

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, bank manager or other professional adviser immediately.

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誠成集團

**K. SENG SENG CORPORATION BERHAD**

Company No.: 198501000983 (133427-W)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO:-**

- I. PROPOSED BONUS ISSUE OF UP TO 14,400,000 NEW ORDINARY SHARES IN K. SENG SENG CORPORATION BERHAD (“KSSC”) (“BONUS SHARE(S)”) ON THE BASIS OF 1 BONUS SHARE FOR EVERY 8 EXISTING ORDINARY SHARES IN KSSC (“KSSC SHARE(S)” OR “SHARE(S)”) HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER (“PROPOSED BONUS ISSUE OF SHARES”);**
- II. PROPOSED BONUS ISSUE OF UP TO 43,200,000 FREE WARRANTS IN KSSC (“WARRANT(S)”) ON THE BASIS OF 1 WARRANT FOR EVERY 3 KSSC SHARES HELD ON AN ENTITLEMENT DATE (AFTER THE COMPLETION OF THE PROPOSED BONUS ISSUE OF SHARES) TO BE DETERMINED AND ANNOUNCED LATER;**
- III. PROPOSED ESTABLISHMENT OF AN EMPLOYEES’ SHARE OPTION SCHEME (“ESOS SCHEME”) INVOLVING UP TO 15% OF THE TOTAL NUMBER OF ISSUED SHARES (EXCLUDING TREASURY SHARES OF KSSC, IF ANY) AT ANY POINT OF TIME DURING THE DURATION OF THE ESOS SCHEME, FOR THE ELIGIBLE DIRECTORS AND EMPLOYEES OF KSSC AND ITS SUBSIDIARIES, WHICH ARE NOT DORMANT AND WHO FULFIL THE ELIGIBILITY CRITERIA FOR PARTICIPATION IN THE ESOS SCHEME AS SET OUT IN THE BY-LAWS OF THE ESOS SCHEME; AND**
- IV. PROPOSED ALLOCATION OF ESOS OPTIONS TO THE DIRECTORS AND CHIEF EXECUTIVE OF KSSC**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Principal Adviser*

**UOBKayHian**

**UOB Kay Hian Securities (M) Sdn Bhd**

Registration No.: 199001003423 (194990-K)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting (“EGM”) of the Company will be conducted virtually through live streaming from the broadcast venue at Unit 8-5, Kompleks Komersil Akasa, Jalan Akasa, Akasa Cheras Selatan, 43300 Seri Kembangan, Selangor using the Remote Participation and Voting facilities provided by AI Smartual Learning Sdn Bhd via AISL online website at <https://vpoll.com.my/> on Wednesday, 25 May 2022 at 12.00 p.m. or immediately following the conclusion or adjournment of the Thirty-Seventh Annual General Meeting of the Company scheduled to be held at the same venue and on the same day at 10.00 a.m., whichever is earlier. The Notice of the EGM and the Form of Proxy are attached in this Circular. Please refer to the Administrative Guide issued to all shareholders of the Company on the conduct of the EGM.

A member entitled to attend, participate, speak and vote remotely at the EGM via the Remote Participation and Voting facilities provided is entitled to appoint a proxy or proxies to attend, participate, speak and vote on his/her behalf.

The Form of Proxy should be completed in accordance with the instructions as contained therein and deposit it at the Registered Office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan K.L., Malaysia, not less than twenty-four (24) hours before the time set for holding the EGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending, participating, speaking and voting remotely at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Tuesday, 24 May 2022 at 12.00 p.m.

Date and time of the EGM : Wednesday, 25 May 2022 at 12.00 p.m.

This Circular is dated 9 May 2022

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## DEFINITIONS

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Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

“Act”	:	The Companies Act 2016
“Board”	:	The Board of Directors of KSSC
“Bonus Shares Entitlement Date”	:	A date to be determined and announced later, on which the names of the shareholders must appear in the Record of Depositors of the Company as at 5.00 p.m. in order to be entitled to the Bonus Shares pursuant to the Proposed Bonus Issue of Shares
“Bonus Shares Entitled Shareholders”	:	The shareholders of the Company whose names appear in the Record of Depositors of the Company on the Bonus Shares Entitlement Date
“Bonus Share(s)”	:	Up to 14,400,000 new Shares to be allotted and issued pursuant to the Proposed Bonus Issue of Shares
“Bursa Depository”	:	Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
“Bursa Securities”	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
“Circular”	:	This Circular dated 9 May 2022
“Date of Offer”	:	The date of which an Offer is made by the ESOS Committee to the Eligible Persons to participate in the ESOS Scheme
“Deed Poll”	:	The deed poll constituting the Warrants to be executed by the Company
“Depositories Act”	:	Securities Industry (Central Depositories) Act 1991
“Director(s)”	:	The director(s) of KSSC and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act 2007
“Effective Date”	:	The implementation date of the Proposed ESOS, which is a date on which all relevant requirements of the Listing Requirements are fully complied with, including the approvals and/or conditions referred to in the ESOS By-laws having been obtained and/or complied with
“EGM”	:	Extraordinary general meeting
“Eligible Directors”	:	Directors who fulfil the eligibility criteria for participation in the ESOS Scheme as set out in the ESOS By-laws
“Eligible Persons”	:	Eligible employees and directors of KSSC Group, which are not dormant, who fulfil the eligibility criteria for participation in the Proposed ESOS as set out in the ESOS By-laws
“EPS”	:	Earnings per Share
“ESOS By-laws”	:	The by-laws governing the ESOS Scheme as may be modified, amended, varied or supplemented from time to time

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**DEFINITIONS (CONT'D)**

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“ESOS Committee”	:	The committee appointed and authorised by the Board from time to time to administer the ESOS Scheme in accordance with the ESOS By-laws
“ESOS Options” or “Options”	:	The right of an ESOS Participant to subscribe for new Shares during the ESOS Scheme period at the ESOS Option Price pursuant to an Offer (which was duly accepted by the ESOS Participant)
“ESOS Option Price”	:	The price which the ESOS Participant is required to pay to be entitled to subscribe for KSSC Shares under the Proposed ESOS pursuant to the exercise of the ESOS Options
“ESOS Participant(s)”	:	An Eligible Person who has accepted the Offer in accordance with the ESOS By-laws
“ESOS Scheme”	:	Employees’ share options scheme
“FYE”	:	Financial year ended/ending
“KSSC” or the “Company”	:	K. Seng Seng Corporation Berhad (Registration No. 198501000983 (133427-W))
“KSSC Group” or “Group”	:	Collectively, KSSC and its subsidiaries
“KSSC Share(s)” or the “Share(s)”	:	Ordinary share(s) in KSSC
“Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities
“LPD”	:	20 April 2022, being the latest practicable date prior to the printing and despatch of this Circular
“Market Day(s)”	:	Any day from Mondays to Fridays (inclusive of both days), which is not a public holiday and on which Bursa Securities is open for trading of securities
“MFRS”	:	Malaysian Financial Reporting Standards
“NA”	:	Net assets
“Offer”	:	Written offer of ESOS Options at the discretion of the ESOS Committee, to an Eligible Person from time to time within the duration of the ESOS Scheme
“Official List”	:	A list specifying all securities that have been admitted for listing on Bursa Securities and not removed
“Proposals”	:	Collectively, the Proposed Bonus Issue of Shares, Proposed Bonus Issue of Warrants and Proposed ESOS
“Proposed Allocation”	:	Proposed allocation of ESOS Options to the Directors and chief executive of KSSC
“Proposed Bonus Issue of Shares”	:	Proposed bonus issue of up to 14,400,000 new Bonus Shares on the basis of 1 Bonus Share for every 8 existing KSSC Shares held on the Bonus Shares Entitlement Date

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## DEFINITIONS (CONT'D)

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“Proposed Bonus Issue of Warrants”	:	Proposed bonus issue of up to 43,200,000 Warrants in KSSC on the basis of 1 Warrant for every 3 KSSC Shares held on the Warrants Entitlement Date (after the completion of the Proposed Bonus Issue of Shares)
“Proposed ESOS”	:	Proposed establishment of a new employees’ share option scheme of up to 15% of the issued share capital of KSSC (excluding treasury shares of KSSC, if any) at any point in time over the duration of the ESOS Scheme to the Eligible Persons
“Record of Depositors”	:	A record of depositors established by Bursa Depository under the Rules of Bursa Depository
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“Rules of Bursa Depository”	:	The Rules of Bursa Depository as issued pursuant to the Depositories Act
“TEBP”	:	Theoretical ex-bonus price
“UOB Kay Hian” or the “Principal Adviser”	:	UOB Kay Hian Securities (M) Sdn Bhd (Registration No. 199001003423 (194990-K))
“VWAP”	:	Volume weighted average market price
“Warrant(s)”	:	Up to 43,200,000 free Warrants in KSSC to be issued pursuant to the Proposed Bonus Issue of Warrants
“Warrants Entitled Shareholders”	:	The shareholders of the Company whose names appear in the Record of Depositors of the Company on the Warrants Entitlement Date
“Warrants Entitlement Date”	:	A date (after the completion of the Proposed Bonus Issue of Shares) to be determined and announced later, on which the names of the shareholders must appear in the Record of Depositors of the Company as at 5.00 p.m. in order to be entitled to the Warrants pursuant to the Proposed Bonus Issue of Warrants
“Warrant Holder(s)”	:	Holders of the Warrants

Unless otherwise stated and wherever applicable, the amount represented in this Circular has been rounded to the nearest whole sen, for ease of reference. Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

All references to “**you**” or “**your**” in this Circular are to the shareholders of KSSC.

Any reference in this Circular to any act or enactment is a reference to that act or enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Company’s plans and objectives will be achieved.

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## EXECUTIVE SUMMARY

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*This Executive Summary highlights only the salient information of the Proposals. The shareholders of KSSC are advised to read the Circular in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposals before voting at the forthcoming EGM.*

Key information	Description	Reference to Circular
<b>Summary of the Proposals</b>	<p>KSSC proposes to undertake the following:-</p> <ul style="list-style-type: none"><li>(i) an issuance of up to 14,400,000 Bonus Shares on the basis of 1 Bonus Share for every 8 existing KSSC Shares held on the Bonus Shares Entitlement Date;</li><li>(ii) an issuance of up to 43,200,000 free Warrants in KSSC on the basis of 1 Warrant for every 3 KSSC Shares held on the Warrants Entitlement Date (after the completion of the Proposed Bonus Issue of Shares); and</li><li>(iii) the establishment of the ESOS Scheme involving up to 15% of the total number of issued Shares (excluding treasury shares, if any) at any point of time during the duration of ESOS Scheme, for the Eligible Persons of KSSC Group as set out in the ESOS By-laws.</li></ul>	<b>Sections 2.1, 2.2 and 2.3</b>
<b>Rationale and Justification for the Proposals</b>	<p><b><u>Proposed Bonus Issue of Shares</u></b></p> <p>After due consideration of the various options available to reward the shareholders such as dividends and bonus issue of new securities, the Board intends to undertake the Proposed Bonus Issue of Shares is intended to reward the existing shareholders of the Company in the form of Bonus Shares for their loyalty and continued support as the Proposed Bonus Issue of Shares serves to:-</p> <ul style="list-style-type: none"><li>(i) increase the number of KSSC Shares held by the Company's shareholders at no cost to be incurred by the shareholders, while maintaining their percentage of equity shareholding held in the Company;</li><li>(ii) potentially result in an improved trading liquidity of the Shares traded in the market at an affordable Share price i.e. lower trading price, without affecting the size of the market capitalisation of the Company; and</li><li>(iii) encourage greater participation by investors and to potentially widen the share base and shareholders' profiles of the Company.</li></ul> <p><b><u>Proposed Bonus Issue of Warrants</u></b></p> <p>The Proposed Bonus Issue of Warrants is intended to reward the existing shareholders of the Company in the form of Warrants for their loyalty and continued support as the Proposed Bonus Issue of Warrants:-</p> <ul style="list-style-type: none"><li>(i) serves to reward the shareholders for their continuous support by enabling them to participate in a derivative of the Company without incurring any costs;</li><li>(ii) provides the shareholders an alternative mean to participate and trade in the equity of the Company;</li></ul>	<b>Section 3</b>

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**EXECUTIVE SUMMARY (CONT'D)**

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<b>Key information</b>	<b>Description</b>	<b>Reference to Circular</b>
	<p>(iii) provides the shareholders an opportunity to further increase their equity participation in the Company by exercising the Warrants at a pre-determined price during the exercise period;</p> <p>(iv) allow the shareholders to benefit from potential capital gain in the event of Share price appreciation through the exercise of the Warrants; and</p> <p>(v) strengthen the capital base of the Company and shareholders' funds as well as potentially providing additional working capital for the Group, as and when the Warrants are exercised.</p>	
	<p><b><u>Proposed ESOS</u></b></p> <p>The Proposed ESOS is established primarily to drive, motivate, reward and retain Eligible Persons by enabling them to participate directly in the equity of the Company via the exercise of ESOS Options.</p>	
<b>Interests of Directors, major shareholders, chief executive and/or persons connected with them</b>	<p>(i) None of the Directors, major shareholders and/or chief executive of KSSC and/or persons connected with them has any interest, whether direct or indirect, in the Proposed Bonus Issue of Shares and Proposed Bonus Issue of Warrants, save for their respective entitlements as shareholders of the Company under the Proposed Bonus Issue of Shares and Proposed Bonus Issue of Warrants, which are also available to all other shareholders of the Company on a pro-rata basis.</p> <p>(ii) All the directors (and chief executive officer of the Company) are eligible to participate in the Proposed ESOS, and are therefore deemed interested to the extent of their respective proposed allocations under the Proposed ESOS. Accordingly, the directors (and chief executive officer of the Company) have abstained and will continue to abstain from deliberating, expressing an opinion and making any recommendations at all relevant Board meeting(s) in relation to their respective allocations under the Proposed ESOS.</p> <p>(iii) The directors (and chief executive officer of the Company) will also abstain from voting in respect of their direct and/or indirect shareholdings, if any, at the forthcoming EGM on the ordinary resolutions to be tabled for their respective proposed allocation.</p> <p>(iv) The directors (and chief executive officer of the Company) will undertake to ensure that persons connected to them, if any, will abstain from voting in respect of their direct and/or indirect shareholdings, if any, in the Company on the ordinary resolutions pertaining to their respective proposed allocation to be tabled at the forthcoming EGM.</p>	<b>Section 8 and Section 3 of Appendix III</b>
<b>Approvals required/obtained</b>	<p>The Proposals are subject to the following approvals:-</p> <p>(i) Bursa Securities, for the following which was obtained vide its letter dated 20 April 2022:-</p> <p>(a) listing and quotation of up to 14,400,000 Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares;</p>	<b>Section 7</b>

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**EXECUTIVE SUMMARY (CONT'D)**

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Key information	Description	Reference to Circular
	<p>(b) admission to the Official List and listing and quotation of up to 43,200,000 Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants;</p> <p>(c) listing and quotation of up to 43,200,000 new KSSC Shares to be issued pursuant to the exercise of the Warrants; and</p> <p>(d) listing of such number of new ordinary shares involving up to 15% of the total number of issued shares (excluding treasury shares of KSSC, if any), to be issued pursuant to the Proposed ESOS</p> <p>subject to the conditions as set out in <b>Section 7</b> of this Circular.</p> <p>(ii) the shareholders of KSSC at the forthcoming EGM; and</p> <p>(iii) any other relevant authority and/ or third parties, if required.</p>	
<b>Board's recommendation</b>	<p><b><u>Proposed Bonus Issue of Shares and Proposed Bonus Issue of Warrants</u></b></p> <p>The Board recommends that you <b>VOTE IN FAVOUR</b> of the resolutions pertaining to the Proposed Bonus Issue of Shares and Proposed Bonus Issue of Warrants at the forthcoming EGM.</p> <p><b><u>Proposed ESOS</u></b></p> <p>The Board (save for the directors who have abstained from deliberating and making any recommendations relating to their respective allocations under the ESOS Scheme) recommends that you <b>VOTE IN FAVOUR</b> of the resolution pertaining to the Proposed ESOS and Proposed Allocation to the Directors and chief executive to be tabled at the forthcoming EGM.</p>	<b>Section 11</b>

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誠成集團

K. SENG SENG CORPORATION BERHAD

Company No.: 198501000983 (133427-W)

**Registered Office**

Level 2, Tower 1, Avenue 5  
Bangsar South City  
59200 Kuala Lumpur

9 May 2022

**Board of Directors**

Chang Tian Kwang (*Chairman, Independent Non-Executive Director*)  
Koh Seng Lee (*Group Managing Director*)  
Tsen Ket Shung @ Kon Shung (*Executive Director*)  
Dr Teh Chee Ghee (*Independent Non-Executive Director*)  
Tuan Haji Zainal Rashid Bin Haji Mohd Eusoff (*Independent Non-Executive Director*)  
Yap Chee Kheng (*Non-Independent Non-Executive Director*)  
Dato' Tin @ Tan Pek-Han (*Independent Non-Executive Director*)  
Koh Yi Hao (*Alternate Executive Director*)

**To: The shareholders of KSSC**

Dear Sir/Madam,

- I. **PROPOSED BONUS ISSUE OF SHARES;**
- II. **PROPOSED BONUS ISSUE OF WARRANTS;**
- III. **PROPOSED ESOS; AND**
- IV. **PROPOSED ALLOCATION**

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**1. INTRODUCTION**

On 10 March 2022, UOB Kay Hian had, on behalf of the Board, announced that the Company proposes to undertake the following:-

- (i) bonus issue of up to 14,400,000 Bonus Shares on the basis of 1 Bonus Share for every 8 existing KSSC Shares held on the Bonus Shares Entitlement Date;
- (ii) bonus issue of up to 43,200,000 Warrants on the basis of 1 Warrant for every 3 KSSC Shares held on the Warrants Entitlement Date (after the completion of the Proposed Bonus Issue of Shares); and
- (iii) the establishment of the ESOS Scheme involving up to 15% of the total number of issued Shares (excluding treasury shares, if any) at any point of time during the duration of ESOS Scheme, for the Eligible Persons of KSSC Group as set out in the ESOS By-laws.

On 20 April 2022, UOB Kay Hian had, on behalf of the Board, announced that Bursa Securities had vide its letter dated on even date, resolved to approve the following:-

- (a) listing and quotation of up to 14,400,000 Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares;
- (b) admission to the Official List and listing and quotation of up to 43,200,000 Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants;
- (c) listing and quotation of up to 43,200,000 new KSSC Shares to be issued pursuant to the exercise of the Warrants; and
- (d) listing of such number of new ordinary shares involving up to 15% of the total number of issued shares (excluding treasury shares of KSSC, if any), to be issued pursuant to the Proposed ESOS.

subject to the terms and conditions as set out in **Section 7** of this Circular.

**THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.**

**YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.**

## **2. DETAILS OF THE PROPOSALS**

As at the LPD, the issued share capital of KSSC is RM58,771,889 comprising 115,200,000 KSSC Shares. As at the LPD, KSSC does not have any treasury shares and/or outstanding convertible securities.

### **2.1 Proposed Bonus Issue of Shares**

#### **2.1.1 Basis and number of Bonus Shares**

The Proposed Bonus Issue of Shares entails the issuance of up to 14,400,000 Bonus Shares on the basis of 1 Bonus Share for every 8 existing KSSC Shares held by Bonus Shares Entitled Shareholders. The actual number of Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares will depend on the total number of issued Shares of KSSC on the Bonus Shares Entitlement Date.

The Bonus Shares will be issued at no cost to the Bonus Shares Entitled Shareholders.

In determining entitlements under the Proposed Bonus Issue of Shares, fractional entitlements, if any, shall be dealt with in such manner as the Board in its absolute discretion deems fit and expedient, and in the best interest of the Company.

