

# NEW ISSUE OF SECURITIES (CHAPTER 6 OF LISTING REQUIREMENTS) : ESOS INSAS BERHAD ("INSAS" OR "COMPANY") PROPOSED ESTABLISHMENT OF AN EMPLOYEES SHARE OPTION SCHEME ("PROPOSED ESOS")

## INSAS BERHAD

Type	Announcement
Subject	NEW ISSUE OF SECURITIES (CHAPTER 6 OF LISTING REQUIREMENTS) ESOS
Description	INSAS BERHAD ("INSAS" OR "COMPANY")  PROPOSED ESTABLISHMENT OF AN EMPLOYEES SHARE OPTION SCHEME ("PROPOSED ESOS")

On behalf of the Board of Directors of Insas, M&A Securities Sdn Bhd wishes to announce that the Company proposes to establish an employees' share option scheme of up to 10% of the total number of issued shares in Insas (excluding treasury shares) for eligible employees including Executive Directors and Non-Executive Directors (excluding Alternate Directors, if any) of Insas and its subsidiaries (excluding subsidiaries which are dormant).

Kindly refer to the attachment for further details on the Proposed ESOS.

This announcement is dated 29 September 2020.

Please refer attachment below.

### Attachments

290920 - ESOS announcement.pdf  
231.4 kB

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### Announcement Info

Company Name	INSAS BERHAD
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## **INSAS BERHAD ("INSAS" OR "COMPANY")**

### **▪ PROPOSED ESTABLISHMENT OF AN EMPLOYEES' SHARE OPTION SCHEME ("PROPOSED ESOS")**

#### **1. INTRODUCTION**

On behalf of the Board of Directors of Insas ("**Board**"), M&A Securities Sdn Bhd wishes to announce that the Company proposes to establish an employees' share option scheme ("**Proposed ESOS**") for eligible employees including Executive Directors and Non-Executive Directors (excluding Alternate Directors, if any) ("**Eligible Persons**") of Insas and its subsidiaries (excluding subsidiaries which are dormant) ("**Insas Group**" or "**Group**").

#### **2. DETAILS OF THE PROPOSED ESOS**

The Proposed ESOS shall be implemented and administered by a duly authorised committee ("**ESOS Committee**") to be appointed by the Board. The options granted pursuant to the Proposed ESOS shall entitle the Eligible Persons to subscribe for new shares in Insas ("**Insas Shares**" or "**Shares**") at a specified price ("**Options**").

In awarding Options to the Eligible Persons under the Proposed ESOS, the ESOS Committee shall be guided by the by-laws governing the Proposed ESOS ("**By-Laws**").

The principal features of the Proposed ESOS are as follows:-

##### **(a) Maximum number of new Shares available under the Proposed ESOS**

The maximum number of Insas Shares that may be offered under the Proposed ESOS shall not exceed 10% of the total number of issued shares of the Company (excluding treasury shares) at any point of time during the existence of the Proposed ESOS.

##### **(b) Maximum allowable allotment and basis of allotment**

The total number of new Shares which may be made available under the Proposed ESOS that may be allocated to an Eligible Person who, either singly or collectively through persons connected with him/her, holds 20% or more of the total number of issued shares (excluding treasury shares) of the Company, shall not exceed 10% (or such other percentage as may be permitted by Bursa Securities or any other relevant regulatory authorities from time to time) of the total number of Insas Shares to be made available under the Proposed ESOS.

The ESOS Committee shall be entitled to determine the basis of allotment and maximum allowable allotment in relation to each category or grade of Eligible Persons (including the aggregate maximum allocation of Insas Shares that may be granted to the Directors and senior management of the Group (excluding subsidiaries which are dormant)) under the Proposed ESOS from time to time, and the decision of the ESOS Committee shall be final and binding.

