

## EKOVEST BERHAD (“EKOVEST” OR “COMPANY”)

### PROPOSED EMPLOYEES SHARE OPTION SCHEME (“ESOS”) FOR THE ELIGIBLE DIRECTORS AND EMPLOYEES OF EKOVEST AND ITS SUBSIDIARIES (“EKOVEST GROUP” OR “GROUP”) (“PROPOSED ESOS”)

#### 1. INTRODUCTION

On behalf of Board of Directors of Ekovest (“**Board**”), CIMB Investment Bank Berhad (“**CIMB**”) is pleased to announce that the Company proposes to establish and implement the Proposed ESOS.

#### 2. PROPOSED ESOS

##### 2.1 Details of the Proposed ESOS

The Proposed ESOS will involve the granting of options to Directors and employees of the Group (excluding subsidiaries that are dormant) who meet the criteria of eligibility for participation in the Proposed ESOS (“**Eligible Persons**”) to subscribe for ordinary shares of RM1.00 each in Ekovest (“**Ekovest Shares**”) (“**Options**”) in accordance with the bylaws of the Proposed ESOS (“**Bylaws**”).

The Proposed ESOS will be administered by a committee to be duly appointed and authorised by the Board (“**Option Committee**”).

##### 2.2 Utilisation of proceeds

The proceeds to be received by the Company pursuant to the exercise of the Options under the Proposed ESOS will depend on, amongst others, the number of Options granted and exercised at the relevant point in time as well as the Exercise Price (defined in Section 2.3(iv) below). As such, the amount of proceeds to be received from the exercise of the Options is not determinable at this juncture. However, Ekovest intends to utilise the net proceeds from the exercise of the Options for the working capital of the Group.

##### 2.3 Salient terms and conditions of the Proposed ESOS

The salient terms and conditions of the Proposed ESOS, which are governed by the Bylaws, are as follows:

(i) **Maximum number of new Ekovest Shares available under the Proposed ESOS**

The maximum number of new Ekovest Shares to be allotted and issued pursuant to the exercise of the Options that may be granted under the Proposed ESOS shall not exceed 15% of the issued and paid-up share capital (excluding treasury shares) of the Company throughout the duration of the Proposed ESOS as provided in the Bylaws.

(ii) **Basis of allocation and maximum allowable allotment**

Subject to any adjustment which may be made under the Bylaws, the aggregate number of new Ekovest Shares to be allotted and issued to an Eligible Person pursuant to the exercise of the Options made available under the Proposed ESOS shall be at the sole and absolute discretion of the Option Committee after taking into consideration, amongst other factors, seniority, the job grading, length of service, performance appraisal, past and future contributions of the Eligible Person and such other factors that the Option Committee may deem relevant, subject to the following:

- (a) the Directors and senior management of the Group do not participate in the deliberation or discussion of their own allocation; and

- (b) not more than 10% of the new Ekovest Shares comprised in the Options to be made available under the Proposed ESOS shall be allocated to any individual Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds 20% or more in the issued and paid-up share capital (excluding treasury shares) of the Company,

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

**(iii) Determination of eligibility**

Subject to the determination and absolute discretion of the Option Committee, Eligible Persons who fulfil the following criteria as at the date of offer shall be eligible to participate in the Proposed ESOS:

- (a) Directors named in the register of Directors of the Group or employees who are confirmed full-time employees of the Group;
- (b) Persons who have attained the age of 18 years;
- (c) For employees other than Directors, the period of employment with the Group must have been confirmed in writing on or prior to the date of offer and they must have served the Group on a continuous period of not less than twelve (12) months (which shall include any probation period) on the date on which the Options comes in to force; and
- (d) For Directors, whether executive or non-executive, the Directors must have been appointed as a Director of a company within the Group for a continuous period of at least twelve (12) months prior to the date of offer.

Selection for participation in the Proposed ESOS shall be at the discretion of the Option Committee. Subject to any adjustments in accordance to the Bylaws, the Option Committee may, at any time and from time to time after the Options are granted pursuant to the Bylaws, limit the exercise of the Options to a maximum number of new Ekovest Shares and/or such percentage of the new Ekovest Shares for each year within the option period and impose any other terms and/or conditions deemed appropriate by the Option Committee at its sole and absolute discretion including amending or varying any terms and conditions imposed earlier subject always to the Bylaws.