The entitlement basis for the Proposed Bonus Issue of Shares was determined after taking into consideration the following:-

- (i) dilutive effects arising from the issuance of the Bonus Shares on the consolidated EPS and NA per Share of the Company; and

- (ii) compliance with Paragraph 6.30(1A) of the Listing Requirements which states that the Company must ensure that its share price adjusted for the Proposed Bonus Issue of Shares is not less than RM0.50 based on the daily VWAP during the 3-month period prior the application date.

The price of KSSC Shares will be adjusted pursuant to the Proposed Bonus Issue of Shares. For illustrative purposes, based on the 5-day VWAP of KSSC Share up to the LPD and the lowest daily VWAP of KSSC Share up to and including the 29 March 2022, being the date immediately before the submission of the additional listing application to Bursa Securities, TEBP of KSSC Shares is as follows:-

	Prior the Proposed Bonus Issue of Shares Market price/Share RM	After the Proposed Bonus Issue of Shares TEBP/Share RM
5-day VWAP up to the LPD	0.7664	0.6812
Lowest daily VWAP for the past 3-month up to and including the 29 March 2022, being the date immediately before the submission of the additional listing application to Bursa Securities	0.7112	0.6321

Based on the above, the Proposed Bonus Issue of Shares is in compliance with Paragraph 6.30 (1A)\* of the Listing Requirements.

**Note:-**

- (\*) *Paragraph 6.30 (1A) of the Listing Requirements requires that "A listed issuer must ensure that its share price adjusted for a bonus issue is not less than RM0.50 based on the daily VWAP during the 3-month period prior the application date."*

The Proposed Bonus Issue of Shares is not intended to be implemented in stages over a period of time.

## 2.1.2 No capitalisation of reserves

Under the Act, a bonus issue can be undertaken either:-

- (i) by way of capitalisation of the retained earnings/accumulated profits of a company; or
- (ii) without capitalisation, where a company may issue and allot the bonus shares at nil consideration.

In view of the above, the Board has resolved that the implementation of the Proposed Bonus Issue of Shares shall be undertaken without any capitalisation from the reserves of the Company and that the Bonus Shares shall be issued as fully paid KSSC Shares at nil consideration.

Therefore, the issued share capital in RM value will not be affected although there will be an increase in the number of Shares in issue pursuant to the Proposed Bonus Issue of Shares. The effects of the Proposed Bonus Issue of Shares on the issued share capital of KSSC are set out in **Section 5.1** of this Circular.

Given that the Proposed Bonus Issue of Shares shall be undertaken without capitalisation from the Company's reserves, it allows the Board to preserve the Company's reserves.

### **2.1.3 Ranking of the Bonus Shares**

The Bonus Shares will, upon allotment and issuance, rank equally in all respects with the existing KSSC Shares, save and except that the Bonus Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid prior to the Bonus Shares Entitlement Date.

For avoidance of doubt, the Bonus Shares will be entitled to the Warrants to be issued under the Proposed Bonus Issue of Warrants.

### **2.1.4 Listing of and quotation for the Bonus Shares**

Approval has been obtained from Bursa Securities vide its letter dated 20 April 2022 for the listing of and quotation for the Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares on the Main Market of Bursa Securities, subject to the conditions as stated in **Section 7** of this Circular.

## **2.2 Proposed Bonus Issue of Warrants**

### **2.2.1 Basis and number of Warrants**

The Proposed Bonus Issue of Warrants entails the issuance of up to 43,200,000 Warrants on the basis of 1 Warrant for every 3 KSSC Shares (after the Proposed Bonus Issue of Shares) held by the Warrants Entitled Shareholders of KSSC on the Warrants Entitlement Date (after the completion of the Proposed Bonus Issue of Shares).

The entitlement basis for the Proposed Bonus Issue of Warrants was determined after taking into consideration the following:-

- (i) the number of Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares, which is to be completed prior to the Warrants Entitlement Date;
- (ii) amount of proceeds the Company could potentially raise as and when the Warrants are exercised during the exercise period of the Warrants;
- (iii) dilutive effects arising from the full exercise of the Warrants on the consolidated EPS of the Company; and
- (iv) compliance with Paragraph 6.50 of the Listing Requirements, which states that the number of new KSSC Shares that will arise from the exercise or conversion of all outstanding convertible equity securities (i.e. warrants and convertible preference shares), shall not exceed 50% of the total number of issued Shares (excluding treasury shares and prior to the exercise of the convertible equity securities) at all times.

A total of up to 43,200,000 Warrants (represent 33.33% of the enlarged total number of issued shares of the Company after the Proposed Bonus Issue of Shares) will be issued pursuant to the Proposed Bonus Issue of Warrants. The enlarged number of KSSC Shares is illustrated below:-

	<b>No. of Shares</b>
<b>Enlarged number of issued Shares after the Proposed Bonus Issue of Shares</b>	<b>129,600,000</b>
Assuming full exercise of Warrants	43,200,000
<b>Enlarged number of issued Shares after the Proposed Bonus Issue of Shares and Proposed Bonus Issue of Warrants</b>	<b>172,800,000</b>

In determining the entitlements under the Proposed Bonus Issue of Warrants, fractional entitlements, if any, shall be dealt with in such manner as the Board in its absolute discretion deems fit and expedient, and in the best interest of the Company.

The Proposed Bonus Issue of Warrants will be implemented after the completion of the Proposed Bonus Issue of Shares and is not intended to be implemented in stages over a period of time.

## **2.2.2 Salient terms of the Warrants**

The Warrants will be issued in registered form and constituted by the Deed Poll to be executed by KSSC. The indicative salient terms of the Deed Poll are set out in **Appendix I** of this Circular.

## **2.2.3 Basis and justification of determining the issue price and exercise price of Warrants**

Similar to the Bonus Shares under the Proposed Bonus Issue of Shares, the Warrants will be issued at no cost to the Warrants Entitled Shareholders.

The exercise price of the Warrants will be determined at a later date by the Board after the receipt of all relevant approvals but prior to the announcement of the Warrants Entitlement Date, by taking into consideration the following:-

- (i) the historical price movement and volatility in trading of KSSC Shares;
- (ii) the TEBP of KSSC Shares based on 5-day VWAP of KSSC Shares up to the price-fixing date.

For illustrative purpose, the indicative exercise price of the Warrants is assumed at RM0.63 per Warrant, which represents a discount of approximately 7.52% to the TEBP of KSSC Share of RM0.6812, calculated based on the 5-day VWAP of KSSC Shares up to and including the LPD of RM0.7664 per KSSC Share;

- (iii) Warrants are exercisable at any time for a tenure of 7 years from the date of issuance of the Warrants; and
- (iv) the future working capital requirements of KSSC Group.

The Board wishes to emphasise that the indicative exercise price of the Warrants of RM0.63 per Warrant should not be taken as an indication of our reference to the actual exercise price of the Warrants, as it will only be determined and announced at a later date. The actual exercise price of the Warrants shall be fixed at a discount to the TEBP of KSSC Shares on a date up to and including the price fixing date of the Warrants' exercise price. The range of discount to be applied to the TEBP of KSSC Shares will be determined at later stage. Nonetheless, it is envisaged that such range shall not be more than 20% of the TEBP.

The discount to the TEBP of KSSC Shares will be determined after taking into consideration, amongst others, the following:-

- (i) the prevailing market conditions and the historical market price of KSSC Shares;
- (ii) the attractiveness of the exercise price of Warrants to the Warrants Entitled Shareholders; and
- (iii) the potential future earnings of KSSC Group.

#### **2.2.4 Ranking of the Warrants and new KSSC Shares to be issued arising from the exercise of Warrants**

The Warrants Holders are not entitled to vote in any general meeting of KSSC and/or to participate in any distribution other than on winding-up, compromise or arrangement of KSSC and/or offer of further securities in KSSC unless and until the Warrant Holders becomes a shareholder of KSSC by exercising his/her Warrants into new KSSC Shares.

The new KSSC Shares to be issued pursuant to the exercise of the Warrants will, upon allotment and issuance, rank equally in all respects with the existing KSSC Shares, save and except that the new KSSC Shares to be issued arising from the exercise of the Warrants will not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid prior to the exercise of Warrants.

#### **2.2.5 Listing of and quotation for the Warrants and new KSSC Shares to be issued arising from the exercise of the Warrants**

Approval has been obtained from Bursa Securities vide its letter dated 20 April 2022 for the admission of the Warrants to the Official List as well as the listing of and quotation for the Warrants and new KSSC Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities, subject to the conditions as stated in **Section 7** of this Circular.

#### **2.2.6 Utilisation of proceeds**

The issuance of Warrants will not raise any immediate funds for the Company as the Warrants will be issued without any cost to the Warrants Entitled Shareholders. The amount of proceeds to be raised from the exercise of Warrants would depend on the actual number of Warrants exercised during the exercise period of Warrants and the exercise price of Warrants to be determined and fixed at a later stage. As such, the exact quantum and timeframe for utilisation of the proceeds to be used cannot be determined at this juncture. For illustration purpose, the gross proceeds to be raised by the Company is approximately RM27.22 million on the assumption that all Warrants are exercised at the indicative exercise price of RM0.63 per Warrant.

Any proceeds raised, as and when the Warrants are exercised, shall be utilised for working capital of the Group, which may include, amongst others, payment of trade creditors, administrative expenses such as utility expenses and staff costs which include, salaries, bonuses and contribution to Employees' Provident Fund. The allocation of the proceeds to be utilised for each component of working capital may be subject to the Group's operating requirements at the time of utilisation, and such allocation shall be determined at the Board's discretion.

Pending the utilisation of the proceeds raised as and when the Warrants are exercised, such proceeds will be placed in deposits with financial institutions or short-term money market instruments as the Board deems fit. The interest derived from such deposits or any gains from such money market instruments will be used as additional funds for the working capital requirements of the Group as set out above.

### **2.2.7 Equity fundraising exercises in the past 12 months**

The Company has not undertaken any equity fundraising exercises in the past 12 months prior to the announcement of the Proposals.

## **2.3 Proposed ESOS**

The Proposed ESOS involves the granting of ESOS Options in writing within the tenure of the ESOS Scheme to the Eligible Person to subscribe for new KSSC Shares at a prescribed ESOS Option Price, in accordance to the provisions set out in the ESOS By-laws.

The ESOS Scheme will be administered by ESOS Committee. The ESOS Committee will have the absolute discretion in administering the Proposed ESOS as it may deem fit, in accordance with the provisions set out in the ESOS By-laws. The decision as to whether or not to stagger the allocation of the ESOS Options over the duration of the Proposed ESOS as well as for the granting of ESOS Options, shall be determined by the ESOS Committee at a later date.

The ESOS Committee may at its absolute discretion decide that the ESOS Options be satisfied via the following methods:-

- (i) issuance of new KSSC Shares;
- (ii) the acquisition and transfer of KSSC Shares and/or treasury shares (if any); or
- (iii) any other methods as may be permitted by the Act, as amended from time to time and any re-enactment thereof.

In considering the mode of satisfaction as referred to in item (i) to (iii) above, the ESOS Committee will take into consideration amongst others, factors such as the prevailing market price of KSSC Shares and the potential cost arising from the granting of ESOS Options. The ESOS Option Price shall be determined based on the 5-day 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 or any other relevant authorities from time to time during the tenure of the ESOS Scheme.



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

### **2.3.1 Maximum number of KSSC Shares available under the Proposed ESOS**

The maximum number of new KSSC Shares, which may be allotted pursuant to the Proposed ESOS shall not exceed in aggregate 15% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time over the duration of the Proposed ESOS (“**Maximum ESOS Limit**”).

Notwithstanding the above or any other provisions contained in the ESOS By-laws, in the event that the number of new Shares to be issued arising from the exercise of the ESOS Options granted under the Proposed ESOS exceeds the Maximum ESOS Limit as a result of the Company purchasing its own Shares in accordance to **Section 127** of the Act, or the Company undertaking any other corporate proposal and thereby exceeding the Maximum ESOS Limit, then:-

- (a) such ESOS Options granted prior to the adjustment of the Company's total number of issued Shares (excluding treasury shares, if any) shall remain valid and exercisable in accordance with the provisions of the ESOS By-laws; and
- (b) no further ESOS Options shall be offered until the total number of new Shares to be issued arising from the exercise of the ESOS Options granted or to be granted under the Proposed ESOS falls below the Maximum ESOS Limit at any point in time over the duration of the Proposed ESOS.

### **2.3.2 Basis of allotment and maximum allowable allotment**

Subject to any adjustments which may be made under the ESOS By-laws, the aggregate number of ESOS Options that may be granted to any Eligible Person shall be determined entirely at the sole and absolute discretion of the ESOS Committee after taking into consideration, amongst other factors, the position, ranking, performance, contribution, seniority, length of service, fulfilment of the eligibility criteria as referred to in the ESOS By-laws or such other factors that the ESOS Committee may deem relevant, subject to the following:-

- (a) the aggregate number of new Shares to be issued arising from the exercise of the ESOS Options granted under the Proposed ESOS shall not exceed the Maximum ESOS Limit and the ESOS Committee shall not be obliged in any way to offer any Eligible Person, the ESOS Options under the Proposed ESOS;
- (b) any offer, allocation of ESOS Options under the Proposed ESOS and the related allotment of Shares to any Eligible Directors, major shareholders who are employees of KSSC Group or KSSC's chief executive and any person connected with them who is an employee of KSSC Group shall require prior approval of the Company's shareholders in a general meeting, and they shall not vote on the resolution approving their respective offer, allocation and allotment;
- (c) that the Directors and senior management do not participate in the deliberation or discussion of their own allocation and/or allocation of ESOS Options to person connected with them under the Proposed ESOS;



- (d) the allocation to the Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds 20% or more of the Company's total number of issued Shares (excluding treasury shares, if any), does not exceed 10% of the total number of new Shares to be issued under the Proposed ESOS;
- (e) any performance target to be achieved before the ESOS Options can be granted and/or exercised by an Eligible Director or employee shall be determined by the ESOS Committee. For information purposes, no performance target has been set for the allocation of ESOS Options at this juncture; and
- (f) not more than 75% of the total number of new Shares available under the Proposed ESOS shall be allocated in aggregate to the directors and senior management of KSSC Group, who are Eligible Persons (excluding subsidiaries which are dormant). Notwithstanding the Proposed ESOS is undertaken with the aim to reward the Eligible Persons as a whole, the Company also takes cognisance of the vital contribution of the directors and senior management of the Group, all of whom are responsible in shaping the direction and implementing the key strategies of the Company. Hence, such proposed allocation under the Proposed ESOS of up to 75% is intended to incentivise and reward the directors and senior management of the Group for their continued vital contribution to the Group,

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

For the avoidance of doubt, the ESOS Committee shall have sole and absolute discretion in determining, amongst others:-

- (a) whether the granting of the ESOS Options to the Eligible Persons will be based on staggered granting over the duration of the Proposed ESOS or in a single grant; and/or
- (b) whether or not the ESOS Options are subject to any vesting period and if so, the vesting conditions and whether such vesting is subject to performance targets.

For the staggered granting of ESOS Options over the duration of the Proposed ESOS, no maximum allocation will be imposed for each financial year during the duration of the Proposed ESOS, subject always to the Maximum ESOS Limit.

At the time the Offer is made to Eligible Person in accordance with the ESOS By-laws, the ESOS Committee shall set out the basis of allotment, identifying the category or grade of the Eligible Person and the maximum allowable allotment for the Eligible Person in the differing categories or grades.

Any Eligible Person who holds more than 1 position within KSSC Group and by holding such positions, the Eligible Person is in more than 1 category, shall only be entitled to the maximum allowable allotment of any 1 of those categories. The ESOS Committee shall be entitled at its discretion to determine the applicable category.

In the event that the ESOS Participant is upgraded or promoted or demoted, the maximum allowable limit corresponding to the category of employee which such ESOS Participant falls within as at the Date of Offer shall be revised accordingly, subject always to the Maximum ESOS Limit.

### 2.3.3 Eligibility

Subject to the discretion of the ESOS Committee, only Eligible Persons who fulfil the following conditions on the Date of Offer shall be eligible to participate in the ESOS Scheme:-

- (i) in respect of an employee of the Group, the employee must fulfil the following criteria as at the Date of Offer:-
  - (a) he/she is at least 18 years of age and he/she is not an undischarged bankrupt or subject to any bankruptcy proceedings;
  - (b) he/she is employed on the Date of Offer:-
    - (aa) on a full-time basis and is on the payroll of any company in the Group (which are not dormant) and his/her employment has been confirmed by any company in the Group (which are not dormant) on the Date of Offer; or
    - (bb) under an employment contract for a fixed duration and has been in the employment of any company in the Group (which are not dormant) for such period as may be determined by the ESOS Committee; and
  - (c) such employee falls within any other eligibility criteria that may be determined by the ESOS Committee from time to time at its sole discretion, whose decision shall be final and binding;
- (ii) in respect of an Eligible Director, the Eligible Director must fulfil the following criteria as at the Date of Offer:-
  - (a) he/she is at least 18 years of age and he/she is not an undischarged bankrupt or subject to any bankruptcy proceedings;
  - (b) he/she has been appointed as a director to the board of directors of any member of the Group which is not dormant; and
  - (c) he/she fulfils any other criteria as may be determined by the ESOS Committee from time to time at its sole discretion, whose decision shall be final and binding.
- (iii) in respect of director, a chief executive officer of the Company or a person connected with a director or chief executive of the Company, the specific allocation of ESOS Options granted under the ESOS Scheme must have been approved by the shareholders at a general meeting; and
- (iv) if an employee is employed by a company which is acquired by the Group during the duration of the ESOS Scheme and becomes a subsidiary whether directly or indirectly held by the Company upon such acquisition, the employee will be eligible to participate in the ESOS Scheme if the said employee becomes an Eligible Person within the meaning of the ESOS By-laws.

The Eligible Person must fulfil any other criteria and/or fall within such category/designation of employment as may be determined by the ESOS Committee from time to time at its sole discretion, whose decision shall be final and binding.

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

#### **2.3.4 Duration**

The ESOS Scheme shall be in force for a duration of 5 years from Effective Date subject however to any extension of the ESOS Scheme as provided under the ESOS By-laws.

On or before the expiry of the ESOS Scheme, the Board shall have the discretion, without having to obtain approval of the shareholders, to extend the duration of the ESOS Scheme, provided that the initial period of the ESOS Scheme and such extension of the ESOS Scheme made pursuant to the ESOS 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 shareholders in a general meeting is required for any such extension. In the event the ESOS Scheme is extended in accordance with the provision of the ESOS By-laws, the ESOS Committee shall furnish a written notification to the ESOS Participants and the Company shall make the necessary announcements to Bursa Securities prior to such extension (if required).

The ESOS Scheme may be terminated by the ESOS Committee at any time before its expiry provided that the Company shall make an announcement immediately through Bursa Securities on the following:-

- (a) the effective date of termination of the ESOS Scheme ("**Termination Date**");
- (b) the number of ESOS Options exercised pursuant to the Proposed ESOS; and
- (c) the reasons and justification for termination.

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

- (i) no further Offer shall be made by the ESOS Committee from the Termination Date;
- (ii) all Offers which have yet to be accepted by the Eligible Person(s) shall automatically lapse on the Termination Date;
- (iii) all Offers which have yet to be vested by the Eligible Person(s) shall automatically lapse on the Termination Date; and

- (iv) all outstanding ESOS Options which have yet to be exercised by the ESOS Participants and/or vested (if applicable) shall be automatically terminated on the Termination Date.