##### **(c) Eligibility to participate in the Proposed ESOS**

Any employee or Director of any company comprised in the Group shall be eligible to be considered for the offer of the Options under the Proposed ESOS provided that:-

- (i) he has attained the age of 18 years and is not an undischarged bankrupt nor subject to any bankruptcy proceedings on the date of offer;

- (ii) he has been employed for a continuous period of at least 1 year (which shall include any probation period) by the Company and/or a subsidiary within the Group and whose service has been confirmed on the date of offer, unless he was transferred to another subsidiary within the Insas Group, in which case he must have been employed for a continuous period of at least 1 year in that subsidiary;
- (iii) if the employee or Director is employed by a company which is acquired, and becomes a subsidiary of Insas as a result of such acquisition during the duration of the Proposed ESOS, the employee or Director of such Company must have completed his service for a continuous period of at least 1 year in that subsidiary following the date that such company becomes or is deemed to be a subsidiary of the Insas Group;
- (iv) if the employee or Director, whether Malaysian citizen or non-Malaysian citizen, is serving Insas or a subsidiary within the Insas Group on a full-time basis and whose contribution is vital to such companies and who on the date of offer is employed under a contract for service for a term of not less than 3 years (including any period of employment which the person has already served), the employee or Director is eligible to participate in the Proposed ESOS, subject to the provisions of the By-Laws and provided always that employees of our subsidiaries which are dormant shall not be eligible to participate in the Proposed ESOS; and
- (v) he has fulfilled any other eligibility criteria as may be set by the ESOS Committee at any time and from time to time at its absolute discretion.

The ESOS Committee may from time to time at its absolute discretion, determine any other eligibility criteria and/or waive any of the eligibility criteria as set out in this Section (c) above. The eligibility of an employee or Director and the number of Shares comprised in the Options to be offered to an Eligible Person under the Proposed ESOS shall be at the sole discretion of the ESOS Committee and the decision of the ESOS Committee shall be final and binding.

Unless stated in a written offer made by the ESOS Committee from time to time in the manner indicated in the By-Laws, there are no performance targets which are required to be met before the Options can be granted and/or exercised by an Eligible Person.

**(d) Duration of the Proposed ESOS and Termination of the Proposed ESOS**

The Proposed ESOS shall be valid for a duration of 5 years from the effective date of the implementation of the Proposed ESOS ("**Effective Date**"), being the date of full compliance with the relevant requirements in the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**") in relation to the Proposed ESOS.

The Proposed ESOS may be extended by the Board at its sole and absolute discretion upon the recommendation of the ESOS Committee for up to another 5 years, and shall not in aggregate exceed 10 years (or such longer period as may be allowed by the relevant authorities) from the Effective Date.

Notwithstanding anything set out in the By-Laws and subject to compliance with the Listing Requirements in relation to the Proposed ESOS, the Company may terminate the Proposed ESOS at any time during its term.

**(e) Subscription Price**

Subject to any adjustments that may be made in accordance with the By-Laws, the price payable for the exercise of an Option under the Proposed ESOS ("**Subscription Price**") shall be determined by the ESOS Committee at its discretion based on the 5 days volume weighted average market price of the underlying Shares as quoted by Bursa Malaysia Securities Berhad ("**Bursa Securities**"), immediately prior to the date of offer is made by the ESOS Committee with a discount of not more than 10%, if deemed appropriate.

The basis of determining the Subscription Price for the Proposed ESOS is in compliance with the Listing Requirements.

The Subscription Price as determined by the ESOS Committee shall be conclusive and binding. The Subscription Price shall be subject to any adjustment in accordance with the By-Laws.

**(f) Exercise of Options**

Subject to any adjustments in accordance with the By-Laws, the ESOS Committee may, at any time and from time to time, determine whether the offer shall be subject to any vesting conditions over the duration of the Proposed ESOS and/or impose any other terms and conditions deemed appropriate by the ESOS Committee at its sole and absolute discretion including amending/varying any terms and conditions imposed earlier.

All Options to the extent unexercised on the expiry of the Proposed ESOS, either immediately after the first 5 years or 10 years (if extended from the Effective Date), shall lapse and have no further effect.

**(g) Ranking of the new Shares to be issued under the Proposed ESOS**

All new Shares to be issued upon exercise of the Options granted under the Proposed ESOS shall, upon allotment, rank *pari passu* in all respects with the then existing issued Shares except that such new Shares so allotted and issued will not entitle its holders any dividends, rights, allotments and/or other distributions which may be declared, made or paid, to the shareholders of the Company prior to the relevant date of the allotment of such new Shares.

**(h) Listing of Shares**

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

**(i) Utilisation of proceeds**

The actual 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 and the Subscription Price.

As such, the amount of proceeds to be received from the exercise of the Options cannot be determined at this juncture. However, the proceeds arising from the exercise of the Options will be utilised for working capital and/or finance costs of the Group, as and when the proceeds are received throughout the duration of the Proposed ESOS, as the Board may deem fit.