**(iv) Exercise Price**

Subject to any adjustments in accordance to the Bylaws, the price payable for the new Ekovest Shares upon exercise of the Options granted under the Proposed ESOS ("**Exercise Price**") shall be determined by the Board upon recommendation of the Option Committee and shall be fixed based on the higher of the following:

- (a) the weighted average market price of Ekovest Shares, as quoted on Bursa Securities, for the five (5) market days immediately preceding the date of offer with a discount of not more than 10%, if deemed appropriate, or such other percentage of discount as may be permitted by any prevailing guidelines issued by Bursa Securities or any other relevant authorities as amended from time to time during the option period; or
- (b) the par value of the Ekovest Shares of RM1.00 (or such other par value as may be permitted by the provisions of the Companies Act, 1965 ("**Act**")).

Where the Exercise Price as determined above is less than the par value of the Ekovest Shares, the Exercise Price per Ekovest Shares shall be the par value. The Exercise Price as determined by the Board shall be conclusive and binding on the Eligible Persons who have accepted the offer to participate in the Proposed ESOS (“**Grantees**”).

**(v) Duration of the ESOS**

Subject to the Bylaws, the Proposed ESOS shall be in force for a period of five (5) years from the date of the Proposed ESOS (“**Effective Date**”), which shall be the date of Ekovest’s full compliance with all relevant requirements of the Listing Requirements, including the following:

- (a) submission of the final copy of the Bylaws to Bursa Securities together with a letter of compliance pursuant to paragraph 6.42 of the Listing Requirements and a checklist showing compliance with Appendix 6E of the Listing Requirements;
- (b) receipt of approval-in-principle, as the case may be from Bursa Securities for the listing and quotation of the new Ekovest Shares to be issued pursuant to the exercise of Options granted under the Proposed ESOS;
- (c) procurement of the Company’s shareholders’ approval for the Proposed ESOS;
- (d) receipt of approval of any other relevant authorities, where applicable; and
- (e) fulfilment of all conditions attached to the above approvals, if any.

The Proposed ESOS may be extended or renewed (as the case may be) for a further period of five (5) years, at the sole and absolute discretion of the Board upon the recommendation of the Option Committee, provided always that the initial Proposed ESOS period stipulated above and such extension of the Proposed ESOS made pursuant to the Bylaws shall not in aggregate exceed a duration of ten (10) years from the Effective Date. For the avoidance of doubt, no further sanction, approval or authorisation of the shareholders of the Company in a general meeting is required for any such extension or renewal (as the case may be).

**(vi) Ranking of new Ekovest Shares**

The new Ekovest Shares to be allotted and issued on any exercise of the Options will, upon allotment and issuance, rank equally in all respects with the existing Ekovest Shares except that they will not be entitled to any dividends, rights, allotments and/or other distributions, where the entitlement date (namely the date as at the close of business on which shareholders of the Company must be entered in the Record of Depositors maintained with Bursa Malaysia Depository Sdn Bhd in order to be entitled to any dividends, rights, allotments or other distributions) is before the date of allotment and issuance of the new Ekovest Shares.

**(vii) Listing of the new Ekovest Shares**

The Company will make the necessary application to Bursa Securities for the listing of and quotation for the new Ekovest Shares to be issued pursuant to the exercise of the Options to be granted under the Proposed ESOS.

**(viii) Retention/Restriction period of Ekovest Shares**

Except as provide in the Bylaws, the new Ekovest Shares allotted and issued to a Grantee pursuant to the exercise of an Option will not be subject to any retention period or restriction on transfer.

An eligible Director who is a Non-Executive Director in the Company shall not sell, transfer or assign the new Ekovest Shares obtained through the exercise of Options offered to him within one (1) year from the date of offer pursuant to the Listing Requirements or other prevailing applicable guidelines.