For avoidance of doubt, unless otherwise required by the Listing Requirements and/or other applicable laws, the termination of the ESOS Scheme does not require any approval or consent of shareholders of the Company by way of a resolution in a general meeting and/or written consents of the ESOS Participants who have yet to exercise the ESOS Options.

### **2.3.5 Ranking of the ESOS Options and new KSSC Shares arising from the exercise of the ESOS Options**

ESOS Participants will not be entitled to any voting right or participation in any form of distribution and/or offer of further securities in KSSC until and unless such ESOS Participants exercise their ESOS Options into new KSSC Shares. Any new KSSC Shares to be issued arising from the exercise of the ESOS Options, shall upon allotment and issuance, rank equally in all respects with the existing shares, save and except that the new KSSC Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distribution where the entitlement date of such dividends, rights, allotments and/or any other forms of distribution precedes the relevant date of allotment and issuance of the new KSSC Shares. The new KSSC Shares will be subject to all provisions of the Constitution of KSSC and such amendments thereafter, if any.

### **2.3.6 Retention period**

The ESOS Committee shall be entitled to prescribe or impose, in relation to any offer, any condition relating to any retention period or restriction on the transfer of the shares to be issued and/or transferred (vide treasury shares) pursuant to the Proposed ESOS as it deems fit. Notwithstanding the above, pursuant to Paragraph 8.20 of the Listing Requirements, an Eligible Person who is a non-executive director must not sell, transfer or assign KSSC Shares obtained through the exercise of the ESOS Options offered to him/her within 1 year from the date of the Offer.

### **2.3.7 Listing of and quotation for the new KSSC Shares arising from the exercise of the ESOS Options**

An application will be made for the listing of and quotation for the new KSSC Shares to be issued pursuant to the exercise of ESOS Options on the Main Market of Bursa Securities.

### **2.3.8 Amendments and/or modification to the Proposed ESOS**

Subject to the ESOS By-laws and compliance with the Listing Requirements and the approvals of any other authorities (if required), the ESOS Committee may at any time and from time to time recommend to the Board any additions, amendments and/or modifications to and/or deletions of the ESOS By-laws as it shall, in its sole and absolute discretion think fit.

The Board shall have the power at any time and from time to time by resolution to add, to amend, to modify and/or delete all or any part of the ESOS By-laws upon such recommendation, provided always that no such amendment and/or modification shall be made which will:-

- (a) prejudice any rights of the ESOS Participant which have been accrued to any ESOS Participant without his/ her prior consent or sanction;

- (b) increase the number of new KSSC Shares available under the Proposed ESOS beyond the Maximum ESOS Limit; or
- (c) alter any matters which are required to be contained in the ESOS By-laws by virtue of the Listing Requirements to the advantage of any Eligible Person(s) and/or ESOS Participant(s), without the prior approval of shareholders obtained at a general meeting.

unless allowed otherwise by the provisions of the Listing Requirements.

Where any amendment and/or modifications are made to the ESOS By-laws, KSSC shall submit to Bursa Securities, a confirmation letter that the amendments and/or modifications complies with the provision of the guidelines on the Proposed ESOS stipulated under the Listing Requirements and the Rules of Bursa Depository no later than 5 market days from the effective date of the said amendments and/or modifications.

### **2.3.9 Utilisation of Proceeds**

The issuance of ESOS Options pursuant to the Proposed ESOS will not raise any immediate funds for the Company. The Company will receive proceeds pursuant to the exercise of the ESOS Options by the ESOS Participants.

Any proceeds to be received by the Company pursuant to the exercise of the ESOS Options (which will depend on, amongst others, the number of ESOS Options granted and exercised at the relevant point of time and the ESOS Option Price) will be utilised for the Company's working capital purposes. The detailed utilisation, actual utilisation breakdown and timeframe for full utilisation of the proceeds from the date of receipt cannot be determined at this juncture as it will depend on, amongst others, the actual proceeds to be raised from the exercise of the ESOS Options as well as the working capital requirements of the Group as stipulated in **Section 2.2.6** of this Circular at the relevant time.

Pending the utilisation of the proceeds raised as and when the ESOS Options are exercised, such proceeds will be placed in deposits with financial institutions or short-term money market instruments as the Board deems fit. The interest derived from such deposits or any gains from such money market instruments will be used as additional funds for the working capital requirements of the Group as stipulated in **Section 2.2.6** of this Circular.

## **3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSALS**

### **3.1 Proposed Bonus Issue of Shares**

After due consideration of the various options available to reward the shareholders such as dividends and bonus issue of new securities, the Board intends to undertake the Proposed Bonus Issue of Shares to reward the existing shareholders of the Company in the form of Bonus Shares for their loyalty and continued support as the Proposed Bonus Issue of Shares serves to:-

- (i) increase the number of KSSC Shares held by the Company's shareholders at no cost to be incurred by the shareholders, while maintaining their percentage of equity shareholding held in the Company;
- (ii) potentially result in an improved trading liquidity of the Shares traded in the market at an affordable Share price i.e. lower trading price, without affecting the size of the market capitalisation of the Company; and

- (iii) encourage greater participation by investors and to potentially widen the share base and shareholders' profiles of the Company.

In addition, the implementation of the Proposed Bonus Issue of Shares without capitalisation of the Company's reserves is not expected to affect the Company's reserves and the NA of the Company.

### **3.2 Proposed Bonus Issue of Warrants**

The Board intends to undertake the Proposed Bonus Issue of Warrants to reward the existing shareholders of the Company in the form of Warrants for their loyalty and continued support as the Proposed Bonus Issue of Warrants:-

- (i) serves to reward the shareholders for their continuous support by enabling them to participate in a derivative of the Company without incurring any costs;
- (ii) provides the shareholders an alternative mean to participate and trade in the equity of the Company;
- (iii) provides the shareholders an opportunity to further increase their equity participation in the Company by exercising the Warrants at a pre-determined price during the exercise period;
- (iv) allow the shareholders of the Company to benefit from any potential capital gains in the event of possible appreciation in the value of KSSC Shares through the exercise of the Warrants; and
- (v) strengthen the capital base of the Company and shareholders' funds as well as potentially providing additional working capital for the Group, as and when the Warrants are exercised.

### **3.3 Proposed ESOS**

The Proposed ESOS will enable KSSC to grant ESOS Options to Eligible Persons and is expected to achieve the following objectives:-

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

The non-executive directors are also eligible to participate in the ESOS Scheme in order to recognise the contributions and efforts made by the non-executive Directors as they play an important role in the business performance of the 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.



## 4. INDUSTRY OVERVIEW AND OUTLOOK OF KSSC GROUP

### 4.1 Overview and outlook for the Malaysian economy

The Malaysian economy registered a positive growth of 3.6% in the fourth quarter of 2021 (3Q 2021: -4.5%). Growth was supported mainly by an improvement in domestic demand as economic activity normalised following the easing of containment measures under the National Recovery Plan (NRP). The improvement also reflected recovery in the labour market as well as continued policy support. In addition, strong external demand amid the continued upcycle in global technology provided a further lift to growth. On the supply side, all economic sectors recorded improvements in growth, led by the services and manufacturing sectors. On the demand side, growth was driven by higher consumption and trade activity. On a quarter-on-quarter seasonally adjusted basis, the economy registered an increase of 6.6% (3Q 2021: -3.6%).

Domestic demand grew by 2.3% (3Q 2021: -4.1%) in the fourth quarter of 2021. This was driven by the improvement in private sector expenditure following the loosening of restrictions. On the external front, net exports expanded by 2.6% (3Q 2021: -37.5%) due to higher export growth amid strong external demand.

Gross fixed capital formation (GFCF) registered a smaller contraction of 3.3% (3Q 2021: -10.8%), reflecting an improvement in capital spending by both private and public sectors. By type of asset, growth of machinery and equipment (M&E) investment increased further to 16.4% (3Q 2021: 10.2%). Meanwhile, investments in structures and other assets declined by 15.5% and 3.1% respectively (3Q 2021: -26.1% and 8.3% respectively).

Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), increased to 3.2% during the quarter (3Q 2021: 2.2%). The higher inflation during the quarter was due mainly to the normalisation in electricity prices following the lapse in the three-month electricity bill discount implemented in July 2021. In addition, higher prices for some core and price-volatile items further contributed to the increase. The higher inflation for these items reflected improved demand conditions amid an environment of elevated costs.

As the reopening of the economy gathered momentum, core inflation increased marginally, averaging 0.8% during the quarter (3Q 2021: 0.7%). The increase was largely contributed by discretionary items such as food away from home, restaurants and hotels, and furniture and furnishings. Additionally, some consumer items in the non-core CPI basket, particularly fresh food items, recorded relatively high inflation due to seasonal factors and cost pressures from supply-related disruptions.

The labour market resumed its recovery trajectory in the fourth quarter of 2021, amid the normalisation of economic activity and recovery in demand conditions. The unemployment rate declined further to 4.3% (3Q 2021: 4.7%). This was driven by a stronger recovery in employment (+166 thousand persons), alongside an encouraging expansion of the labour force (+114 thousand persons). The labour force participation rate increased to 68.7% of the working age population (3Q 2021: 68.3%). The underemployment rate also improved (1.8% of labour force; 3Q 2021: 2.0%) while the population outside the labour force declined to 7.36 million persons (3Q 2021: 7.43 million persons). This indicates the return of workers to full-time employment and a net re-entry of workers back into the labour force.

*(Source: Quarterly Bulletin in 4Q 2021, Bank Negara Malaysia)*

## 4.2 Overview and outlook of manufacturing sector

The manufacturing sector rebounded by 15.8% in the first half of 2021, supported by positive growth in all subsectors. The growth momentum is expected to continue in the second half with an expansion rate of 1.5%, mainly driven by the export-oriented industries. The main subsectors which will significantly contribute to the industries are electrical, electronics and optical products as well as petroleum, chemical, rubber and plastic products.

For the year, the sector is expected to post a sturdy growth of 8.1% attributed to both the export- and domestic-oriented industries. Within the export-oriented industries, the E&E segment is projected to improve, following higher demand for semiconductor items, which is reflected by the rising sales across the range of chip products. In addition, the rubber and textiles segments are anticipated to expand, following increasing demand for rubber gloves and personal protective equipment (PPE) amid the prolonged COVID-19 pandemic. Similarly, within the domestic-oriented industries, the basic pharmaceuticals and medicinal chemical products, and food products segments are projected to increase in line with the economic expansion.

The manufacturing sector is expected to expand by 4.7% in 2022, attributed to the steady performance of both export- and domestic-oriented industries. As one of the key players in the world semiconductor trade, the stronger global demand for E&E products will continue to provide the impetus for Malaysia's manufacturing sector. Stricter global healthcare regulations and increasing hygiene awareness will help in boosting production in the rubber and chemical related segments. Concurrently, the anticipation of more vibrant industrial and construction activities as well as higher demand for household-related products are expected to give an additional boost to the sector.

*(Source: Economic Outlook 2022, Ministry of Finance Malaysia)*

## 4.3 Prospects of the Group

The Board is of the view that the stainless steel industry entered 2022 in a relatively challenging and uncertain economic landscape following a challenging fourth quarter last year. The stainless steel industry is currently faced with possible geo-political and economic concerns which may materially affect nickel and stainless steel prices, raw material and fuel costs. This is primarily due to the uncertain outlook for raw material and fuel costs, and potential downside risk to global stainless steel consumption given the prolonged supply chain disruptions and persistently high energy prices on the back of the on-going US-China trade frictions as well as the commencement of Russia-Ukraine war. Further, the emergence of new COVID-19 variants, such as Omicron variant, may be disruptive to the economic recovery of Malaysia, particularly in the electrical, electronic and automotive sectors which are the growth drivers for the stainless steel industry. The constraints on public spending are likely to further dampen the recovery of the stainless steel industry.

In view of the above, the Group will continue its efforts to focus on its core business activities by improving operational efficiencies and implement better cost management measures. The Group also intends to implement its business strategies and expansions plan, which includes its product market expansion and the venturing into new range of product lines.



#### **4.4 Impact of COVID-19 pandemic on the Group's financial performance and operations**

The Board takes cognisance that the effects of COVID-19 pandemic are still prevalent in the Malaysian economy and the stainless steel manufacturing industry.

Although Malaysia has transitioned into the "Endemic" phase on 1 April 2022 onwards, a resurgence of COVID-19 cases and/or the emergence of new COVID-19 variants may adversely impact the Group's operations and financial position arising from, amongst others, the following circumstances:-

- (a) any potential delay and/or disrupted supply chains and shipments of raw materials; or
- (b) the delivery of orders, which may potentially be affected by movement restrictions and business closures that may be enforced by the Malaysian Government in the event of any resurgence of COVID-19 cases in the country.

By implementing cost management measures during pandemic period, the Group had managed to recover from the losses of RM0.75 million incurred in FYE 31 December 2020 and recorded a profit after tax of RM11.02 million in FYE 31 December 2021.

Notwithstanding the above, the Group will continue to be cautious and vigilant in controlling its costs and ensure efficient use of its resources to remain profitable. However, the Board wishes to highlight that as the full business impact of said pandemic remains uncertain at this juncture, there can be no assurance that any resurgence of COVID-19 cases and/ or the emergence of new COVID-19 variants will not have a material adverse effect on the financial performance and/or operations of the Group.

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## 5. EFFECTS OF THE PROPOSALS

The effects of the Proposals on the issued share capital, NA per Share and gearing ratio of the Group, earnings and EPS of the Group, and substantial shareholders' shareholdings in the Company, are set out below:-

### 5.1 Issued Share Capital

The pro forma effects of the Proposals on the issued share capital are set out below:-

	As at LPD	
	No of Shares	RM
Issued share capital as at the LPD	115,200,000	58,771,889
No. of Shares to be issued pursuant to the Proposed Bonus Issue of Shares	14,400,000	-
After the Proposed Bonus Issue of Shares	129,600,000	58,771,889
Assuming full exercise of Warrants	<sup>(1)</sup> 43,200,000	<sup>(1)</sup> 27,216,000
	172,800,000	85,987,889
Assuming full exercise of ESOS Options granted	<sup>(2)</sup> 25,920,000	<sup>(2)</sup> 16,329,600
<b>Enlarged issued share capital</b>	<b>198,720,000</b>	<b>102,317,489</b>

**Notes:-**

- (1) Assuming all 43,200,000 Warrants are exercised into new KSSC Shares at the indicative exercise price of RM0.63 per Warrant, representing a discount of approximately 7.52% to the TEBP of KSSC Shares of RM0.6812, calculated based on the 5 days VWAP of KSSC Shares up to LPD.
- (2) Assuming all 25,920,000 ESOS Options are exercised into new KSSC Shares at the ESOS Option Price of RM0.63 per ESOS Options, representing a discount of approximately 7.52% to the TEBP of RM0.6812, calculated based on the 5 day VWAP of KSSC Shares up to the LPD of RM0.7664 per KSSC Share.

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## 5.2

### NA per Share and gearing ratio

Based on the latest audited consolidated statements of financial position of the Group as at latest audited FYE 31 December 2021, the pro forma effects of the Proposals on the NA per Share and gearing ratio of the Group are set out as follows:-

	Audited as at FYE 31 December 2021 RM'000	Pro-forma I Proposed Bonus Issue of Shares RM'000	Pro-forma II After pro-forma I and assuming full exercise of Warrants RM'000	Pro-forma III After pro-forma II and assuming full exercise of ESOS Options RM'000
Share capital	58,772	58,772	(2)85,988	(3)102,318
Retained Profits	37,361	(1)37,091	37,091	37,091
<b>Shareholders' equity/NA</b>	<b>96,133</b>	<b>95,863</b>	<b>123,079</b>	<b>139,409</b>
Non-controlling interests	1,896	1,896	1,896	1,896
<b>Total equity</b>	<b>98,029</b>	<b>97,759</b>	<b>124,975</b>	<b>141,305</b>
No. of Shares in issue ('000)	115,200	129,600	172,800	198,720
<b>NA per Share (RM)</b>	<b>0.83</b>	<b>0.74</b>	<b>0.71</b>	<b>0.70</b>
Total borrowings (RM'000)	56,988	56,988	56,988	56,988
<b>Gearing ratio (times)</b>	<b>0.59</b>	<b>0.59</b>	<b>0.46</b>	<b>0.41</b>

#### Notes:-

- (1) After deducting the estimated expenses of approximately RM270,000 in relation to the Proposals.
- (2) Computed based on the indicative exercise price of RM0.63 per Warrant, representing a discount of approximately 7.52% to the TEBP of KSSC Shares of RM0.6812, calculated based on the 5 days VWAP of KSSC Shares up to LPD.
- (3) Computed based on the indicative exercise price of RM0.63 each ESOS Options, representing a discount of approximately 7.52% to the TEBP of KSSC Shares of RM0.6812, calculated based on the 5 days VWAP of KSSC Shares up to LPD.

The Proposed ESOS is not expected to have an immediate effect on the NA and gearing of the Group until such time when the ESOS Options granted under the ESOS 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 ESOS Options granted under the ESOS Scheme and the ESOS Option Price.

For illustrative purposes, upon exercise of the ESOS Options under the Proposed ESOS, the NA per Share is expected to:-

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

at such point of exercise of the ESOS Options.

Any potential effect on the NA and gearing of the Group in the future will depend on the number of ESOS Options granted and exercised, the ESOS Option Price and the non-cash expenses arising from the granting of the ESOS Options under MFRS 2.

The quantum of such impact cannot be determined at this juncture as it will be measured at the date of granting the ESOS Options.

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#### **5.4 Earnings and EPS**

The Proposed Bonus Issue of Shares and Proposed Bonus Issue of Warrants are not expected to have any material effect on the earnings of the Group for FYE 31 December 2022. However, assuming that the earnings of the Group remain unchanged, the consolidated EPS of the Group will be proportionately diluted as a result of the increase in the number of KSSC Shares in issue pursuant to the Proposed Bonus Issue of Shares, and as and when the Warrants are exercised into new KSSC Shares.

The potential effects of the exercise of the Warrants on the future earnings of the Group and consolidated EPS of the Group will depend upon, amongst others, the number of Warrants exercised at any point in time. Although the consolidated EPS of the Group may be diluted as a result of the increase in the number of KSSC Shares as and when the Warrants are exercised, the utilisation of proceeds arising therefrom may contribute positively to the future earnings of the Group.

The Proposed ESOS is not expected to have any immediate effect on the consolidated EPS of the Group until such time when the ESOS Options are granted and vested. Future earnings of the Group may be affected as, according to MFRS 2, the costs arising from the ESOS Options are required to be measured at the date on which the ESOS Options are granted and recognised as an expense over the vesting period of the ESOS Options.

Any potential effect on the EPS of the Group will depend on the number of ESOS Options granted and exercised, the ESOS Option Price payable upon the exercise of the ESOS Options under the Proposed ESOS and various factors that affect the fair value of the ESOS Options. However, it should be noted that the estimated cost does not represent a cash outflow 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 the ESOS Options to the Eligible Persons.

#### **5.5 Convertible securities**

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

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## 6. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of KSSC Shares as traded on Bursa Securities for the past 12 months up to and including the LPD are set out in the table below:-

	High (RM)	Low (RM)
<b><u>2021</u></b>		
May	0.810	0.655
June	1.520	0.670
July	1.480	0.740
August	1.090	0.680
September	1.060	0.740
October	0.885	0.745
November	0.935	0.715
December	0.780	0.665
<b><u>2022</u></b>		
January	0.825	0.715
February	0.815	0.700
March	0.800	0.715
April (up to the LPD)	0.790	0.750
The last transacted price of KSSC Shares as at 9 March 2022, being the last trading date prior to the announcement of the Proposals		0.755
Last transacted market price of KSSC Shares as at the LPD		0.760

(Source: Bloomberg)

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## 7. APPROVALS REQUIRED/OBTAINED

The Proposals are subject to the following approvals:-

- (i) Bursa Securities, for the following which was obtained vide its letter dated 20 April 2022:-
  - (a) listing and quotation of up to 14,400,000 Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares;
  - (b) admission to the Official List and listing and quotation of up to 43,200,000 Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants;
  - (c) listing and quotation of up to 43,200,000 new KSSC Shares to be issued pursuant to the exercise of the Warrants; and
  - (d) listing of such number of new ordinary shares involving up to 15% of the total number of issued shares (excluding treasury shares of KSSC, if any), to be issued pursuant to the Proposed ESOS.