### 3. RATIONALE OF THE PROPOSED ESOS

The Proposed ESOS provides the Company with greater flexibility to reward and motivate the Directors and employees of the Insas Group, after considering the following factors:

- (a) the Proposed ESOS is intended to continue to motivate, retain and reward Eligible Persons as well as attract future new Eligible Persons, who would be given the opportunity to participate in the equity of the Company and thereby, relate directly to the performance of the Insas Group; and
- (b) the Proposed ESOS is designed to provide a continuing incentive to Eligible Persons without adversely affecting the cash flow of the Insas Group whilst at the same time, contributing positively to its continuing growth through the intended stimulation of greater commitment, productivity and efforts on the part of the Eligible Persons towards the Insas Group.

The Proposed ESOS is also extended to non-executive Directors of the Company in recognition of their contribution to the Company, their independent views in the decision making process and maintaining good corporate practices.

### 4. EFFECTS OF THE PROPOSED ESOS

#### 4.1 Share capital

Until the Options to be granted under the Proposed ESOS are exercised, the Proposed ESOS will not have an immediate effect on the issued share capital of the Company. The issued share capital will increase as more new Shares are issued pursuant to the exercise of Options granted under the Proposed ESOS.

Assuming full exercise of the Options available under the Proposed ESOS, which constitutes 10% of the issued share capital, the pro forma effects of the Proposed ESOS on the issued share capital of the Company are set out below:-

	<b>No. of Shares</b>	<b>RM'000</b>
	<b>'000</b>	<b>'000</b>
Issued share capital as at 28 September 2020	663,021 <sup>(a)</sup>	859,201
Shares to be issued pursuant to the Proposed ESOS (and assuming full exercise of all the Options to be granted)	66,302	46,411 <sup>(b)</sup>
<b>Enlarged share capital</b>	<b>729,323</b>	<b>905,612</b>

Notes:-

- (a) Net of 30,327,291 treasury shares.
- (b) For illustration purposes, assuming the indicative subscription price of the Options for the purpose of this announcement is RM0.70 per Option.

#### 4.2 Earnings

The Proposed ESOS is not expected to have an immediate impact on the earnings and earnings per share of the Group until such time when the Options are granted and exercised. Under the Malaysian Financial Reporting Standard 2 relating to Share Based Payment ("MFRS 2"), the total potential cost arising from the issuance of the Options will depend on, among others, the number of Options granted and the fair value of the Options at the grant date which is expected to vest. The charge will be recognised over the vesting period (i.e. the period when the Options are exercisable) as an expense in

the statement of comprehensive income, thereby reducing the earnings of the Group. The fair value of the Options will be considered using a valuation model to be determined by the Board and would be dependent on factors such as the volatility of the Shares, the Subscription Price and the Option period. As such, the potential effect of the recognition of the said cost on the consolidated earnings per share of the Company cannot be determined at this juncture. However, such expense recognised does not represent a cash outflow as it is merely an accounting treatment.

The Proposed ESOS may have a dilutive effect upon the exercise of the Options granted under the Proposed ESOS and the anticipated recognition of expenses in relation to the Options to be granted under the Proposed ESOS pursuant to MFRS 2. Nevertheless, the Board has taken 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 Options on the earnings of the Group.

As the proceeds arising from the exercise of the Options will be utilised for the Group's working capital and/or finance costs, the Proposed ESOS is expected to contribute positively to the future earnings of the Insas Group.

#### **4.3 Net asset and gearing**

The Proposed ESOS will not have any immediate effect on the consolidated net asset and gearing of the Company, until such time when the Options are exercised. Whilst the granting of the Options under the Proposed ESOS is expected to result in the recognition of a charge to the statement of comprehensive income of the Group pursuant to MFRS 2, the recognition of such MFRS 2 charge would not have any material impact on the net asset of the Group as the corresponding amount will be classified as an equity reserve, which forms part of the shareholders' equity. In the event none of the Options granted are exercised within the duration of the Proposed ESOS, the amount outstanding in the said equity reserve would be transferred into the Company's retained earnings. On the other hand, if the Options are exercised, the amount outstanding in the said equity reserve would be transferred into the Company's share capital account.

The effect on the consolidated net asset per Share of the Company may increase or decrease depending on the subscription price of the Options, which is to be determined at the time an offer is granted and the number of new Insas Shares issued upon the exercise of such Options and the potential financial impact arising from the recognition of an expense upon granting of such Options pursuant to MFRS 2.