**(ix) Termination of the ESOS**

Subject to compliance with the requirements of Bursa Securities and any other relevant authorities, the Company may terminate the continuation of the Proposed ESOS and no further offers shall be made by the Option Committee.

**3. RATIONALE FOR THE PROPOSED ESOS**

The Proposed ESOS is intended to:

- (i) offer a more competitive remuneration package to both reward as well as retain Eligible Persons who have contributed to the growth of the Group and whose services are vital to the continued growth of the Group, thus ensuring any potential loss of key personnel;
- (ii) provide an incentive to Eligible Persons to participate more actively in the operations and future growth of the Group as well as to encourage such Eligible Persons to contribute to the continued growth of the Group;
- (iii) give the Eligible Persons a greater sense of ownership and belonging and thus encourage productivity in the Group;
- (iv) increase the level of commitment, dedication and loyalty amongst Eligible Persons; and
- (v) continue to attract prospective skilled and experienced employees to the Group with a more competitive remuneration package as and when required.

The Proposed ESOS is also extended to Non-Executive Directors of the Company in recognition of their contribution to the Group and to enable them to participate in the Group's future growth.

**4. EFFECTS OF THE PROPOSED ESOS**

**4.1 Share Capital**

Until such time the Options to be granted under the Proposed ESOS are exercised, the Proposed ESOS will not have an effect on the issued and paid-up share capital of Ekovest. However, the issued and paid-up share capital of Ekovest will increase progressively depending on the number of new Ekovest Shares to be issued pursuant to the exercise of Options that may be granted under the Proposed ESOS.

For illustration purposes, the proforma effects of the Proposed ESOS on the issued and paid-up share capital of Ekovest are as follows:

	<b>Number of Ekovest Shares<sup>(2)</sup></b>	<b>RM</b>
Issued and paid-up capital as at 31 January 2012	178,793,715	178,793,715
To be issued assuming full exercise of the Options under the Proposed ESOS <sup>(1)</sup>	26,819,057	26,819,057
After the Proposed ESOS	<u>205,612,772</u>	<u>205,612,772</u>

**Notes:**

- (1) Assuming full exercise of the Options granted under the Proposed ESOS amounting to 15% of the issued and paid-up share capital of Ekovest (excluding treasury shares). The number of new Ekovest Shares which may be offered to an Eligible Person shall be in multiples of and not be less than one board lot of 100 Ekovest Shares.
- (2) Ekovest had on 30 January 2012 announced that it had on even date, entered into a share exchange agreement with Dato' Lim Kang Hoo ("Dato' Lim") and Dato' Haris Onn bin Tun Hussein (collectively, the "WK Shareholders") ("Share Exchange Agreement") for the proposed transfer of 100% of the ordinary shares of RM1.00 each in Wira Kristal Sdn Bhd ("Wira Kristal") in exchange for new Ekovest Shares ("Proposed Share Exchange"). The Proposed Share Exchange entails amongst others, the issuance of 126,723,735 new Ekovest Shares to the WK Shareholders as consideration.

The proforma effects of the Proposed ESOS on the issued and paid-up share capital of Ekovest above does not take into consideration the issuance of new Ekovest Shares pursuant to the Proposed Share Exchange as the Proposed Share Exchange has not yet been completed as at the date of this announcement.

**4.2 Substantial Shareholders' Shareholdings**

The Proposed ESOS is not expected to have an immediate effect on the shareholdings of the substantial shareholders of Ekovest until such time when the Options to be granted under the Proposed ESOS are exercised. Any potential effect on the shareholdings of the substantial shareholders of Ekovest would depend on the number of new Ekovest Shares to be issued pursuant to the exercise of the Options granted at the relevant point in time.