The approval of Bursa Securities is subject to the following conditions:-

<b>No</b>	<b>Conditions</b>	<b>Status of compliance</b>
1.	KSSC and UOBKH must fully comply with the relevant provisions under the Listing Requirements at all times pertaining to the implementation of the Proposals;	Noted
2.	KSSC and UOBKH to inform Bursa Securities upon the completion of the Proposals;	To be complied
3.	KSSC and UOBKH to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposals are completed;	To be complied
4.	KSSC / UOBKH are required to furnish Bursa Securities with a certified copy of the resolution passed by the shareholders at the forthcoming general meeting for the Proposed Bonus Issue of Shares prior to the listing and quotation of the Bonus Shares;	To be complied
5.	KSSC / UOBKH are required to make the relevant announcements pursuant to Paragraphs 6.35(2)(a)&(b) and 6.35(4) of the Listing Requirements in relation to the Proposed Bonus Issue of Shares;	To be complied
6.	UOBKH is required to submit a confirmation to Bursa Securities of full compliance of the Proposed ESOS pursuant to Paragraph 6.43(1) of the Listing Requirements and stating the effective date of implementation together with certified true copy of the resolution passed by the shareholders in general meeting approving the Proposed ESOS; and	To be complied
7.	KSSC is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the Proposed ESOS and exercise of Warrants as at the end of each quarter together with a detail computation of listing fees payable.	To be complied



- (ii) the approval of the shareholders of KSSC at the forthcoming EGM; and
- (iii) any other relevant authority, if any and required.

The Proposed Bonus Issue of Warrants is only conditional upon the Proposed Bonus Issue of Shares, and not vice versa. The Proposed ESOS is not conditional upon Proposed Bonus Issue of Shares and Proposed Bonus Issue of Warrants and vice versa. The Proposed Allocation is conditional upon the Proposed ESOS but not vice versa.

In addition, the Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.

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

None of the Directors, major shareholders and/or chief executive of KSSC and/or persons connected with them has any interest, whether direct or indirect, in the Proposed Bonus Issue of Shares and Proposed Bonus Issue of Warrants, save for their respective entitlements as shareholders of the Company under the Proposed Bonus Issue of Shares and Proposed Bonus Issue of Warrants, which are also available to all other shareholders of the Company on a pro-rata basis.

All the directors (and chief executive officer of the Company) are eligible to participate in the Proposed ESOS, and are therefore deemed interested to the extent of their respective proposed allocations under the Proposed ESOS. Accordingly, the directors (and chief executive officer of the Company) have abstained and will continue to abstain from deliberating, expressing an opinion and making any recommendations at all relevant Board meeting(s) in relation to their respective allocations under the Proposed ESOS.

The directors (and chief executive officer of the Company) will also abstain from voting in respect of their direct and/or indirect shareholdings, if any, at the forthcoming EGM on the ordinary resolutions to be tabled for their respective proposed allocation.

The directors (and chief executive officer of the Company) will undertake to ensure that persons connected to them, if any, will abstain from voting in respect of their direct and/or indirect shareholdings, if any, in the Company on the ordinary resolutions pertaining to their respective proposed allocation to be tabled at the forthcoming EGM.

Save as disclosed below, none of the directors of KSSC holds any Shares as at the LPD:-

	Shareholdings as at the LPD			
	Direct		Indirect	
	No. of Shares (‘000)	( <sup>1</sup> )%	No. of Shares (‘000)	%
Koh Seng Lee	21,441	18.61	( <sup>2</sup> )180	0.16
Yap Chee Kheng	8,710	7.56	-	-
Dato’ Tin @ Tan Pek-Han	1,400	1.22	-	-
Tsen Ket Shung @ Kon Shung	200	0.17	-	-
Dr Lim Pang Kiam <sup>(3)</sup>	8,352	7.25	-	-

### Notes:-

- (1) Based on the issued Shares of 115,200,000 KSSC Shares as at the LPD.
- (2) Deemed interested by virtue of his son, Mr Koh Yi Hao pursuant to Section 8 of the Act.
- (3) Appointed as chief executive officer of KSSC on 3 January 2022 and not a director of KSSC.

In addition, save as disclosed above, none of the directors, major shareholders and/or persons connected with them have any interest, direct or indirect, in the Proposed ESOS.

## 9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Board expects the Proposals to be completed in the third quarter of 2022.

The tentative timetable in relation to the Proposals are set out below:-

Timeline	Event(s)
End of May 2022	<ul style="list-style-type: none"><li>• Convening of EGM</li></ul>
Early June 2022	<ul style="list-style-type: none"><li>• Announcement of Bonus Shares Entitlement Date</li></ul>
Mid June 2022	<ul style="list-style-type: none"><li>• Listing of the Bonus Shares and completion of the Proposed Bonus Issue of Shares</li><li>• Announcement of Warrants Entitlement Date</li></ul>
End June 2022	<ul style="list-style-type: none"><li>• Announcement of the number of Warrants to be listed</li><li>• Announcement on the profile of Warrants</li><li>• Listing of and quotation for the Warrants</li><li>• Establishment of the ESOS Scheme</li></ul>

## 10. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, which are the subject matters of this Circular, the Board is not aware of any other outstanding proposals, which have been announced but not yet completed as at the LPD.

## 11. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered all aspects of the Proposals, including but are not limited to, the basis, the rationale and the pro forma effects of the Proposed Bonus Issue of Shares and Proposed Bonus Issue of Warrants, is of the opinion that the Proposed Bonus Issue of Shares and Proposed Bonus Issue of Warrants are in the best interest of the Company and shareholders.

The Board (save for the directors who have abstained from deliberating and making any recommendations relating to their respective allocations under the ESOS Scheme), after considering all aspects of the Proposed ESOS and Proposed Allocation, is of the opinion that the Proposed ESOS and Proposed Allocation are in the best interest of the Company.

Accordingly, the Board recommends that you **VOTE IN FAVOUR** for the resolutions pertaining to the Proposals and Proposed Allocation to be tabled at the forthcoming EGM.

## 12. EGM

The EGM of the Company will be conducted virtually through live streaming from the broadcast venue at Unit 8-5, Kompleks Komersil Akasa, Jalan Akasa, Akasa Cheras Selatan, 43300 Seri Kembangan, Selangor using the Remote Participation and Voting facilities provided by AI Smartual Learning Sdn Bhd via AISL online website at <https://vpoll.com.my/> on Wednesday, 25 May 2022 at 12.00 p.m. or immediately following the conclusion or adjournment of the Thirty-Seventh Annual General Meeting of the Company scheduled to be held at the same venue and on the same day at 10.00 a.m., whichever is earlier. The Notice of the EGM and the Form of Proxy are attached in this Circular. Please refer to the Administrative Guide issued to all shareholders of the Company on the conduct of the EGM.

If you are unable to attend, participate, speak and vote remotely in person at the forthcoming EGM, you are requested to complete the Form of Proxy in accordance with the instructions printed therein and deposit it at the Registered Office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan K.L., Malaysia not less than twenty-four (24) hours before the time set for holding the EGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting remotely in person at the EGM should you subsequently wish to do so.

**13. FURTHER INFORMATION**

Shareholders are advised to refer to the appendices set out in this Circular for further information.

Yours faithfully,  
For and on behalf of the Board  
**K. SENG SENG CORPORATION BERHAD**

**KOH SENG LEE**  
Group Managing Director

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**APPENDIX I - INDICATIVE SALIENT TERMS OF THE DEED POLL**

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The indicative salient terms of the Deed Poll are as follows:-

<b>Issue size</b>	Up to 43,200,000 Warrants
<b>Form and denomination</b>	The Warrants will be issued in registered form and constituted by the Deed Poll
<b>Tenure</b>	7 years commencing from and inclusive of the date of issuance of the Warrants
<b>Exercise period</b>	The Warrants may be exercised at any time within 7 years commencing on and including the date of issuance of the Warrants not later than 5.00 p.m. on the last day of the exercise period. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid
<b>Exercise price</b>	The exercise price of the Warrants will be determined at a later date by the Board upon receipt of all relevant approvals but prior the announcement of the Warrants Entitlement Date. The exercise price during the exercise period shall however be subject to adjustments under circumstances prescribed in the Deed Poll
<b>Exercise rights</b>	Each Warrant Holders carries the entitlement, at any time during the Exercise Period, to subscribe for 1 KSSC Share at the Exercise Price of the Warrants, subject to the adjustment in accordance with the provisions of the Deed Poll
<b>Expiry date</b>	The last day of a period of 7 years commencing from and including the date of issuance of the Warrants (but if that day is not Market Day, it shall be the immediately preceding Market Day)
<b>Mode of exercise</b>	The Warrant Holders must complete and sign the exercise form (which shall be irrevocable) and deliver the duly completed exercise form to the Company's share registrar together with a remittance of the exercise money by way of cashier's order or banker's draft or money order or postal order in Ringgit Malaysia drawn on a bank or post office operating in Malaysia in accordance with the provisions of the Deed Poll
<b>Participating rights of the holders of Warrant</b>	The Warrant Holders are not entitled to vote in any general meeting of KSSC and/or to participate in any distribution other than on winding-up, compromise or arrangement of KSSC and/or offer of further securities in KSSC unless and until the Warrant Holders becomes a shareholder of KSSC by exercising his/her Warrants into new KSSC Shares or unless otherwise resolved by KSSC in a general meeting
<b>Adjustments in the exercise price and/or number of Warrants</b>	The exercise price and/or the number of Warrants held by each Warrant Holder shall from time to time be adjusted in accordance with the provisions of the Deed Poll by the Directors in consultation with an approved adviser appointed by the Company and certified by the auditors to be in accordance with the provisions of the Deed Poll
<b>Transferability</b>	The transfer of Warrants shall be subject to and be carried out in accordance with the provisions of the Deed Poll, the provisions of the Depositories Act and the Rules of Bursa Depository. Subject to the provisions of the Depositories Act and the Rules of Bursa Depository, no person shall be recognised by the Company as having title to the Warrants entitling the holder to subscribe for a fractional part of a new Share
<b>Board lot</b>	For the purposes of trading on the Bursa Securities, board lot for the Warrants shall be 100 Warrants each carrying the right to subscribe for 100 new Shares at any time during the exercise period or in such other denominations permitted by Bursa Securities from time to time

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**APPENDIX I - INDICATIVE SALIENT TERMS OF THE DEED POLL (CONT'D)**

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<b>Rights on winding up, liquidation, compromise and/or arrangement</b>	<p>Where a resolution has been passed for a members' voluntary winding up of the Company, or where there is a ESOS Scheme of compromise or arrangement under Section 366 of the Act (whether or not for the purpose of or in connection with the amalgamation of the Company with one or more companies) then:-</p> <ul style="list-style-type: none"><li>(i) if such winding up, compromise or arrangement has been approved by the Warrant Holders by way of a special resolution, the terms of such winding up, compromise or arrangement shall be binding on all the Warrant Holders; and</li><li>(ii) in any other case, every Warrant Holder shall be entitled upon and subject to the conditions of the Deed Poll at any time within 6 weeks after the service of the notice of the passing of such resolution for a members' voluntary winding up of the Company or within 6 weeks after the granting of the court order approving the compromise or arrangement (but in both cases, not later than the end of the exercise period), by irrevocable surrender on a Market Day of his/her Warrants to the Company with the exercise form(s) duly completed, together with payment of the relevant exercise price and otherwise in accordance with the Deed Poll, to elect to be treated as if he/she had immediately prior to the commencement of such winding up, compromise or arrangement, exercised the exercise rights represented by such Warrants to the extent specified in the exercise form and be entitled to receive out of the assets of the Company which would be available in liquidation if he/she had on such date been the holder of the new Shares to which he/she would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly.</li></ul> <p>If the Company is wound up by way of members' voluntary winding up or an order has been granted for such compromise or arrangement, all exercise rights which have not been exercised within 6 weeks after the service of the notice of the passing of such a resolution or of the court order, shall lapse and the Warrants will cease to be valid for any purpose.</p> <p>If the Company is wound up (other than by way of a members' voluntary winding up), all exercise rights which have not been exercised prior to the date of commencement of the winding up shall lapse and the Warrants will cease to be valid for any purpose</p>
<b>Modification of rights of the holders of Warrant</b>	<p>Any modification, deletion or addition to the Deed Poll may be effected only by a deed poll executed by the Company and expressed to be supplemental to the Deed Poll, sanctioned by a special resolution and only if the relevant requirements under the Deed Poll have been complied with and with the approval of the relevant authority</p>
<b>Listing status</b>	<p>The Warrants will be listed and quoted on the Main Market of Bursa Securities</p>
<b>Governing law</b>	<p>The Warrants and the Deed Poll shall be governed by the applicable laws and regulations of Malaysia</p>

**K. SENG SENG CORPORATION BERHAD  
[COMPANY REGISTRATION NO. 198501000983 (133427-W)]**

**BY-LAWS OF THE PROPOSED ESTABLISHMENT OF AN EMPLOYEES' SHARE OPTION  
SCHEME (“PROPOSED ESOS”)**

**1. DEFINITIONS AND INTERPRETATIONS**

1.1 In these By-Laws, unless otherwise specified, the following definitions shall, where the context so admits, be deemed to have the following meanings:

<b>“Act”</b>	:	Companies Act, 2016, as amended from time to time and any re-enactment thereof;
<b>“Adviser”</b>	:	A person who is permitted to carry on the regulated activity of advising on corporate finance under the Capital Markets and Services Act 2007 as defined in the Licensing Handbook issued by the Securities Commission Malaysia, as may be appointed by the Board;
<b>“Auditor”</b>	:	An approved company auditor as defined in Section 263 of the Act, of the Company for the time being or such other external auditors as may be nominated by the Board;
<b>“Board”</b>	:	The Board of Directors of the Company;
<b>“Bursa Depository”</b>	:	Bursa Malaysia Depository Sdn Bhd (Registration No.: 198701006854 (165570-W));
<b>“Bursa Securities”</b>	:	Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W));
<b>“By-Laws”</b>	:	The terms and conditions of the Scheme (as may be amended from time to time and to be adopted pursuant to By-Law 17);
<b>“CDS”</b>	:	A Central Depository System governed under the Central Depositories Act;
<b>“CDS Account”</b>	:	An account established by Bursa Depository for a depositor for the recording of deposit of securities and dealings in such securities by that depositor of securities;
<b>“Central Depositories Act”</b>	:	The Securities Industry (Central Depositories) Act, 1991, as amended from time to time;
<b>“Company” or “KSSC”</b>	:	K. SENG SENG CORPORATION BERHAD [Company Registration No. 198501000983

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**APPENDIX II – DRAFT ESOS BY-LAWS (CONT'D)**

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<b>“Constitution”</b>	:	Constitution of the Company, as amended from time to time
<b>“Date of Allocation”</b>	:	A date to be determined by the ESOS Committee to be the date on which a Selected Person is deemed eligible to participate in the Scheme;
<b>“Date of Expiry”</b>	:	The last day of an Option Period;
<b>“Date of Offer”</b>	:	The date of the Offer Letter, as described in By-Law 5.3, being the date on which a Selected Person is deemed to have been notified of an Offer by the ESOS Committee;
<b>“Director”</b>	:	A natural person who holds a directorship in an executive or non-executive capacity in the Group;
<b>“Disciplinary Proceedings”</b>	:	means proceedings instituted against a Selected Person for any alleged negligence, misbehavior, misconduct, fraud, financial misstatement, reputational damage and/or any other act of the Selected Person deemed to be unacceptable by the Company or any of its subsidiaries in the course of that Selected Person’s employment, whether or not such proceedings may give rise to a dismissal or termination of the contract of service of such Selected Person;
<b>“Duration of the Scheme”</b>	:	The duration of the Scheme as defined in By-Law 21 and includes any extension or renewal thereof;
<b>“Effective Date”</b>	:	The date of commencement of the Scheme being the date of full compliance with all relevant requirements as stated in By-Law 21;
<b>“Eligible Person”</b>	:	Any Employee or Director satisfying the conditions stipulated in By-Law 3;
<b>“Employee”</b>	:	Any person who is employed by any company within the Group and is on the payroll of the Group including any Executive Director;
<b>“Entitlement Date”</b>	:	The date as of the close of business on which, shareholders whose names must appear in the record of depositors of the Company maintained at Bursa Depository in order to participate in any dividend, right, allotment or other distribution;
<b>“ESOS Committee”</b>	:	The committee consisting of such persons as shall be appointed and duly authorised by the Board, to administer the Scheme in accordance with the provisions of By-Law 16;

<b>“ESOS Option(s)”</b>	:	The right of a Grantee to subscribe for new Shares at the Option Price and where the context so requires, means any part of the ESOS Options as shall remain unexercised;
<b>“Executive Director”</b>	:	A natural person who is a director in a full-time executive capacity who is involved in the day-to-day management and on the payroll of the Group;
<b>“Grantee”</b>	:	A Selected Person who has accepted the Offer in accordance with the provisions of By-Law 6;
<b>“Group” or “KSSC Group”</b>	:	The Company and its subsidiaries incorporated in Malaysia as defined in Section 4 of the Act (excluding subsidiaries which are dormant) and any subsidiary incorporated or acquired at any time during the Duration of the Scheme and where the context so requires, any one of them;
<b>“Listing Requirements”</b>	:	Main Market Listing Requirements of Bursa Securities including any amendments thereto that may be made from time to time;
<b>“Market Day”</b>	:	Any day between Monday and Friday, both days inclusive, which is a trading day on Bursa Securities;
<b>“Maximum Allowable Allotment”</b>	:	Shall have the same meaning as ascribed to it in By-Law 4.1;
<b>“Notice of Exercise”</b>	:	Shall have the same meaning as ascribed to it in By-Law 9.4;
<b>“Offer”</b>	:	An offer made by the ESOS Committee as set out in By-Law 5 to a Selected Person;
<b>“Offer Letter”</b>	:	Shall have the same meaning as ascribed to it in By-Law 5.3;
<b>“Offeror”</b>	:	Shall have the same meaning as ascribed to it in By-Law 13(a);
<b>“Option Period”</b>	:	The period during which an ESOS Option may be exercised as may be specified in the Offer;
<b>“Option Price”</b>	:	The price at which the Grantee shall be entitled to subscribe for a new Share as set out in By-Law 7;
<b>“Person Connected”</b>	:	Has the same meaning as that assigned to “Person Connected” in Paragraph 1.01 of the Listing Requirements;



<b>“RM” and “sen”</b>	:	Ringgit Malaysia and sen, respectively, being the lawful currency of Malaysia;
<b>“Rules of Bursa Depository”</b>	:	The rules of Bursa Depository, as issued pursuant to the Central Depositories Act;
<b>“Scheme”</b>	:	Employees’ share option scheme established by the By-Laws hereto for the grant of ESOS Options to Selected Person to subscribe for new Shares;
<b>“Selected Person”</b>	:	An Eligible Person to whom an Offer is being made pursuant to By-Law 5; and
<b>“Share(s)”</b>	:	Ordinary share(s) in the Company.