#### **4.4 Substantial shareholders' shareholdings**

The Proposed ESOS will not have any immediate effect on the substantial shareholders' shareholdings in the Company until such time when the Options granted under the Proposed ESOS are exercised.

The substantial shareholders and persons connected to them (who are also Directors of Insas and/or some subsidiaries of Insas) namely, Dato' Sri Thong Kok Khee, Datin Sri Yeoh Kwee See, Thong Mei Chuen, Thong Weng Sheng, Dato' Thong Kok Yoon and Datin Tan Few Teng are eligible to participate in the Proposed ESOS. As such, their shareholdings in the Company will increase if they exercise the Options that may be granted to them. However, the substantial shareholders and persons connected to them (who are also Directors of Insas and/or some subsidiaries of Insas) take cognisance that in the event that they exercise their Options, such that their shareholdings in Insas increase to more than 33%, whether on an individual or collective basis, the substantial shareholders and/or any of their related parties are obliged to undertake a mandatory offer for all the remaining Insas Shares not already held by them after the exercise of the Options.

#### 4.5 Convertible Securities

Save for the warrants to be issued pursuant to the proposed rights issue of redeemable preference shares with warrants which was announced on 9 July 2020 ("**Proposed Rights Issue with Warrants**"), the Company does not have any outstanding convertible securities as at the date of this announcement.

#### 5. APPROVALS REQUIRED

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

- (i) Bursa Securities for the listing of and quotation for the new Insas Shares to be issued arising from the exercise of the Options;
- (ii) the shareholders of Insas for the Proposed ESOS; and
- (v) other relevant authorities, if required

The Proposed ESOS is not conditional upon the Proposed Rights Issue with Warrants.

The Proposed ESOS is not conditional upon the proposed amendments to the Constitution ("**Proposed Amendments**") in relation to the Proposed Rights Issue with Warrants.

#### 6. DIRECTORS', MAJOR SHAREHOLDERS', CHIEF EXECUTIVE OFFICER'S AND PERSONS CONNECTED'S INTERESTS

All the Directors (including the Chief Executive Officer) of Insas are eligible to participate in the Proposed ESOS and are therefore deemed interested in the Proposed ESOS to the extent of their respective allocations under the Proposed ESOS ("**Interested Directors**"). Accordingly, the Interested Directors have declared their interests with respect to the Proposed ESOS and their respective allocations under the Proposed ESOS. They have deliberated and voted on the Proposed ESOS as a whole at the relevant Board meetings.

The major shareholders of Insas, namely Dato' Sri Thong Kok Khee and Dato' Thong Kok Yoon ("**Interested Major Shareholders**") and persons connected to them, namely Datin Sri Yeoh Kwee See, Thong Mei Chuen, Thong Weng Sheng and Datin Tan Few Teng ("**Interested Persons Connected**") are Directors of the Insas Group and are eligible to participate in the Proposed ESOS to the extent of their respective allocations under the Proposed ESOS.

Accordingly, the Interested Directors, Interested Major Shareholders and Interested Persons Connected will abstain from voting in respect of their direct and/or indirect shareholdings in the Company on the resolution pertaining to their respective allocations under the Proposed ESOS at the general meeting of Insas. In addition, the Interested Directors, Interested Major Shareholders and Interested Persons Connected will ensure that persons connected with them, if any, will abstain from voting in respect of the connected persons' direct and/or indirect shareholdings in the Company, on the resolutions pertaining to the respective allocations of the Interested Directors, Interested Major Shareholders and Interested Persons Connected under the Proposed ESOS at the general meeting of Insas.

**7. DIRECTORS' STATEMENT**

In view that all the Directors of Insas are interested in the Proposed ESOS, they have abstained from giving any opinion or recommendation on the Proposed ESOS and their respective allocations under the Proposed ESOS.

**8. ESTIMATED TIMEFRAME FOR SUBMISSION AND IMPLEMENTATION**

The Proposed ESOS is expected to be submitted to the relevant authorities within 2 months from the date of this announcement.

Barring unforeseen circumstances and subject to obtaining all the required approvals, the Proposed ESOS is expected to be established by the first quarter of 2021.

**9. OUTSTANDING PROPOSALS ANNOUNCED BUT PENDING IMPLEMENTATION**

Save for the Proposed Rights Issue with Warrants and Proposed Amendments, there are no other proposals which have been announced but pending implementation.

This announcement is dated 29 September 2020.