For illustration purposes, the proforma effects of the Proposed ESOS on the shareholdings of the substantial shareholders of Ekovest based on the Registers of Substantial Shareholders' Shareholdings as at the 31 January 2012 are as follows:

**(i) Substantial Shareholders**

	As at 31 January 2012				After the Proposed ESOS <sup>(1)/(5)</sup>			
	Direct		Indirect		Direct		Indirect	
	No of Ekovest Shares held	%	No of Ekovest Shares held	%	No of Ekovest Shares held	%	No of Ekovest Shares held	%
Ekovest Holdings Sdn Bhd ("EHSB")	37,250,000	20.83	-	-	37,250,000	18.12	-	-
Khoo Nang Seng @ Khoo Nam Seng	17,706,000	9.90	-	-	17,706,000	8.61	-	-
Lim Seong Hai Holdings Sdn Bhd	9,836,300	5.50	3,761,300 <sup>(2)</sup>	2.10	9,836,300	4.78	3,761,300 <sup>(2)</sup>	1.83
Dato' Lim	4,757,000	2.66	37,250,000 <sup>(3)</sup>	20.83	4,757,000	2.31	37,250,000 <sup>(3)</sup>	18.12
Lim Keng Cheng	-	-	13,597,600 <sup>(4)</sup>	7.61	-	-	13,597,600 <sup>(4)</sup>	6.61
Lim Keng Guan	-	-	13,597,600 <sup>(4)</sup>	7.61	-	-	13,597,600 <sup>(4)</sup>	6.61
Lim Keng Hun	-	-	13,597,600 <sup>(4)</sup>	7.61	-	-	13,597,600 <sup>(4)</sup>	6.61
Lim Pak Lian	-	-	13,597,600 <sup>(4)</sup>	7.61	-	-	13,597,600 <sup>(4)</sup>	6.61

**Notes:**

- (1) *Assuming full exercise of the Options granted under the Proposed ESOS amounting to 15% of the issued and paid-up share capital of Ekovest (excluding treasury shares).*
- (2) *Deemed interested by virtue of its direct interest in Fablelite Sdn Bhd pursuant to Section 6A of the Act.*
- (3) *Deemed interested by virtue of his direct interest in EHSB pursuant to Section 6A of the Act.*
- (4) *Deemed interested by virtue of his/her direct interest in Lim Seong Hai Holdings Sdn Bhd pursuant to Section 6A of the Act.*
- (5) *Does not include entitlements.*

#### **4.3 Earnings and earnings per share**

With the adoption of Financial Reporting Standard 2 on Share Based Payment as issued by the Malaysian Accounting Standards Board ("**FRS 2**"), the potential cost of the granting of Options under the Proposed ESOS will need to be measured at the grant date and recognised as an expense in the income statement. The total potential cost of the Options granted would depend on, amongst others, the number of Options granted and the fair value of such Options. The fair value of the Options is dependent on factors such as the volatility of the Ekovest Shares, the Exercise Price and the option period. However, it should be noted that the cost of the grant of Options does not represent a cash outflow as it is an accounting treatment.

The effect of the Proposed ESOS on the earnings and earnings per share of the Group cannot be determined at this juncture as it is dependent, amongst others, the above factors as well as the utilisation of proceeds arising from the exercise of the Options.

The Board has taken note of the potential impact of FRS 2 on the Group's future earnings and shall take into consideration of such impact in the allocation and granting of the Options to Eligible Persons.

#### **4.4 Net Assets ("NA") and NA per share**

The Proposed ESOS is not expected to have an immediate effect on the NA, NA per share and gearing of the Group until such time when the Options to be granted under the Proposed ESOS are exercised. The effects on the NA, NA per share and gearing of the Group will depend on, amongst others, the Exercise Price, the number of new Ekovest Shares to be issued upon the exercise of the Options and the potential effect on the future earnings of the Group arising from the adoption of FRS 2.

Whilst the granting of the Options under the Proposed ESOS is expected to result in recognition of a charge in the income statements of the Group pursuant to FRS 2, the recognition of such FRS 2 charge would not have any impact on the NA of the Group as the corresponding amount will be classified as an equity reserve which forms part of shareholders' equity. In the event none of the Options granted are exercised within the duration of the Proposed ESOS, the said amount would be transferred into the Company's retained earnings. On the other hand, the amount pertaining to the Options that are exercised would be transferred into the share premium account.

The Board has taken note of the potential impact of FRS 2 on the Group's future NA and NA per share and shall take into consideration of such impact in the allocation and granting of the Options to Eligible Persons.