1.2 In these By-Laws:

- (a) any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision and any Listing Requirements, policies and/or guidelines of Bursa Securities and/or other relevant authorities respectively (in each case, whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies and/or guidelines are addressed to by Bursa Securities and/or other relevant authorities);
- (b) any reference to a statutory provision shall include that provision as from time to time modified or re-enacted whether before or after the date of these By-Laws so far as such modification or re-enactment applies or is capable of applying to any ESOS Options offered and accepted prior to the Date of Expiry and shall include also any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced;
- (c) words importing the singular meaning where the context so admits include the plural meaning and vice versa;
- (d) words of the masculine gender include the feminine gender and all such words shall be construed interchangeably in that manner;
- (e) any liberty or power which may be exercised or any determination which may be made hereunder by ESOS Committee may be exercised at the ESOS Committee’s discretion and the ESOS Committee shall not be under any obligation to give any reasons thereof, except as may be required by the relevant authorities;
- (f) if an event is to occur on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day; and
- (g) headings in these By-Laws are for convenience only and shall not be taken into account in the interpretation of these By-Laws.

**2. MAXIMUM NUMBER OF NEW SHARES AVAILABLE UNDER THE SCHEME**

- 2.1 Subject to By-Law 2.2, the maximum number of new Shares which may be made available under the Scheme and/ or to be allotted and/or issued pursuant to the exercise of the ESOS Options that may be granted under the Scheme shall not exceed in aggregate fifteen percent (15%) of the prevailing total number of issued shares of the Company (excluding treasury shares, if any) at any point in time when an Offer is made throughout the Duration of the Scheme.
- 2.2 Notwithstanding the provisions of By-Law 2.1 or any other provision herein contained, in the event the maximum number of new Shares comprised in the ESOS Options granted under the Scheme exceeds the aggregate of fifteen percent (15%) of the prevailing total number of issued shares of the Company (excluding treasury shares, if any) as a result of the Company purchasing, cancelling or reducing its own Shares in accordance with the provisions of Section 127 of the Act or any other corporate proposal and thereby diminishing its total number of issued shares of the Company, then such ESOS Options granted prior to the adjustment of the total number of issued shares of the Company shall remain valid and exercisable in accordance with the provisions of the By-Laws. However, in such a situation, the Company shall not make any more new Offers until the total number of Shares under the subsisting ESOS Options including Shares that have been issued under the Scheme falls below fifteen percent (15%) of the Company's total number of issued shares (excluding treasury shares, if any).
- 2.3 Each ESOS Option shall be exercisable into one (1) new fully paid-up Share in accordance with these By-Laws.

**3. ELIGIBILITY**

- 3.1 Subject to the discretion of the ESOS Committee, only Eligible Persons who fulfil the following conditions shall be eligible to participate in the Scheme and qualify for selection by the ESOS Committee, if, as at the Date of Allocation:
- (a) such Employee:
    - (i) is at least eighteen (18) years of age;
    - (ii) is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
    - (iii) is confirmed in writing as a full time employee and has been in the employment of any company within the Group for such period as may be determined by the ESOS Committee and is on the payroll of any company within the Group and his employment has been confirmed, and has not served a notice to resign or received a notice of termination prior to the Date of Offer (as may be applicable);
    - (iv) is serving under an employment contract for a fixed duration in any company within the Group for such period as may be determined by the ESOS Committee; and

- (v) fulfils any other criteria and/or falls within such category as may be determined by the ESOS Committee from time to time, at its sole discretion, whose decision shall be final and binding,
- (b) such Director:
  - (i) is at least eighteen (18) years of age;
  - (ii) is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
  - (iii) has been appointed as a director of any entity within the Group which is not dormant; and
  - (iv) fulfils any other criteria and/or falls within such category as may be determined by the ESOS Committee from time to time, at its sole discretion, whose decision shall be final and binding,

provided that nothing herein shall invalidate any selection of any Eligible Person which may have been made by the Board on or prior to the Effective Date. For the avoidance of doubt, the ESOS Committee may determine any other eligibility criteria and/or waive any of the conditions of eligibility as set out in By-Law 3.1, for purposes of selecting an Eligible Person at any time and from time to time, in the ESOS Committee's discretion which shall be final and binding.

- 3.2 Notwithstanding anything set out in these By-Laws and subject to the Listing Requirements, no Offers may be granted to any person who is a director, a major shareholder, chief executive of the Company, or a Person Connected with a director, major shareholder or chief executive of the Company, unless the specific grant of that Offer to that person shall have previously been approved by the shareholders of the Company in a general meeting. For the avoidance of doubt, director, major shareholder or chief executive of the Company shall have the meaning assigned under the Listing Requirements.
- 3.3 In a meeting to obtain shareholders' approval in respect of the grant of the Offer, any person who is a director, a major shareholder, chief executive of the Company, or a Person Connected with a director, major shareholder or chief executive of the Company must abstain from voting on the resolution approving the said allotment.
- 3.5 Eligibility, however, does not confer on an Eligible Person a claim or right to participate in the Scheme unless the ESOS Committee has made an offer in writing to the Eligible Person under By-Law 5 and the Eligible Person has accepted the Offer in accordance with the terms of the Offer and the Scheme.
- 3.6 The ESOS Committee may in its discretion revoke or suspend the nomination of any Eligible Person at any time and from time to time, whereupon such Eligible Person shall henceforth cease to be eligible for any Offers under this Scheme.
- 3.7 The ESOS Committee shall have the sole and absolute discretion not to make further Offers regardless of the amount of the ESOS Options available.

**4. BASIS OF ALLOTMENT AND MAXIMUM ALLOWABLE ALLOTMENT OF SHARES**

4.1 Subject to By-Law 2 and any adjustments which may be made under By-Law 14, the aggregate number of new Shares comprised in the ESOS Options to be offered to an Eligible Person in accordance with the Scheme shall be determined at the sole and absolute discretion of the ESOS Committee after taking into consideration, amongst other factors, the Selected Person's position, ranking, performance, contribution, seniority, length of service, fulfilment of the eligibility criteria as referred to in these By-Laws and such factors that the ESOS Committee may deem relevant in its discretion, subject to the following:

- (a) that the number of ESOS Options made available under the Scheme shall not exceed the amount stipulated in By-Law 2.1 and the ESOS Committee shall not be obliged in any way to offer any Eligible Person, the ESOS Options under the Scheme;
- (b) any offer, allocation of ESOS Options under the Scheme and the related allotment of Shares to any Eligible Directors, major shareholders who are employees of the KSSC Group or KSSC's chief executive and any person connected with them who is an employee of the KSSC Group shall require prior approval of the Company's shareholders in a general meeting, and they shall not vote on the resolution approving their respective offer, allocation and allotment;
- (c) that the Directors and senior management do not participate in the deliberation or discussion of their own allocation and/or allocation of ESOS Options to Person Connected with them under the Scheme;
- (d) the allocation to the Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds 20% or more of the Company's total number of issued Shares (excluding treasury shares, if any), does not exceed 10% of the total number of new Shares to be issued under the Scheme ("**Maximum Allowable Allotment**");
- (e) any performance target to be achieved before the ESOS Options can be granted and/or exercised by an Eligible Director or employee shall be determined by the ESOS Committee. For information purposes, no performance target has been set for the allocation of ESOS Options at this juncture; and
- (f) not more than 75% of the total number of new Shares available under the Scheme shall be allocated in aggregate to the directors and senior management of the KSSC Group, who are Eligible Persons (excluding subsidiaries which are dormant),

provided always that it is in compliance with the Listing Requirements, any prevailing guidelines, rules, regulations or requirements as amended from time to time issued by any other relevant regulatory authorities.

Notwithstanding the Scheme is undertaken with the aim to reward the Eligible Persons as a whole, the Company also takes cognisance of the vital contribution of the directors and senior management of the Group, all of whom are responsible in shaping the direction and implementing the key strategies of the Company. Hence, such allocation under the Scheme of up to 75% is intended to incentivise and reward the directors and senior management of the Group for their continued vital contribution to the Group.

- 4.2 At the time the Offer is made in accordance with By-Law 5, the ESOS Committee shall set out, among others, the basis of allocation, identifying the category or grade of the Employee and the Maximum Allowable Allotment for the Eligible Person in the differing categories or grades.
- 4.3 Any Selected Person who holds more than one (1) position within the Group and by holding such positions such Selected Person is in more than one category, such Selected Person shall only be entitled to the Maximum Allowable Allotment of any one category. The ESOS Committee shall be entitled at its discretion to determine the applicable category.
- 4.4 In the event that a Selected Person is upgraded or promoted or demoted, the Maximum Allowable Allotment corresponding to the category of Employee which such Selected Person falls within as at the Date of Allocation shall be revised accordingly, subject always to the maximum number of Shares available under the Scheme as stipulated under By-Law 2.1.
- 4.5 The ESOS Committee shall also have the sole and absolute discretion to determine, amongst others:
  - (a) the maximum number of ESOS Options that will be made available to an Eligible Person under the Scheme and the aggregate maximum number of ESOS Options that can be awarded under the Scheme from time to time;
  - (b) whether the ESOS Options are subject to any vesting period and if so, the vesting conditions and whether such vesting is subject to achievement of performance targets;
  - (c) whether or not to stagger the allocation of the ESOS Options over the Duration of the Scheme will be determined by the ESOS Committee at its sole discretion; and
  - (d) such other terms and conditions it shall deem fit and appropriate to be imposed for participation in the Scheme.

For the staggered granting of ESOS Options over the duration of the Scheme, no maximum allocation will be imposed for each financial year during the duration of the Scheme, subject always to the maximum number of Shares available under the Scheme as stipulated under By-Law 2.1.

**5. OFFER**

- 5.1 Subject to and in accordance with the provisions of these By-Laws, the ESOS Committee may at its discretion at any time from the Effective Date offer ESOS Options to a Selected Person after taking into consideration such criteria as the ESOS Committee deems fit, including but not limited to the Selected Person's position, job grade, job performance, years of service and potential for future development.
- 5.2 The actual number of new Shares which may be offered to a Selected Person shall be at the discretion of the ESOS Committee but shall not be more than the Maximum Allowable Allotment as set out in By-Law 4.
- 5.3 The ESOS Committee will in its offer document ("**Offer Letter**") to a Selected Person state, inter alia, the number of Shares that can be subscribed under the Offer, the Option Price determined in accordance with the provisions of By-Law 7, the closing date for acceptance of the Offer and the manner of exercise of Options and vesting conditions of exercise of the ESOS Options (if any). The Offer shall automatically lapse and thereafter be rendered null and void in the event of the death of the Selected Person or the Selected Person ceasing to be an Eligible Person for any reason whatsoever prior to the acceptance of the Offer by the Selected Person in the manner set out in By-Law 6.
- 5.4 Nothing herein shall prevent the ESOS Committee from making more than one (1) Offer during the Duration of the Scheme to a Selected Person provided always that the total aggregate number of ESOS Options offered to any Selected Person including ESOS Options which have been exercised, if any, shall not exceed the Maximum Allowable Allotment. Each Offer made to any Selected Person by the ESOS Committee be separate and independent from any previous or later Offer made by the ESOS Committee to that Selected Person.
- 5.5 The Company shall keep and maintain at its expense a register of Grantees as required under Section 129 of the Act.
- 5.6 The Company shall, on the Date of the Offer, announce amongst others the following to Bursa Securities upon the ESOS Options offered under the Scheme:
- (a) Date of Offer;
  - (b) exercise price of ESOS Options offered;
  - (c) number of ESOS Options offered;
  - (d) market price of its securities on the Date of the Offer;
  - (e) number of ESOS Options offered to each Director, if any; and
  - (f) vesting period of the ESOS Options offered, if any.

- 5.7 An Offer shall be made in writing and in any manner as the ESOS Committee shall determine and may be made upon such terms and conditions as the ESOS Committee may decide from time to time. Nothing herein shall require any Offer made to be the same as or similar to other Offers previously or subsequently made whether to the same or a different Selected Person.
- 5.8 The actual number of Shares under the ESOS Options which may be offered to an Eligible Person shall be at the sole and absolute discretion of the ESOS Committee and shall not be less than one hundred (100) Shares and shall be in the multiples of one hundred (100) Shares (or in any other denomination as may be prescribed by Bursa Securities as a board lot).

## **6. ACCEPTANCE OF OFFER**

- 6.1 An Offer made by the ESOS Committee under By-Law 5 shall be valid for a period of thirty (30) days from the Date of Offer or such period as may be determined by the ESOS Committee, and may be accepted within this prescribed period by the Selected Person to whom the Offer is made by a notice (in a format to be prescribed by the ESOS Committee) to the ESOS Committee of such acceptance accompanied by a payment to the Company of a nominal non-refundable sum of Ringgit Malaysia One (RM1.00) as consideration for the grant of the ESOS Option.
- 6.2 If the Offer is not accepted in the manner aforesaid within the prescribed period of thirty (30) days from the Date of Offer or such period as may be determined by the ESOS Committee, such Offer shall upon the expiry of the said prescribed period, automatically lapse and be null and void and be of no further force and effect, and the new Shares comprised in the ESOS Options may at the discretion of the ESOS Committee be re-offered to Eligible Persons.
- 6.3 The ESOS Committee shall within thirty (30) days of acceptance by the Offer by the Eligible Person issue to the Grantee a certificate of the ESOS Option in such form as may be determined by the ESOS Committee from time to time stating, amongst other matters, the number of Shares granted under the ESOS Option, the Option Price and the Option Period.

## **7. OPTION PRICE**

- 7.1 Subject to any adjustment in accordance with the By-Laws, the Option Price shall be determined based on the five (5)-day volume weighted average market price of the Shares immediately preceding the Date of Offer, with a discount of not more than ten percent (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.
- 7.2 The Option Price as determined by the Board shall be conclusive and binding on the Grantees and shall be subject to any adjustments in accordance with By-Law 14.



**8. NON-ASSIGNABLE**

An ESOS Option is personal to the Grantee. Save and except as provided in By-Law 18.4, an ESOS Option cannot be assigned, encumbered, transferred or otherwise disposed of in any manner whatsoever.

**9. EXERCISE OF ESOS OPTION**

- 9.1 An ESOS Option granted to a Grantee under the Scheme, subject to the provisions of By-Law 18, is exercisable by that Grantee while the Grantee is under the employment by or appointment of the Group within the Option Period. All unexercised ESOS Options shall become null and void after the Date of Expiry.
- 9.2 Upon acceptance of an Offer, the Grantee may during the Option Period exercise his ESOS Options at such time and in such manner and subject to such conditions as stipulated in the Offer Letter.
- 9.3 The ESOS Committee may, at any time and from time to time, before or after an ESOS Option is granted, limit the exercise of the ESOS Options to a maximum number of new Shares and/or such percentage of the total new Shares comprised in the ESOS Options during such periods within the Option Period and impose any other terms and/or conditions deemed appropriate by the ESOS Committee in its discretion including amending/varying any terms and conditions imposed earlier.
- 9.4 The Grantee shall notify the Company of his intention to exercise an ESOS Option in such form and manner as the ESOS Committee may prescribe or approve ("**Notice of Exercise**"). The Grantee shall, simultaneously with his exercise of the ESOS Option (or within such period as the ESOS Committee may prescribe), forward to the Company a remittance for the full amount of the subscription monies for the new Shares in respect of which the Notice of Exercise is given. An ESOS Option may be exercised in such manner and subject to such conditions as stipulated in the Offer Letter in respect of such lesser number of new Shares as the Grantee may decide to exercise. Such partial exercise of an ESOS Option shall not preclude the Grantee from exercising the ESOS Option as to the balance of any new Shares, if any, which he is entitled to subscribe under the Scheme.
- 9.5 The Grantee shall provide all information as required in the Notice of Exercise and the Company shall within eight (8) Market Days or such period as Bursa Securities may prescribe after the receipt of a valid Notice of Exercise and remittance from the Grantee allot and despatch the notice of allotment for the relevant number of Shares to the Grantee upon and subject to the Constitution, the Central Depositories Act and the Rules of Bursa Depository. No physical share certificates will be delivered to the Grantee.
- 9.6 Any failure to comply with the foregoing provisions and/or to provide all information as required in the Notice of Exercise or inaccuracy in the information provided shall result in the Notice of Exercise being rejected. The ESOS Committee shall inform the Grantee of the rejection of the Notice of Exercise and the Grantee shall then be deemed not to have exercised his ESOS Options.



- 9.7 Notwithstanding anything to the contrary herein contained in these By-Laws, the ESOS Committee shall have the right at its discretion by notice to that effect:
- (a) to suspend the right of any Grantee who is found to have contravened the written policies and guidelines of the Group and/or the terms and conditions of the Grantee's employment (whether or not such contravention may give rise to a Disciplinary Proceeding being instituted) to exercise his ESOS Option. In addition to this right of suspension, the ESOS Committee may impose such terms and conditions as the ESOS Committee shall deem appropriate in its discretion, on the right of exercise of his ESOS Option having regard to the nature of the contravention provided always that in the event such contravention results in the dismissal or termination of service of such Grantee, the ESOS Option shall immediately cease and become null and void without notice, upon pronouncement of the dismissal or termination of service of such Grantee; or
  - (b) to suspend the right of any Grantee who is being subjected to Disciplinary Proceedings (whether or not such Disciplinary Proceedings may give rise to a dismissal or termination of service of such Grantee) to exercise his ESOS Option pending the outcome of such Disciplinary Proceedings. In addition to this right of suspension, the ESOS Committee may impose such terms and conditions as the ESOS Committee shall deem appropriate in its discretion, on the right of exercise of his ESOS Option having regard to the nature of the charges made or brought against such Grantee, provided always that:
    - (i) in the event such Grantee is found not guilty of the charges which gave rise to such Disciplinary Proceedings, the ESOS Committee shall reinstate the right of such Grantee to exercise his ESOS Option; or
    - (ii) in the event such Grantee is found guilty resulting in the dismissal or termination of service of such Grantee, the ESOS Option shall immediately cease and become null and void without notice, upon pronouncement of the dismissal or termination of service of such Grantee; or
    - (iii) in the event such Grantee is found guilty but no dismissal or termination of service is recommended, the ESOS Committee shall have the right to determine at its discretion whether or not the Grantee may continue to exercise his ESOS Option and if so, to impose such terms and conditions or make such downward adjustment as it deems appropriate, on such exercise.

Nothing herein shall prevent the ESOS Committee (but the ESOS Committee shall not be obliged to do so) from making a fresh Offer to such Selected Person in the event that such disciplinary actions are not found against him or if such disciplinary actions are withdrawn.

- 9.8 Each ESOS Option shall be subject to the condition that no new Shares shall be issued to the Grantee pursuant to the exercise of the ESOS Option if such issue shall be contrary to any laws, rules and/or regulations of any regulatory body or authorities which may be in force during the Option Period.

## **10. RIGHTS OF A GRANTEE**

- 10.1 The ESOS Options shall not carry any right to vote at any general meeting of the Company.
- 10.2 A Grantee shall not be entitled to any dividends, right or other entitlement on his unexercised ESOS Options.

## **11. RANKING OF THE NEW SHARES**

- 11.1 The new Shares to be allotted and issued upon any exercise of the ESOS Options will upon such allotment and issuance, rank *pari passu* in all respects with the then existing issued shares except that the new Shares so issued and allotted will not be entitled to any dividends, rights, allotments and/or other distributions where the Entitlement Date of which is prior to the date of which the new Shares are credited into the CDS Accounts of the Grantees.
- 11.2 The Grantees will not be entitled to any dividends, rights, allotments and/or other distributions until and unless such Grantees exercise their ESOS Options into new Shares and such new Shares are credited into the Grantees' respective CDS Accounts.
- 11.3 The new Shares allotted and credited into the CDS Accounts would also carry rights to vote at any general meeting of the Company provided that the shareholder is registered on the Entitlement Date as at the close of business to be entitled to attend and vote at the general meeting.
- 11.4 The new Shares shall be subjected to all the provisions of the Constitution in relation to their issuance and allotment, transfer, transmission or otherwise.

