Options or Share Grants. However, it should be noted that the estimated cost does not represent a cash outflow by our Group as it is merely an accounting treatment.

The Board has taken note of the potential effect of the Proposed ESS on the Group’s earnings and will take this into consideration in the allocation and granting of the Awards to the Selected Persons.

5.4 Substantial shareholders' shareholdings

The Proposed ESS is not expected to have any immediate effect on the substantial shareholders' shareholdings in the Company until and unless new KAB Shares are issued and/or treasury shares are transferred, as the case maybe, to the Participants pursuant to the vesting of Shares Grant and/or exercise of ESS Options. Any potential effects on the shareholdings of KAB's substantial shareholders will depend on the number of new KAB Shares to be issued and/or treasury shares transferred pursuant to the Awards at the relevant point in time.

In the event that the existing KAB Shares are transferred and/or equivalent cash value is paid to the Participants as a mode of settlement for the Awards, there will be no impact on the shareholdings of KAB's substantial shareholders.

5.5 Convertible securities

As at the LPD, save for the 845,902,607 outstanding Warrants, there are no other convertible securities.

The Proposed ESS will not give rise to any adjustment to the exercise price and number of outstanding Warrants.

6. APPROVALS REQUIRED

The Proposed ESS is subject to the following approvals/consents being obtained:-

- (i) Bursa Securities for the listing and quotation of up to 5% of the total number of issued Shares, to be issued and allotted under the Proposed ESS;
- (ii) The approval of the shareholders of the Company for the Proposed ESS at the Company's forthcoming extraordinary general meeting ("**EGM**"). For information, in accordance with Section 85 of the Companies Act, 2016 and Clause 12(3) of the Company's constitution, shareholders of the Company have pre-emptive rights to be offered the new KAB Shares to be issued pursuant to the Proposed ESS. In the event the resolutions for the Proposed ESS are approved by shareholders of the Company at the Company's forthcoming EGM, shareholders will be waiving their pre-emptive rights under Section 85 of the Companies Act, 2016 and Clause 12(3) of the Constitution of the Company; and
- (iii) any other relevant authorities and/or parties, where applicable.

The Proposed ESS is not conditional upon any other corporate exercise/scheme which has been announced but not yet completed and/or any other corporate exercise/scheme by KAB.

7. INTEREST OF THE DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED

None of the Directors, major shareholder(s) of KAB who is(are) employees of KAB Group, chief executive and/or persons connected to them are interested in the Proposed ESS. The Directors, chief executive and major shareholder(s) of KAB who is(are) employees of KAB Group are only deemed interested in respect of their respective allocation ("**Interested Parties**"), as well as allocations to persons connected with them, if any, under the Proposed ESS. Any interested director will abstain from deliberating on their respective allocations and allocations to persons connected to them under the Proposed ESS at the relevant Board meetings.

The Interested Parties will abstain from voting and undertake to ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in KAB on the resolutions pertaining to their respective allocations as well as allocations to persons connected with them (if any) under the Proposed ESS at the Company's forthcoming EGM.

Any proposed allocation of Awards to interested directors, chief executive, Eligible Person who is a major shareholder and/or persons connected to them is subject to the approval of the shareholders of the Company.

8. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed ESS including but not limited to the rationale and financial effects of the Proposed ESS, is of the opinion that the Proposed ESS is in the best interest of KAB Group. The interested directors have abstained from expressing an opinion in respect of their respective allocations, as well as allocations to persons connected with them, if any, under the Proposed ESS.

9. ESTIMATED TIMEFRAME FOR IMPLEMENTATION

Barring any unforeseen circumstances and subject to the approvals of the relevant authorities and shareholders being obtained and conditions met, the Board expects the Proposed ESS to be implemented in the 2nd quarter of year 2024.

10. APPLICATION TO THE AUTHORITIES

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

11. PRINCIPAL ADVISER

Malacca Securities has been appointed as the Principal Adviser for the Proposed ESS.