### **5. APPROVALS REQUIRED**

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

- (i) shareholders at the forthcoming Extraordinary General Meeting ("**EGM**");
- (ii) Bursa Securities, for the listing of and quotation for such number of new Ekovest Shares to be issued pursuant to the exercise of the Options granted under the Proposed ESOS on the Main Market of Bursa Securities; and

(iii) any other relevant authorities, if required.

## 6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

All the Directors are deemed interested in their respective entitlements under the Proposed ESOS.

The shareholdings of the Directors as at 31 January 2012 are as follows:

Directors	Direct		Indirect	
	Number of Ekovest Shares <sup>(1)</sup>	%	Number of Ekovest Shares	%
Dato' Lim	4,757,000	2.66	37,250,000 <sup>(2)</sup>	20.83 <sup>(1)</sup>
Lim Keng Cheng	-	-	13,597,600 <sup>(3)</sup>	7.61 <sup>(2)</sup>
Khoo Nang Seng @ Khoo Nam Seng	17,706,000	9.90	-	-
Lim Hoe	1,356,000	0.76	-	-
Cho Joy Leong @ Cho Yok Lon	156,000	0.09	-	-
Mohd Salleh Bin Othman	-	-	-	-
Kang Hui Ling	-	-	-	-

### Notes:

(1) Does not include entitlements.

(1) Deemed interest by virtue of his shareholding in EHSB.

(2) Deemed interest by virtue of his shareholding in Lim Seong Hai Holdings Sdn Bhd and Fablelite Sdn Bhd.

The Directors have abstained and will continue to abstain from deliberating and voting on the resolutions pertaining to their respective entitlements under the Proposed ESOS at the relevant Board meetings. The Directors will also abstain from voting in respect of their direct and indirect shareholdings in the Company, if any, on the resolutions pertaining to their respective entitlements under the Proposed ESOS to be tabled at the forthcoming EGM. The Directors have undertaken to ensure that persons connected to them, if any, will abstain from voting on the resolutions pertaining to their respective entitlements under the Proposed ESOS to be tabled at the forthcoming EGM.

Dato' Lim, in addition to being a Director, is a major shareholder of Ekovest by virtue of his direct and indirect interest in Ekovest ("**Interested Major Shareholder**"). Accordingly, Dato' Lim will abstain and has undertaken to ensure that persons connected with him will abstain from voting in respect of his direct and/or indirect shareholdings in Ekovest, if any, on the resolutions pertaining to his respective entitlements under the Proposed ESOS to be tabled at the forthcoming EGM.

In addition, there are persons connected to the Directors and/or Interested Major Shareholder who are also employees of the Group and may be entitled to participate in the Proposed ESOS. Such persons will also abstain from voting in respect of their direct and indirect shareholdings in the Company, if any, on the resolutions pertaining to their respective entitlements as well as the entitlements of the connected Directors and/or Interested Major Shareholders under the Proposed ESOS, to be tabled at the forthcoming EGM.

Save as disclosed above, none of the other Directors, major shareholders of the Company and/or persons connected to them have interest, direct or indirect, in the Proposed ESOS.

**7. DIRECTORS' RECOMMENDATION**

The Board, having considered and deliberated on all aspects of the Proposed ESOS, is of the opinion that the Proposed ESOS is in the best interest of the Group in light of the rationale and justifications for the Proposed ESOS as set out in Section 3 of this announcement. Accordingly, the Board recommends that you vote in favour of the ordinary resolution pertaining to the Proposed ESOS to be tabled at the forthcoming EGM. In view of their interest, the Board has abstained from expressing an opinion and making any recommendation in respect of their respective entitlements under the Proposed ESOS.

**8. ADVISER**

CIMB has been appointed as the adviser for the Proposed ESOS.

**9. ESTIMATED TIMEFRAME FOR THE COMPLETION OF THE PROPOSAL**

Barring any unforeseen circumstances, the Proposed ESOS is expected to be implemented in the second half of 2012.

**10. SUBMISSION TO THE RELEVANT AUTHORITIES**

Submission to the relevant authorities for the Proposed ESOS is expected to be made within one (1) month from the date of this announcement.

This announcement is dated 29 February 2012.