## **12. RETENTION PERIOD**

- 12.1 The new Shares to be allotted and issued to a Grantee pursuant to the exercise of an ESOS Option under the Scheme will not be subject to any retention period or restriction on transfer unless imposed by the ESOS Committee at its discretion. However, the Grantees are encouraged to hold the new Shares as a long-term investment and not for any speculative and/or realisation of any immediate gain.
- 12.2 Subject to the Listing Requirements, an Eligible Person who is a non-executive director must not sell, transfer or assign Shares obtained through the exercise of ESOS Options offered within one (1) year from the Date of Offer.

### 13. TAKEOVER AND COMPULSORY ACQUISITION

In the event of:

- (a) a takeover offer being made for the Company through a general offer to acquire the whole of the total number of the issued shares of the Company (or such part thereof not at the time owned by the person making the general offer (“Offeror”) or any persons acting in concert with the Offeror); or
- (b) the Offeror becoming entitled or bound to exercise the right of compulsory acquisition of Shares under the provisions of any statutes, rules and/or regulations applicable at that point of time and gives notice to the Company that it intends to exercise such right on a specific date,

the ESOS Committee may at its discretion to the extent permitted by law allow the exercise of any unexercised ESOS Options (or any part thereof) by the Grantee at any time subject to such terms and conditions as may be prescribed notwithstanding that:

- (i) the date on which the Grantee becomes entitled to exercise the ESOS Options or any part thereof is not due or has not occurred;
- (ii) the Option Period has not commenced; and/or
- (iii) other terms and conditions set out in the Offer have not been fulfilled/satisfied.

### 14. ALTERATION OF SHARE CAPITAL AND ADJUSTMENT

14.1 In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of capitalisation of profits or reserves, rights issues, bonus issue, subdivision or consolidation of shares or capital reduction or any other variation of capital:

- (a) the number of new Shares which a Grantee shall be entitled to subscribe for upon the exercise of each ESOS Option (excluding ESOS Options already exercised); and/or
- (b) the Option Price,

shall be adjusted, provided always that:

- (i) on any such adjustment the resultant Option Price, if not an integral multiple of one (1) sen shall be rounded up to the nearest one (1) sen and in no event shall any adjustment involve an increase in the Option Price or reduce the number of ESOS Options that a Grantee is already entitled to;
- (ii) upon any adjustment being made pursuant to these By-Laws, the ESOS Committee shall within thirty (30) calendar days of the effective date of the alteration in the capital structure of the Company notify the Grantee (or his legal or personal representatives where applicable) in writing informing him of the adjusted Option Price thereafter in effect and/or the revised number of new Shares thereafter to be issued on the exercise of the ESOS Option;

- (iii) in determining a Grantee's entitlement to subscribe for new Shares, any fractional entitlement shall be rounded down to the nearest whole number and dealt with by the ESOS Committee at its sole and absolute discretion; and
- (iv) any adjustment made must be in compliance with the provisions for adjustment as provided in these By-Laws.

In addition, the Company, shall at the request of the Grantee, furnish such Grantee with a copy of the certificate from an Auditor and/or an Adviser to the effect that the opinion of such auditor, acting as an expert and not an arbitrator, an adjustment is fair and reasonable either generally or as regard such Grantee, and such certification shall be final and binding on all parties.

Nevertheless, any adjustments to the Option Price and/or the number of ESOS Options so far as unexercised arising from bonus issues, need not be confirmed in writing by the Auditor and/or Adviser.

Any adjustments to the Option Price and/or the number of new Shares comprised in the ESOS Options so far as unexercised other than bonus issue, must be confirmed in writing by the Auditor and/or Adviser (acting as experts not as arbitrators), upon reference to them by the ESOS Committee, to be in their opinion, fair and reasonable.

Should there be other circumstances which give rise to a consideration for adjustments to the Option Price or the number of new Shares in favour of all Grantees, but it is decided that no adjustments will be made, such decision must be made known to all the Grantees via a timely notice, within fourteen (14) days from the date such decision has been finalised, subject to compliance with the Listing Requirements.

14.2 In addition to By-Law 14.1 and not in derogation thereof, the Option Price and the number of new Shares relating to the ESOS Options so far as unexercised shall from time to time be adjusted in accordance with the following relevant provisions in consultation with an Auditor and/or Adviser of the Company:

- (i) If and whenever the Company shall make any issue of Shares to shareholders credited as fully paid, by way of bonus issue or capitalisation of profits or reserves, the Option Price shall be adjusted by multiplying it by the following fraction:

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

and the number of ESOS Options shall be adjusted by multiplying the existing number of ESOS Options held by the following fraction:

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

where:

- A = the aggregate number of issued shares capital on the entitlement date (namely the date as at the close of business on which shareholders must be registered in order to be entitled to any dividends, rights, allotments or other forms of distributions) immediately before such bonus issue or capitalisation issue; and
- B = the aggregate number of Shares to be issued pursuant to any allotment to shareholders credited as fully paid by way of bonus issue or capitalisation of profits or reserves.

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

- (ii) If and whenever the Company shall make:
  - (a) Capital Distribution (as defined below) to shareholders whether on a reduction of capital or otherwise (save and except any capital reduction involving the cancellation of capital which is lost or unrepresented by available assets);
  - (b) any offer or invitation to shareholders whereunder they may acquire or subscribe for Shares by way of rights; or
  - (c) any offer or invitation to shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into Shares or rights to acquire or subscribe for Shares,

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

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

where:

- C = the 5-day volume weighted average market price up to the Market Day of each Share as shall be determined in accordance with any guideline or rule issued by the relevant authorities from time to time, if any, or if there is none, the current market price of each Share on the Market Day immediately preceding the date on which the Capital Distribution (as defined below) or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement), immediately preceding the date of the Capital Distribution (as defined below) or, as the case may be, of the offer or invitation; and

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**APPENDIX II – DRAFT ESOS BY-LAWS (CONT'D)**

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- D = (aa) in the case of any offer or invitation to acquire or subscribe for Shares by way of rights or for securities convertible into Shares under By-Law 14.2(ii)(b) and By-Law 14.2(ii)(c) respectively, the value of rights attributable to one (1) Share (as defined below); or
- (bb) in the case of any other transaction falling within By-Law 14.2(ii), the fair market value as determined by the Company in consultation with the Auditor and/or the Adviser, of that portion of the Capital Distribution attributable to one (1) Share.

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

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

where:

- C = as C above (By-Law 14.2(ii));
- E = the option consideration for one (1) additional Share under the terms of such offer or invitation or subscription price of one (1) additional Share upon conversion of the convertible securities or exercise of such rights to acquire or subscribe for one (1) Share under the offer or invitation; and
- F = the number of Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or security convertible into rights to acquire or subscribe for one (1) additional Share;

and in respect of the case referred to in By-Law 14.2(ii)(b), the number of ESOS Options shall be adjusted by multiplying the existing number of ESOS Options held by the following fraction:

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

where:

- C = as C above (By-Law 14.2 (ii)); and
- D\* = the value of rights attributable to one (1) Share (as defined below);

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

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

where:

- C = as C above (By-Law 14.2 (ii));
- E\* = the option consideration for one (1) additional Share under the terms of such offer or invitation to acquire or subscribe for Shares; and
- F\* = the number of Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share.

For the purposes of By-Law 14.1 and By-Law 14.2(ii), "**Capital Distribution**" shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of Shares (not falling under By-Law 14.2(i)) or other securities credited as fully or partly paid up by way of capitalisation of profits or reserves.

Any dividend charged or provided for in the accounts pertaining to any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the ordinary shareholders for any period after as shown in the audited consolidated statement of comprehensive income of the Company.

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

- (iii) If and whenever the Company makes any allotment to its ordinary shareholders as provided in By-Law 14.2(i) and also makes any offer or invitation to its ordinary shareholders as provided in By-Law 14.2(ii)(b) or By-Law 14.2(ii)(c) and the Entitlement Date for the purposes of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the Option Price shall be adjusted by multiplying it by the following fraction:

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

and in respect of each case referred to in By-Law 14.2(i) and By-Law 14.2(ii)(b) and the Entitlement Date for the purposes of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the number of ESOS Options held by each Grantee shall be adjusted by multiplying the existing number of ESOS Options held by the following fraction:

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

where:

- B = as B above (By-Law 14.2(i));
- C = as C above (By-Law 14.2(ii));
- G = the aggregate number of issued share capital on the Entitlement Date;
- H = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into Shares or rights to acquire or subscribe for Shares, as the case may be;
- H\* = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights;
- I = the option consideration of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share, as the case may be; and
- I\* = the option consideration of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the Market Day next following the Entitlement Date for the above transactions.

- (iv) If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for Shares as provided in By-Law 14.2(ii)(b) together with an offer or invitation to acquire or subscribe for securities convertible into or rights to acquire or subscribe for Shares as provided in By-Law 14.2(ii)(c) and the entitlement date for the purpose of the allotment is also the entitlement date for the purpose of the offer or invitation, the Option Price shall be adjusted by multiplying it by the following fraction:

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



and the number of ESOS Options held by each Grantee shall be adjusted by multiplying the existing number of ESOS Options by the following fraction:

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

where:

- C = as C above (By-Law 14.2(ii));
- G = as G above (By-Law 14.2(iii));
- H = as H above (By-Law 14.2(iii));
- H\* = as H\* above (By-Law 14.2(iii));
- I = as I above (By-Law 14.2(iii));
- I\* = as I\* above (By-Law 14.2(iii));
  
- J = the aggregate number of Share to be issued to its ordinary shareholders upon conversion of such securities or exercise of such right to subscribe for Shares by the ordinary shareholders of the Company; and
- K = the exercise price on the conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the Market Day next following the Entitlement Date for the above transactions.

- (v) If and whenever the Company makes an allotment to its shareholders as provided in By-Law 14.2(i) and also makes an offer or invitation to acquire or subscribe for Share to its shareholders as provided in By-Law 14.2(ii)(b), together with rights to acquire or subscribe for securities convertible into or with rights to acquire or subscribe for Shares as provided in By-Law 14.2(ii)(c), and the Entitlement Date for the purpose of allotment is also the Entitlement Date for the purpose of the offer or invitation, the Option Price shall be adjusted by multiplying it by the following fraction:

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

and the number of ESOS Options held by each Grantee shall be adjusted by multiplying the existing number of ESOS Options held by the following fraction:

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

where:

- B = as B above (By-Law 14.2(i));
- C = as C above (By-Law 14.2(ii));
- G = as G above (By-Law 14.2(iii));
- H = as H above (By-Law 14.2(iii));
- H\* = as H\* above (By-Law 14.2(iii));
- I = as I above (By-Law 14.2(iii));
- I\* = as I\* above (By-Law 14.2(iii));
- J = as J above (By-Law 14.2(iv));
- K = as K above (By-Law 14.2(iv));

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the Market Day next following the Entitlement Date for the above transaction.

Each such adjustment will be calculated (if appropriate, retroactively) from the close of the Market Day next preceding the date on which the issue is announced or (failing any such announcement) immediately preceding the date on which the Company determined the offering price of such Shares, securities or rights. Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the completion of the above transaction.

- (vi) If and whenever (otherwise than pursuant to a rights issue available to all ordinary shareholders and requiring an adjustment under By-Laws 14.2(ii)(b), 14.2(ii)(c), 14.2(iii), 14.2 (iv) and 14.2(v) above), the Company shall issue either any Shares or any securities convertible into Shares or with rights to acquire or subscribe for Shares, and in any such case, the Total Effective Consideration per Share is less than ninety per cent (90%) of the Average Price (as defined below) for one (1) Share or, as the case may be, the price at which Shares will be issued upon conversion of such securities or exercise of such rights is determined, the Option Price shall be adjusted by multiplying it by the following fraction:

$$\frac{L+M}{L+N}$$

where:

- L = the number of Shares in issue at the close of business on the Market Day immediately preceding the date on which the relevant adjustment becomes effective;
- M = the number of Shares which the Total Effective Consideration (as defined below) would have purchased at the Average Price (as defined below) (exclusive of expenses); and
- N = the aggregate number of Shares so issued or, in the case of securities convertible into Shares or with rights to acquire or subscribe for Shares, the maximum number (assuming no adjustment of such rights) of Shares issuable upon full conversion of such securities or the exercise in full of such rights.

For the purpose of this By-Law 14.2(vi), the “**Total Effective Consideration**” shall be as determined by the ESOS Committee and shall be:

- (1) in the case of the issue of Shares, the aggregate consideration receivable by the Company on payment in full for such Shares;
- (2) in the case of the issue by the Company of securities wholly or partly convertible into Shares the aggregate consideration receivable by the Company on payment in full for such securities or such part of the securities as is convertible together with the total amount receivable by the Company upon full conversion of such securities (if any); or
- (3) in the case of the issue by the Company of securities with rights to acquire or subscribe for Shares, the aggregate consideration attributable to the issue of such rights together with total amount receivable by the Company upon full exercise of such rights.

In each case without deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “**Total Effective Consideration Per Share**” shall be the Total Effective Consideration divided by the number of Shares issued as aforesaid or, in the case of securities convertible into Shares or rights to acquire or subscribe for Shares, by the maximum number of Shares issuable on full conversion of such securities or on exercise in full of such rights. Each such adjustment will be effective (if appropriate, retroactively) from the close of business on the Market Day immediately preceding the date on which the issue is announced or (if failing such announcement) immediately preceding the date on which the Company determines the offering price of such Shares, securities or rights.

For the purpose of this By-Law:

**"Current Market Price"** means in relation to each Share for any relevant day the weighted average of the last dealt prices for each Share quoted on Bursa Securities for the five (5) consecutive Market Days before such date for one (1) or more board lots of Shares as quoted on Bursa Securities; and

**"Average Price"** means the average of the Last Dealt Price (defined below) on the Market Days comprised in the period used as a basis upon which the issue price of such Shares is determined; and

**"Last Dealt Price"** means in relation to a Share, the last dealt price per Share for one (1) or more board lots of Shares quoted on Bursa Securities.

- (vii) If and whenever the Company shall alter the capital structure of the Company during the Option, whether by way of consolidation, subdivision or conversion, the Option Price shall be adjusted by multiplying it by the following fraction:

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

and the number of ESOS Options shall be adjusted by multiplying the existing number of ESOS Options held by the following fraction:

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

A = as the aggregate number of issued shares capital on the entitlement date (namely the date as at the close of business on which shareholders must be registered in order to be entitled to any dividends, rights, allotments or other forms of distributions) immediately before such consolidation, subdivision or conversion; and

B = the aggregate number of Shares immediately after such consolidation, subdivision or conversion.

- 14.3 The provisions of By-Law 14 shall not apply where the alteration in the capital structure of the Company arises from:
- (a) the issue of new Shares in consideration or part consideration for an acquisition; or
  - (b) a special issue of new Shares to Bumiputera parties/investors approved by the Ministry of International Trade and Industry, Malaysia and/or other Government authorities to comply with the Government policy on Bumiputera capital participation; or

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**APPENDIX II – DRAFT ESOS BY-LAWS (CONT'D)**

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- (c) a special issue, private placement or restricted issue of new Shares by the Company; or
  - (d) a share buy-back arrangement by the Company and the cancellation of all or a portion of the Shares pursuant to the relevant provision of the Act; or
  - (e) an issue of new Shares arising from the exercise of any conversion rights attached to securities convertible to new Shares or upon exercise of any other conversion rights attached to such convertible securities including warrants (if any) issued by the Company; or
  - (f) an issue of new Shares upon the exercise of ESOS Options pursuant to the Scheme; or
  - (g) an issue by the Company of Shares or of securities convertible into Shares or securities with rights to acquire or subscribe for Shares to its officers, including Directors or Employees pursuant to purchase or option schemes approved by the Shareholders in general meeting;
  - (h) any issue of Shares by the Company (other than bonus and rights issue) pursuant to a dividend reinvestment scheme undertaken in accordance with the Listing Requirements or for any purpose whatsoever;
  - (i) any issue of Shares as share dividend as long as it is not a material capital distribution; and
  - (j) a purchase by the Company of its own Shares and cancellation of all or a portion of such Shares purchased pursuant to Section 127 of the Act, or any replacement thereof. In this event, the following provisions shall apply:
    - (i) if the number of ESOS Options granted by the Company as at the date of cancellation of Shares so purchased is greater than ten percent (10%) of the shares of the Company after such cancellation, the ESOS Committee shall not make any further Offers; and
    - (ii) if the number of Options granted by the Company as at the date of cancellation of Shares so purchased is less than ten percent (10%) of the issued shares of the Company after such cancellation, the ESOS Committee may make further Offers only until the total number of Options granted by the Company is equivalent to ten percent (10%) of the issued shares of the Company after such cancellation.
- 14.4 Upon any adjustment being made, the ESOS Committee shall give notice in writing within fourteen (14) days from the date of adjustment to the Grantee, or his legal or personal representatives where applicable, to inform him of the adjustment and the event giving rise thereto.
- 14.5 The decision of the ESOS Committee as to whether any adjustment shall be made or not made to the Option Price and/or the number of new Shares comprised in the ESOS Option or any portion thereof pursuant to By-Law 14 is final, binding and conclusive.

**15. LISTING AND QUOTATION OF NEW SHARES**

15.1 The new Shares to be allotted to the Grantee will not be listed or quoted on Bursa Securities until the ESOS Option is exercised in accordance with the provisions of By-Law 9 whereupon the Company shall:

- (a) issue and/or allot the Shares;
- (b) despatch a notice of allotment to the Grantee; and
- (c) apply for the quotation of such Shares,

within eight (8) Market Days or such period as Bursa Securities may prescribe after the receipt of the Notice of Exercise and remittance from the Grantee.

15.2 The Company and the ESOS Committee shall not under any circumstances be held liable for any costs, losses and damages whatsoever and however relating to the delay on the part of the Company in allotting and issuing the Shares or in procuring the Bursa Securities to list the Shares for which the Grantee is entitled to subscribe.

**16. ADMINISTRATION OF THE SCHEME**

16.1 The ESOS Committee shall implement and administer the Scheme in such manner as it shall in its discretion deem fit. The ESOS Committee shall comprise such persons appointed by the Board from time to time and shall be vested with such powers and duties as are conferred upon it by the Board including but not limited to the powers to:

- (a) subject to the provisions of the Scheme, do all such acts and things and enter into and/or cause the Company to enter into any transactions, agreements, deeds and documents, arrangements or undertakings construe and interpret the Scheme and ESOS Options granted under it, to define the terms therein and to recommend to the Board to establish, amend and revoke guidelines, rules and regulations or impose or waive any terms and conditions for the implementation and administration of the Scheme and to give effect to the provisions of the Scheme and/or to enhance the benefit of the Offers to the Selected Persons as the ESOS Committee in its discretion deems fit, necessary and/or expedient for the implementation and administration of the Scheme. The ESOS Committee in the exercise of this power may correct any defect, supply any omission, or reconcile any inconsistency in the Scheme or in any agreement providing for an ESOS Option in a manner and to the extent it shall deem necessary to expedite and make the Scheme fully effective; and
- (b) determine all questions of policy and expediency that may arise in the administration of the Scheme and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interests of the Company.

- 16.2 The Board shall have power from time to time to:
- (a) approve, rescind and / or revoke the appointment of any person in the ESOS Committee and appoint his replacement where the Board deems fit;
  - (b) assume and/or exercise or execute any of the powers and authorities conferred upon the ESOS Committee pursuant to these By-Laws; and
  - (c) amend, modify or vary the terms of reference of the ESOS Committee.
- 16.3 The ESOS Committee may at its absolute discretion decide that the ESOS Options be satisfied via the following methods:-
- (i) issuance of new KSSC Shares;
  - (ii) the acquisition and transfer of KSSC Shares and/or treasury shares (if any); or
  - (iii) any other methods as may be permitted by the Act, as amended from time to time and any re-enactment thereof.

In considering the mode of satisfaction as referred to in item (i) to (iii) above, the ESOS Committee will take into consideration amongst others, factors such as the prevailing market price of KSSC Shares and the potential cost arising from the granting of ESOS Options.

## **17. AMENDMENT AND/OR MODIFICATION TO THE BY-LAWS**

- 17.1 Subject to the compliance with the Listing Requirements and any other relevant authorities, the ESOS Committee may at any time recommend to the Board who shall have the power at any time and from time to time by resolution to amend and/or modify all or any part of the By-Laws as it shall in its discretion deem fit and the Board shall have the power by resolution to add, amend or modify and/or delete all or any of the By-Laws under such recommendation.
- 17.2 The approval of the shareholders of the Company in general meeting shall not be required in respect of additions, amendments to, or deletions of these By-Laws except that subject to any applicable laws, no addition, amendment or deletion shall be made to these By-Laws without the prior approval of the Company's shareholders in a general meeting which would:
- (a) materially prejudice any rights which have accrued to any Grantee without his/her prior consent; or
  - (b) alter to the advantage of any Grantee without the prior approval of shareholders of the Company in a general meeting in accordance with the provisions set out in these By-Laws; or
  - (c) increase the number of new Shares available under the Scheme beyond the maximum imposed by By-Law 2.1.

17.3 Subject to the compliance with the Listing Requirements and any other relevant rules and regulations, the prior approval of Bursa Securities and/or any other relevant authorities is not required for any subsequent amendment or modification to the By-Laws. However, a letter of compliance together with the amended By-Laws shall be submitted to Bursa Securities in the manner prescribed by Paragraphs 2.11 and 2.12 of the Listing Requirements, each time an amendment or modification is made, stating that the amendment or modification is in compliance with the provisions of the Listing Requirements and Rules of Bursa Depository.

## **18. TERMINATION OF ESOS OPTIONS**

18.1 In the event of cessation or termination of employment or appointment of a Grantee with the Group for whatever reason, including but not limited to the receipt of a letter of termination or resignation by the Grantees, prior to the exercise of his ESOS Options or prior to full exercise of his ESOS Options, as the case may be, such ESOS Option shall cease immediately and become null and void on the date of such notice of cessation or termination without any claim against the Company provided always that, subject to the approval of the ESOS Committee in its discretion, where the Grantee ceases his employment or appointment with the Group by reason of:

- (a) retirement upon attaining the normal retirement age under the Group's retirement policy; or
- (b) subjected to Disciplinary Proceedings pursuant to By-Law 9.7(b); or
- (c) ill-health, injury, physical or mental disability; or
- (d) redundancy or retrenchment, pursuant to the acceptance by that Grantee of a voluntary separation scheme offered by the Group; or
- (e) transfer of employees to any company outside the Group at the direction of the Company; and/or
- (f) any other reasons as may be determined by the ESOS Committee,

a Grantee may exercise his unexercised ESOS Options for such period as may be determined by the ESOS Committee within the relevant Option Period provided always that such exercise shall always be subject to any restriction in the Offer Letter on the maximum percentage of the Grantee's ESOS Options that may be exercisable within each year of the Scheme (unless otherwise approved by the ESOS Committee). All unexercised or partially exercised ESOS Options of such Grantee shall become null and void after the expiry of such period.

18.2 If a Grantee ceases his employment or appointment with the Group by reason of his resignation, his remaining unexercised ESOS Options shall cease with immediate effect and become null and void on the effective date of such notice of cessation.

18.3 An ESOS Option shall immediately become void and be of no further force and effect upon the Grantee being adjudicated a bankrupt.



- 18.4 In the event where a Grantee dies before the expiration of the Option Period and at the time of his death held unexercised ESOS Options, such unexercised ESOS Options may be exercised by the legal or personal representative(s) of the Grantee after the date of his death within the Option Period subject to approval of the ESOS Committee. The proportion exercisable is at the discretion of the ESOS Committee.
- 18.5 Upon termination of the ESOS Options pursuant to the above, the Grantee shall have no right to compensation or damages or any claim against the Company from any loss of any right or benefit or prospective right or benefit under the Scheme which he might otherwise have enjoyed, whether for wrongful dismissal or breach of contract or loss of office or otherwise howsoever arising from him ceasing to hold office or employment or from the suspension of his right to exercise his ESOS Options or his ESOS Options ceasing to be valid.
- 18.6 Any ESOS Option that has lapsed and become null and void pursuant to By-Law 18 shall at the discretion of the ESOS Committee be re-allocated to other Eligible Persons.

## **19. LIQUIDATION OF THE COMPANY**

- 19.1 Upon the receipt of a court order of the winding-up of the Company or resolution is passed for the liquidation of the Company, all unexercised or partially exercised ESOS Options shall lapse and be null and void and of no further force and effect, and this Scheme shall terminate on the date of liquidation or winding up, that date being:
- (a) in the case of voluntarily winding up, the earlier of:
    - (i) the date on which a provisional liquidator is appointed by the Company; or
    - (ii) the date on which the shareholders of the Company passed a resolution to voluntarily wind-up the Company; or
  - (b) in the case of an involuntarily winding-up, the date on which a petition for winding up is served on the Company.

## **20. DIVESTMENT FROM AND TRANSFER TO/ FROM THE GROUP**

- 20.1 If the Grantee who was in the employment of a company in the Group which was subsequently divested from the Group resulting in that company ceasing to be a subsidiary of the Group, the ESOS Option(s) unexercised on the date of such company ceasing to be a subsidiary, shall be null and void and be of no effect with effect from the date the relevant company ceases to be a subsidiary of the Company. Such Grantee shall not be eligible to participate for further ESOS Option(s) under the Scheme.

20.2 In the event that the Grantee is transferred from the Group to any associated companies of the Group (which definition shall be that which is adopted by the Financial Reporting Standard) or to any related companies (as defined in Section 7 of the Act) of the Company which have an existing share issuance scheme in which the Grantee will be entitled to participate, the ESOS Options unexercised on the date of transfer shall be null and void and be of no effect.

20.3 In the event that:

- (a) an employee who was employed in a company which is related to the Company pursuant to Section 7 of the Act (that is to say, a company which does not fall within the definition of “**the Group**”) and is subsequently transferred from such company to any company within the Group; or
- (b) an employee who was in the employment of a company which subsequently becomes a member of the Group as a result of a restructuring or acquisition exercise or otherwise involving the Company and/or any company within the Group with any of the first mentioned company stated in (a) above.

(the first abovementioned company in (a) and (b) herein referred to as the “**Previous Company**”), such an employee of the Previous Company will be eligible to participate in this Scheme for its remaining Option Period, if the affected employee becomes an “**Eligible Person**” within the meaning under these By-Laws.

For the avoidance of doubt, in the event of any acquisition or incorporation of any company into the Group pursuant to part (b) above as a subsidiary as defined in Section 4 of the Act or any other statutory regulation in place thereof during the tenure of the Scheme, the Scheme shall apply to the employees of such company on the date such company becomes a subsidiary of the Group (provided that such subsidiary is not dormant) falling within the meaning of the expression of “**Eligible Person**” under By-Law 1 and the provisions of these By-Laws shall apply.

## **21. DURATION OF THE SCHEME**

21.1 The Scheme shall be in force for a period of five (5) years commencing from the effective date of the implementation of the Scheme, which shall be the date of full compliance with all relevant requirements including the following:

- (a) submission of the final copy of these By-Laws to Bursa Securities together with a letter of compliance pursuant to Paragraph 2.12 of the Listing Requirements and a checklist showing compliance with Appendix 6E of the Listing Requirements;
- (b) receipt of approval-in-principle for the issuance, and listing of and quotation for the new Shares to be issued pursuant to the exercise of ESOS Options granted under the Scheme from Bursa Securities;
- (c) procurement of shareholders’ approval for the Scheme;

- (d) receipt of approval of any other relevant authorities, where applicable; and
- (e) fulfilment of all conditions attached to the above approvals, if any.

21.2 On or before the expiry of the Scheme, the Board shall have the absolute discretion, without having to obtain approval of the Company's shareholders in a general meeting, to extend the Duration of the Scheme provided that the initial period of the Scheme and such extension of the Scheme made pursuant to By-Law 21 shall not in aggregate exceed the duration of ten (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 Company's shareholders in a general meeting is required for any such extension. In the event the Scheme is extended in accordance with this provision, the ESOS Committee shall furnish a written notification to all Grantees and the Company shall make necessary announcements to Bursa Securities prior to the proposed extension of the Scheme (if required). Any extended Scheme under this provision shall be implemented in accordance with the terms of these By-Laws, subject however to any revisions and/or changes to the relevant laws and/or regulations then in force.

## 22. TERMINATION OF THE SCHEME

22.1 The Company may at its sole discretion and at any time during the Duration of the Scheme terminate the Scheme without obtaining the approvals from the Grantees or its shareholders and shall immediately announce to Bursa Securities upon termination of the Scheme the:

- (a) effective date of termination of the Scheme ("**Termination Date**");
- (b) number of ESOS Options exercised or Shares vested under the Scheme; and
- (c) reasons and justification for termination of the Scheme,

whereupon no further Offers shall be made by the ESOS Committee from the Termination Date, all Offers which have yet to be accepted shall be deemed revoked and be null and void on the Termination Date, and any unexercised ESOS Options shall be deemed to cease to be capable of being exercised and be null and void on the Termination Date.

22.2 Subject to the Listing Requirements the following shall not be required to effect the termination of the Scheme:

- (a) approval or consent of the shareholders of the Company by way of resolution in a general meeting; and
- (b) written consent of the Grantees in relation to the unexercised ESOS Options.

- 22.3 In this event of termination of the Scheme, the following provisions shall apply:
- (a) no further Offers shall be made by the ESOS Committee from the date the last of the above conditions have been satisfied (“**Termination Date**”);
  - (b) all Offers which have yet to be accepted shall automatically lapse on the Termination Date and be null and void;
  - (c) all Offers which have yet to be vested by the Grantees shall automatically lapse on the Termination Date and be null and void; and
  - (d) all outstanding ESOS Options which have yet to be exercised by Grantees shall be automatically terminated on the Termination Date.

### **23. DISPUTES OR DIFFERENCES**

- 23.1 In case any dispute or difference shall arise between the Board and/or ESOS Committee, and an Eligible Person, Selected Person and/or Grantee, as the case may be, as to any provisions contained in these By-Laws, the Board and/or the ESOS Committee shall determine such dispute or difference by a written decision given to the Eligible Person, Selected Person and/or Grantee, as the case may be, provided that where the dispute is raised by a member of the ESOS Committee, the said member shall abstain from voting in respect of the decision of the ESOS Committee in that instance.
- 23.2 The said decision made pursuant to By-Law 23.1 shall be final and binding on the parties unless the Eligible Person, Selected Person and/or Grantee within fourteen (14) calendar days of the receipt thereof by a notice to the Board and/or the ESOS Committee indicates that the dispute or difference is arising from adjustments to be made pursuant to By-Law 14. Notwithstanding the foregoing, for matters concerning adjustments made pursuant to By-Law 14 it shall be referred to the Adviser and/or Auditor (as selected by the Board and/or ESOS Committee at its absolute discretion) (acting as experts and not as arbitrators) whose decision shall be final and binding in all respects.
- 23.3 The Board and/or ESOS Committee and the Eligible Person, Selected Person and/or Grantee as the case may be, shall keep all matters relating to the Scheme in strict confidence and shall not refer to, discuss with, publicise or in any other manner reveal any particulars or details thereof to any third party.
- 23.4 The Board and the ESOS Committee shall not be required to furnish any reasons for any decision or determination made by it except as may be required by the relevant authorities.
- 23.5 Notwithstanding anything herein to the contrary, any costs and expenses incurred in relation to any dispute or difference or appeal brought by any party to the ESOS Committee shall be borne by such party.

**24. COSTS AND EXPENSES**

- 24.1 All fees, costs and expenses incurred in relation to preparation and/or operation of the Scheme including but not limited to the fees, costs and expenses relating to the allotment and issue of new Shares pursuant to the exercise of any ESOS Option shall be borne by the Company save and except for any tax (including income tax), if any, arising from the Offer and/or exercise of any ESOS Options under the Scheme.
- 24.2 Notwithstanding any provisions contained herein and subject to the Act, the Company, the Board and the ESOS Committee shall not under any circumstances and in any event be held liable to any person for any cost, charges, losses, expenses, damages or liabilities whatsoever arising, including but not limited to any delay on the part of the Company in allotting and issuing the new Shares or in procuring Bursa Securities to list the new Shares subscribed for by a Grantee.

**25. SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION, ETC.**

- 25.1 Notwithstanding the maximum percentage of the Grantee's ESOS Options that may be exercisable within each year of the Scheme as set out in the Offer Letter and subject to the discretion of the ESOS Committee, in the event of the court sanctioning a compromise or arrangement between the Company and its members proposed for the purpose of, or in connection with, a scheme of arrangement and reconstruction of the Company under Section 366 of the Act or its amalgamation with any other company or companies under Section 370 of the Act or the Company decides to merge with other company or companies, a Grantee may exercise in full or in part any ESOS Option to which the Grantee is entitled commencing from the date upon which the compromise or arrangement is sanctioned by the court and ending with the date upon which it becomes effective provided always that no ESOS Option shall be exercised after the expiry of the Option Period.
- 25.2 Upon the compromise or arrangement becoming effective, all ESOS Options remaining unexercised thereafter shall automatically lapse and become null and void.

**26. SCHEME NOT A TERM OF EMPLOYMENT**

This Scheme does not form part of or constitute or shall in any way be construed as a term or condition of employment of any Eligible Person within the Group. This Scheme shall not confer or be construed to confer on Eligible Person within the Group any special right or privilege over and above the Eligible Person's terms and conditions of employment under which the Eligible Person is employed nor any rights in addition to compensation or damages that the Eligible Person may be normally entitled to arising from the cessation of such employment for any reason whatsoever.

**27. NO COMPENSATION**

27.1 Notwithstanding any provisions of these By-Laws:

- (a) this Scheme shall not form part of any contract of employment between any company of the Group and any Employee or Director and the rights of any Grantee under the terms of his office and employment with the Company or any company within the Group shall not be affected by his participation in the Scheme or afford such Grantee any additional rights to compensation or damages in consequence of the termination of such office or employment for any reason;
- (b) this Scheme shall not confer on any person any legal or equitable rights (other than those constituting the ESOS Option themselves) against the Company or any company of the Group or any members of the ESOS Committee directly or indirectly or give rise to any cause of action at law or in equity against the Company or the Group;
- (c) a Grantee who ceases to hold office or employment shall not be entitled to any compensation for the loss of any right or benefit or prospective right or benefit under the Scheme which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful dismissal, breach of contract or by way of compensation for loss of office.
- (d) the sole right of a Grantee or representative pursuant to any valid claim hereunder shall be limited to the right of the Grantee or his representative to be reinstated to his position had the breach not occurred and any company within the Group, the ESOS Committee or any other party shall in no event be liable to the Grantee or representative or any other person or entity for any third party claim, loss of profits, loss of opportunity, loss of savings or any punitive, incidental or consequential damage, including without limitation on lost of profits or savings, directly or indirectly arising from the breach or performance of these By-Laws or any loss suffered by reason of any change in the price of the Shares or from any other cause whatsoever whether known or unknown, contingent, absolute or otherwise, whether based in contract, tort, equity, indemnity, breach of warranty or otherwise and whether pursuant to common law, statute, equity or otherwise, even if any company of the Group, the ESOS Committee or any other party has been advised of the possibility of such damage and even if the limited remedy provided for is found to fail of essential purpose.

27.2 No Employees and/ or Directors (including Eligible Person, Selected Person or Grantee) or their legal or personal representatives shall bring any claim, action or proceedings against the Board, the Company or the ESOS Committee or any party for compensation, loss or damages whatsoever and howsoever arising including but not limited to the suspension of their rights to exercise their ESOS Options or their ESOS Options ceasing to be valid pursuant to the provisions of these By-Laws.

**28. CONSTITUTION OF THE COMPANY**

Notwithstanding the terms and conditions contained herein, if a situation of conflict should arise between the Scheme and the Constitution, the provisions of the Constitution shall at all times prevail save and except where such provisions of the By-Laws are included pursuant to the Listing Requirements.

**29. TAXES**

For the avoidance of doubt, all other costs, fees, levies, charges and/or taxes (including without limitation income tax) that are incurred by an allottee of the Shares, pursuant or relating to the grant of the Offers and exercise of the ESOS Options, and any holding or dealing of such ESOS Options (such as (but not limited to) brokerage commissions and stamp duty) shall be borne by that allottee for his own account, and the Company shall not be liable for any one or more of such costs, fees, levies, charges and/or taxes.

**30. SEVERABILITY**

Any term, condition, stipulation or provision in these By-Laws which is illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability without invalidating the remaining provisions hereof, and any such illegality, voidness, prohibition or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation and provision herein contained.

**31. GOVERNING LAW AND JURISDICTION**

31.1 The Scheme shall be governed by and construed in accordance with the laws of Malaysia. The Grantee, by accepting the ESOS Options in accordance with these By-Laws and terms of the Scheme, irrevocably submits to the exclusive jurisdiction of the courts of Malaysia.

31.2 In order to facilitate the making of any Offer under this Scheme, the ESOS Committee may provide for such special terms to the Selected Persons who are employed by any corporation in the Group in a particular jurisdiction or who are nationals of any particular jurisdiction, that is outside Malaysia, as the ESOS Committee may consider necessary or appropriate for the purposes of complying with differences in local law, tax, policy or custom of that jurisdiction. The ESOS Committee may further approve such supplements to or amendments, restatements or alternative versions of the Scheme as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Scheme as in effect for any other purpose, and the appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as the Scheme. No such special terms, supplements, amendments or restatements, however, shall include any provisions that are inconsistent with the terms of this Scheme, as then in effect, unless this Scheme has been amended to eliminate such inconsistency. Notwithstanding the above, any Offer made to such Selected Persons pursuant to the Scheme shall be valid strictly in Malaysia only unless specifically mentioned otherwise by the ESOS Committee in the Offer.



- 31.3 No action has been or will be taken by the Company to make the Offer valid in any country or jurisdiction other than Malaysia or to ensure compliance of the Offer with all applicable laws and regulations in any other country or jurisdiction other than Malaysia. No action has or will be taken also by the Company to ensure compliance by the Selected Persons to whom the Offer is granted, with all applicable laws and regulations in such other country or jurisdiction in which they will be granted the Offers.
- 31.4 Any Selected Person to whom the Offer is granted is required to ensure that they comply with all applicable laws and regulations in each country or jurisdiction in or from which they are granted the Offers. By participating in the Scheme, each Selected Person has represented, warranted and agreed that they have and will continue to observe all applicable laws and regulations in the jurisdiction in which they will be granted the Offers.

### **32. INSPECTION OF THE AUDITED ACCOUNTS AND DISCLOSURES IN ANNUAL REPORT**

- 32.1 To the extent permitted by the Listing Requirements and prevailing laws and guidelines issued by the relevant authorities, all Grantees shall be entitled to inspect a copy of the latest audited financial statements of the Company, which shall be made available on the Bursa Securities' website as well as the Company's website.
- 32.2 The Company will make such disclosure in its annual report for as long as the Scheme continues in operation as from time to time required by the Listing Requirements including (where applicable) a statement by the audit committee verifying that the allocation of ESOS Options pursuant to the Scheme is in compliance with the criteria for allocation disclosed by the Company to the Eligible Person.

### **33. NOTICE**

- 33.1 Any notice or request which under the Scheme is required to be given or served upon an Eligible Person, Selected Person or Grantee pursuant to the Scheme shall be in writing and be deemed to be sufficiently given:
- (a) if it is sent by ordinary post by the Company to the Eligible Person, Selected Person or the Grantee at the last address known by the Company as being his address, such notice or request shall be deemed to have been received three (3) Market Days after posting;
  - (b) if it is given by hand to the Eligible Person, Selected Person or the Grantee, such notice or request shall be deemed to have been received on the date of delivery; or
  - (c) if it is sent by electronic media, including but not limited to electronic mail, to the Eligible Person, Selected Person or the Grantee, such notice or request shall be deemed to have been received upon confirmation or notification received after the sending of notice or request by the Company.



33.2 Any change of address of the Eligible Person, Selected Person or the Grantee shall be communicated in writing to the Company and the ESOS Committee.

**34. ERRORS AND OMISSIONS**

34.1 If in consequences of an error or omission, the ESOS Committee discovers or determines that:

- (a) an Eligible Person who was selected as a Selected Person has not been given the opportunity to participate in the Scheme on any occasion;
- (b) an Eligible Person was erroneously selected as a Selected Person; or
- (c) the number of ESOS Options granted to any Selected Person or Shares allotted to any Grantee on any occasion is found to be incorrect,

and such error or omission cannot be corrected, the ESOS Committee may do all such acts and things to rectify such error or omission including, but not limited to, all acts and things to ensure that the Eligible Person is given the opportunity to participate in the Scheme and/or to withdraw the Offer given to the Employee or Director who was erroneously selected as a Selected Person and/or to ensure that the Selected Person is given the correct number of ESOS Options or credited with the correct number of Shares to which he is entitled to.

**35. MULTIPLE SHARES ISSUANCE SCHEME(S)**

The Company may implement more than one (1) shares issuance scheme provided that the aggregate number of Shares available under all the schemes implemented by the Company is not more than fifteen percent (15%) of its total number of issued shares (excluding treasury shares) at any one time or such lower or higher limit in accordance with any prevailing guideline or regulations issued by Bursa Securities or any other relevant authorities as may be amended from time to time.

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**APPENDIX III - FURTHER INFORMATION**

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**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the completeness and accuracy of the information given in this Circular and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements contained in this Circular or other facts, the omission of which would make any statement in this Circular false or misleading.

**2. CONSENT**

UOB Kay Hian, being the Principal Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

**3. DECLARATION OF CONFLICT OF INTERESTS**

UOB Kay Hian has given its written confirmation that it is not aware of any conflict of interests that exists or is likely to exist in relation to its role as the Principal Adviser to KSSC for the Proposals.

**4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION**

As at the LPD, KSSC Group is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant and the Board does not have any knowledge of any proceedings pending or threatened against KSSC Group, or of any fact likely to give rise to any proceedings, which might materially affect the Group's business or financial results or position.

**5. MATERIAL COMMITMENTS**

As at the LPD, the Board confirmed that there are no material commitments incurred or known to be incurred by the Group.

**6. CONTINGENT LIABILITIES**

As at LPD, there are no contingent liabilities incurred or known to be incurred by KSSC Group which may have a material impact on the financial results or position of KSSC Group.

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**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of KSSC at Level 2, Tower 1, Avenue 5, Bangsar South City 59200 Kuala Lumpur during the normal business hours from Mondays to Fridays (except public holidays) from the date hereof up to the time stipulated for the holding of the EGM:-

- (i) the Constitution of KSSC;
- (ii) the audited consolidated financial statements of the Group for the FYE 31 December 2020 and 2021;
- (iii) the draft Deed Poll;
- (iv) draft ESOS By-laws as set out in **Appendix II** of this Circular; and
- (v) the letter of consent and declaration of conflict of interests referred to in **Sections 2 and 3** above, respectively.

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K. SENG SENG CORPORATION BERHAD

Company No.: 198501000983 (133427-W)

## NOTICE OF EXTRAORDINARY GENERAL MEETING (“EGM”)

**NOTICE IS HEREBY GIVEN THAT** an EGM of the members of K. Seng Seng Corporation Berhad (“KSSC” or the “Company”) will be conducted virtually through live streaming from the broadcast venue at Unit 8-5, Kompleks Komersil Akasa, Jalan Akasa, Akasa Cheras Selatan, 43300 Seri Kembangan, Selangor on Wednesday, 25 May 2022 at 12.00 p.m. or immediately following the conclusion or adjournment of the Thirty-Seventh Annual General Meeting of the Company scheduled to be held at the same venue and on the same day at 10.00 a.m. whichever is earlier for the purpose of considering and, if thought fit, passing the following resolutions, with or without any modifications:-

### ORDINARY RESOLUTION 1

**PROPOSED BONUS ISSUE OF UP TO 14,400,000 NEW ORDINARY SHARES IN KSSC (“BONUS SHARE(S)”) ON THE BASIS OF 1 BONUS SHARE FOR EVERY 8 EXISTING ORDINARY SHARES IN KSSC (“KSSC SHARE(S)” OR “SHARE(S)”) HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER BY THE BOARD OF DIRECTORS OF KSSC (“BONUS SHARES ENTITLEMENT DATE”) (“PROPOSED BONUS ISSUE OF SHARES”)**

**“THAT** subject to the approvals of all relevant authorities and/or parties (where applicable), authority be and is hereby given to the Board of Directors of KSSC (“Board”) to issue and allot up to 14,400,000 Bonus Shares in the share capital of the Company to be credited to the entitled shareholders whose names appear in the Record of Depositors of the Company as at the close of business on the Bonus Shares Entitlement Date on the basis of 1 Bonus Share for every 8 existing KSSC Shares held;

**THAT** the Board be and is hereby authorised to deal with any fractional entitlements from the Proposed Bonus Issue of Shares, if any, in such a manner at its absolute discretion as the Board may deem fit and expedient and in the best interest of the Company;

**THAT** the Bonus Shares will, upon allotment and issuance, rank equally in all respects with the existing KSSC Shares, save and except that the Bonus Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid before the Bonus Shares Entitlement Date;

**AND THAT** the Board be and is hereby authorised to sign and execute all documents, do all acts, deeds and things as may be required to give effect to and to complete the Proposed Bonus Issue of Shares with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts, deeds and things for and on behalf of the Company in any manner as they may deem fit or necessary or expedient to implement, finalise and give full effect to the Proposed Bonus Issue of Shares.”

## ORDINARY RESOLUTION 2

### **PROPOSED BONUS ISSUE OF UP TO 43,200,000 FREE WARRANTS IN KSSC (“WARRANT(S)”) ON THE BASIS OF 1 WARRANT FOR EVERY 3 KSSC SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER BY THE BOARD (“WARRANTS ENTITLEMENT DATE”) (“PROPOSED BONUS ISSUE OF WARRANTS”)**

**“THAT** subject to the approvals of all relevant authorities and/or parties (where applicable), authority be and is hereby given to the Board to issue and allot up to 43,200,000 Warrants (at an exercise price to be determined at a later date) in the share capital of the Company to be credited to the entitled shareholders whose names appear in the Record of Depositors of the Company as at the close of business on the Warrants Entitlement Date on the basis of 1 Warrant for every 3 KSSC Shares upon allotment and issuance of Bonus Shares held;

**THAT** the Board be and is hereby authorised to enter into and execute a deed poll constituting the Warrants (“**Deed Poll**”) with full powers to assent to any condition, modification, variation and/or amendment in any manner as may be required or imposed by the relevant authorities or as the Board may deem necessary or expedient in the best interest of the Company, and with full powers for the Board to implement, finalise and give full effect to the Deed Poll;

**THAT** the Board be and is hereby authorised to issue and allot such appropriate number of Warrants in accordance with the provisions of the Deed Poll and where required, to adjust the exercise price and/or the number of Warrants to be issued (including, without limitation, any additional Warrants as may be required or permitted to be issued) in consequence of the adjustments pursuant to the provisions of the Deed Poll;

**THAT** the Board be and is hereby authorised to issue and allot such appropriate number of new Shares pursuant to the exercise of the Warrants by the holders of the Warrants in accordance with the provisions of the Deed Poll;

**THAT** the Board be and is hereby authorised to deal with any fractional entitlements from the Proposed Bonus Issue of Warrants, if any, in such a manner at its absolute discretion as the Board may deem fit and expedient and in the best interest of the Company;

**THAT** the new KSSC Shares to be issued pursuant to the exercise of the Warrants will, upon allotment and issuance, rank equally in all respects with the existing KSSC Shares, save and except that the new KSSC Shares to be issued arising from the exercise of the Warrants will not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid prior to the exercise of the Warrants;

**THAT** the Board be and is hereby authorised to use the proceeds to be raised from the exercise of the Warrants for such purposes and in such manner as set out in the circular to shareholders of the Company dated 9 May 2022, and the Board be authorised with full powers to vary the manner and/or purpose of the utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient, subject to the approval of the relevant authorities (where required) and in the best interest of the Company;

**AND THAT** the Board be and is hereby authorised to sign and execute all documents, do all acts, deeds and things as may be required to give effect to and to complete the Proposed Bonus Issue of Warrants with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts, deeds and things for and on behalf of the Company in any manner as they may deem fit or necessary or expedient to implement, finalise and give full effect to the Proposed Bonus Issue of Warrants.”

### ORDINARY RESOLUTION 3

**PROPOSED ESTABLISHMENT OF AN EMPLOYEES' SHARE OPTION SCHEME ("ESOS SCHEME") INVOLVING UP TO 15% OF THE TOTAL NUMBER OF ISSUED SHARES (EXCLUDING TREASURY SHARES OF KSSC, IF ANY) AT ANY POINT OF TIME DURING THE DURATION OF THE ESOS SCHEME, FOR THE ELIGIBLE DIRECTORS ("ELIGIBLE DIRECTORS") AND EMPLOYEES OF KSSC AND ITS SUBSIDIARIES ("KSSC GROUP" OR THE "GROUP"), WHICH ARE NOT DORMANT AND WHO FULFIL THE ELIGIBILITY CRITERIA FOR PARTICIPATION IN THE PROPOSED ESOS AS SET OUT IN THE ESOS BY-LAWS ("ELIGIBLE PERSON(S)") ("PROPOSED ESOS")**

**THAT** subject to the approvals of all relevant authorities and parties (where applicable) being obtained, including but not limited to the approval of Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing and quotation of the new Shares to be issued pursuant to the exercise of the ESOS options granted under the ESOS Scheme ("**ESOS Options**"), approval be and is hereby given for the Company to establish the ESOS Scheme involving up to 15% of the total number of issued Shares (excluding treasury shares, if any) from time to time for the benefit of eligible directors and eligible employees of the Group, excluding the subsidiaries which are dormant, **AND THAT** the by-laws governing the ESOS Scheme ("**ESOS By-laws**"), a draft of which is set out in **Appendix II** of the Circular, be and is hereby approved and adopted;

**THAT** the Board be and is hereby authorised to:-

- (i) implement and administer the ESOS Scheme in accordance with the ESOS By-laws, and give full effect to the ESOS Scheme with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted or imposed by the relevant authorities or as may be deemed fit, necessary and/or expedient by the Board at its discretion;
- (ii) make the necessary applications to Bursa Securities and do all things necessary at the appropriate time or times for the listing of and quotation for the new Shares which may from time to time be allotted and issued pursuant to the exercise of the ESOS Options;
- (iii) allot and issue from time to time such number of new Shares as may be required to be issued pursuant to the exercise of the ESOS Options provided that the aggregate number of new Shares to be allotted and issued under the ESOS Scheme shall not exceed in aggregate of 15% of the total number of issued Shares of the Company (excluding treasury shares, if any) at any time during the existence of the ESOS Scheme, and that the new Shares to be allotted and issued pursuant to the exercise of the ESOS Options shall, upon allotment, issuance and full payment of the exercise price of the ESOS Options, rank equally in all respects with the then existing issued Shares, save and except that the holders of such new Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid, the entitlement date of which is prior to the date of allotment and issuance of such new Shares and that such new Shares will be subject to all the provisions of the Constitution of the Company relating to the transfer, transmission and otherwise of the Shares;
- (iv) modify and/or amend the ESOS By-laws from time to time as may be required or permitted by the authorities or deemed necessary by the authorities or the Board provided that such modifications and/or amendments are permitted and/or effected in accordance with the provisions of the ESOS By-laws relating to modifications and/or amendments;
- (v) extend the duration of the ESOS Scheme, provided always that such extension of the ESOS Scheme made pursuant to the ESOS By-laws shall not in aggregate exceed a duration of 10 years from the date on which the ESOS Scheme shall take effect following full compliance of all relevant requirements or such period as may be permitted by Bursa Securities or any other relevant authorities from time to time without having to obtain any further sanction, approval, consent or authorisation of the shareholders of the Company in a general meeting; and

- (vi) do all such acts and things, take such steps, execute all such documents and to enter into all such transactions, arrangements, agreements, deeds and/or undertakings with any party(ies) as they may deem fit, necessary and/or expedient, and to make such rules or regulations, or impose such terms and conditions or delegate its power as may be necessary or expedient in order to give full effect to the Proposed ESOS and terms of the ESOS By-laws.”

#### **ORDINARY RESOLUTION 4 TO 11**

#### **PROPOSED ALLOCATION OF ESOS OPTIONS TO THE DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY (“PROPOSED ALLOCATION”)**

“**THAT**, subject to the passing of the Ordinary Resolution 3 and the approvals of the relevant authorities for the Proposed ESOS being obtained, approval be and is hereby given to the Board to authorise the ESOS committee of the Proposed ESOS (“**ESOS Committee**”), at any time and from time to time throughout the duration of the Proposed ESOS, to offer and grant to the following directors and chief executive officer of KSSC, ESOS Options under the Proposed ESOS:-

(i)	Chang Tian Kwang	Ordinary Resolution 4
(ii)	Koh Seng Lee	Ordinary Resolution 5
(iii)	Tsen Ket Shung @ Kon Shung	Ordinary Resolution 6
(iv)	Dr Teh Chee Ghee	Ordinary Resolution 7
(v)	Yap Chee Kheng	Ordinary Resolution 8
(vi)	Dato’ Tin @ Tan Pek-Han	Ordinary Resolution 9
(vii)	Koh Yi Hao	Ordinary Resolution 10
(viii)	Dr Lim Pang Kiam	Ordinary Resolution 11

#### **PROVIDED ALWAYS THAT:-**

- (i) they must not participate in the deliberation or discussion of their own allocation, as well as that of the persons connected with them, under the Proposed ESOS; and
- (ii) not more than 10% (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) of the total number of Shares to be issued under the Proposed ESOS shall be allocated to them, if they either singly or collectively through persons connected (as defined in the Listing Requirements) with them, holds 20% (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) or more of the total number of issued shares of the Company (excluding treasury shares, if any),

subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the ESOS By-laws of the Proposed ESOS and any prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as amended from time to time.

**AND THAT**, the Board be further authorised to issue such number of Shares arising from the exercise of the ESOS options under the Proposed ESOS, from time to time, to the abovementioned person.”

BY ORDER OF THE BOARD

Wong Youn Kim (MAICSA 7018778)  
Chan Min Wai (MIA 26548)  
Company Secretaries

Kuala Lumpur  
9 May 2022

**Notes:-**

- 1) A member of the Company entitled to attend and vote at the meeting may appoint up to two (2) proxies (or being a corporate member, a corporate representative) to attend and vote in his/her stead. A proxy may but need not be a member of the Company.
- 2) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
- 3) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his/her attorney or in the case of a corporation executed under its common seal or signed on behalf of the corporation by its attorney or by an officer duly authorised.
- 4) Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- 5) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or executed must be deposited at the Registered Office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan K.L, Malaysia not less than 24 hours before the time appointed for taking of the poll.
- 6) In respect of deposited securities, only members whose names appear in the Record of Depositors as at 19 May 2022 shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.





# 誠成集團

**K. SENG SENG CORPORATION BERHAD**

Company No.: 198501000983 (133427-W)

## FORM OF PROXY

No. of Ordinary Shares Held	
CDS Accounts No.	

I/We \_\_\_\_\_ \*NRIC/Passport/Company No. \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_  
(FULL ADDRESS)

with email address \_\_\_\_\_ mobile phone no. \_\_\_\_\_

being a member/members of **K. SENG SENG CORPORATION BERHAD** hereby appoint the following person(s):-

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address:			
Email Address:			
Mobile Number:			

and/or\* (\*delete as appropriate)

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address:			
Email Address:			
Mobile Number:			

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be conducted virtually through live streaming from the broadcast venue at Unit 8-5, Kompleks Komersil Akasa, Jalan Akasa, Akasa Cheras Selatan, 43300 Seri Kembangan, Selangor on Wednesday, 25 May 2022 at 12.00 p.m. or immediately following the conclusion or adjournment of the Thirty-Seventh Annual General Meeting of the Company scheduled to be held at the same venue and on the same day at 10.00 a.m., whichever is earlier.

My/our proxy/proxies is/are to vote as indicated below:-

RESOLUTIONS RELATING TO: -		FIRST PROXY		SECOND PROXY	
		For	Against	For	Against
<b>ORDINARY RESOLUTION</b>					
1.	Proposed Bonus Issue of Shares				
2.	Proposed Bonus Issue of Warrants				
3.	Proposed ESOS				
4.	Proposed Allocation of ESOS Options to Chang Tian Kwang				
5.	Proposed Allocation of ESOS Options to Koh Seng Lee				
6.	Proposed Allocation of ESOS Options to Tsen Ket Shung @ Kon Shung				
7.	Proposed Allocation of ESOS Options to Dr Teh Chee Ghee				
8.	Proposed Allocation of ESOS Options to Yap Chee Kheng				
9.	Proposed Allocation of ESOS Options to Dato' Tin @ Tan Pek-Han				



RESOLUTIONS RELATING TO: -		FIRST PROXY		SECOND PROXY	
		For	Against	For	Against
<b>ORDINARY RESOLUTION</b>					
10.	Proposed Allocation of ESOS Options to Koh Yi Hao				
11.	Proposed Allocation of ESOS Options to Dr Lim Pang Kiam				

(Please indicate with a “√” or “X” in the space provided how you wish your vote to be cast. If no instruction as to voting is given, the proxy/proxies may vote or abstain from voting at his/her/their discretion). The first named proxy shall be entitled to vote on a show of hands on my/our behalf.

Dated this \_\_\_ day of \_\_\_\_\_ 2022

.....  
Signature of Shareholder(s)/Common Seal

**Notes:-**

1. A member of the Company entitled to attend and vote at the meeting may appoint up to two (2) proxies (or being a corporate member, a corporate representative) to attend and vote in his/her stead. A proxy may but need not be a member of the Company.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
3. The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his/her attorney or in the case of a corporation executed under its common seal or signed on behalf of the corporation by its attorney or by an officer duly authorised.
4. Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“**omnibus account**”) as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or executed must be deposited at the Registered Office of the Company at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan K.L, Malaysia not less than 24 hours before the time appointed for taking of the poll.
6. In respect of deposited securities, only members whose names appear in the Record of Depositors as at 19 May 2022 shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

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AFFIX  
STAMP

**K. SENG SENG CORPORATION BERHAD**  
(Registration No.: 198501000983 (133427-W))  
Level 2, Tower 1, Avenue 5, Bangsar South City,  
59200 Kuala Lumpur, Wilayah Persekutuan K.L,  
Malaysia

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