

**NEW ISSUE OF SECURITIES (CHAPTER 6 OF LISTING REQUIREMENTS) : ESOS ADVANCECON HOLDINGS BERHAD ("ADVANCECON" OR THE "COMPANY") PROPOSED ESTABLISHMENT OF AN EMPLOYEES' SHARE OPTION SCHEME OF UP TO 15% OF THE TOTAL NUMBER OF ISSUED SHARES OF ADVANCECON (EXCLUDING TREASURY SHARES, IF ANY) AT ANY POINT IN TIME ("PROPOSED ESOS")**

**ADVANCECON HOLDINGS BERHAD**

<b>Type</b>	Announcement
<b>Subject</b>	NEW ISSUE OF SECURITIES (CHAPTER 6 OF LISTING REQUIREMENTS) ESOS
<b>Description</b>	ADVANCECON HOLDINGS BERHAD ("ADVANCECON" OR THE "COMPANY")  PROPOSED ESTABLISHMENT OF AN EMPLOYEES' SHARE OPTION SCHEME OF UP TO 15% OF THE TOTAL NUMBER OF ISSUED SHARES OF ADVANCECON (EXCLUDING TREASURY SHARES, IF ANY) AT ANY POINT IN TIME ("PROPOSED ESOS")

On behalf of the Board of Directors of Advancecon, UOB Kay Hian Securities (M) Sdn Bhd wishes to announce that the Company proposes to establish an employees' share option scheme of up to 15% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point in time.

Further details of the Proposed ESOS are set out in the attachment enclosed.

**This announcement is dated 13 November 2017.**

Please refer attachment below.

<b>Attachments</b>
Advancecon_Proposed ESOS (Announcement).pdf 47.8 kB

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<b>Announcement Info</b>	
<b>Company Name</b>	ADVANCECON HOLDINGS BERHAD
<b>Stock Name</b>	ADVCON
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<b>Category</b>	General Announcement for PLC
<b>Reference Number</b>	GA1-13112017-00054

**ADVANCECON HOLDINGS BERHAD ("ADVANCECON" OR THE "COMPANY")**

**PROPOSED ESTABLISHMENT OF AN EMPLOYEES' SHARE OPTION SCHEME OF UP TO 15% OF THE TOTAL NUMBER OF ISSUED SHARES OF ADVANCECON (EXCLUDING TREASURY SHARES, IF ANY) AT ANY POINT IN TIME ("PROPOSED ESOS")**

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**1. INTRODUCTION**

On behalf of the Board of Directors of Advancecon ("Board"), UOB Kay Hian Securities (M) Sdn Bhd ("UOBKH") wishes to announce that the Company proposes to establish an employees' share option scheme ("ESOS") of up to 15% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point in time.

Further details on the Proposed ESOS are set out in the ensuing sections.

**2. DETAILS OF THE PROPOSED ESOS**

The Proposed ESOS involves the granting of ESOS options to the employees and executive Directors of Advancecon and its subsidiary companies ("Advancecon Group" or the "Group"), which are not dormant, who meet the criteria of eligibility for participation in the Proposed ESOS as set out in the by-laws of the Proposed ESOS ("By-Laws") ("Eligible Person(s)") to subscribe for new ordinary shares in Advancecon ("Advancecon Share(s)" or "Share(s)") at specified prices to be determined in the manner set out in Section 2.5 of this announcement ("ESOS Option(s)" or "Option(s)"). For the avoidance of doubt, the ESOS options will not be granted to the non-executive Directors of the Company.

The Proposed ESOS will be administered by a committee to be appointed and duly authorised by the Board ("ESOS Committee") and shall be governed by the By-Laws.

The salient features of the Proposed ESOS are set out below:-

**2.1 Maximum number of Advancecon Shares available under the Proposed ESOS**

The maximum number of new Advancecon 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) or any limit prescribed by any guidelines, rules and regulations of the relevant authorities, at any point in time throughout the duration of the ESOS as set out in Section 2.4 of this announcement.

**2.2 Basis of allotment and maximum allowable allotment**

The maximum number of new Advancecon Shares that may be offered to an Eligible Person under the Proposed ESOS shall be determined at the discretion of the ESOS Committee after taking into consideration, amongst others and where relevant, the performance, contribution, employment grade, seniority and/ or length of service of the Eligible Person and shall be subject to the following:-

- i. The executive Directors and senior management of the Group (excluding dormant subsidiaries) do not participate in the deliberation or discussion of their own allocation of ESOS Options; and
- ii. The allocation to an Eligible Person, who either singly or collectively, through persons connected to the Eligible Person, holds 20% or more of the total number of issued shares of Advancecon (excluding treasury shares, if any), must not exceed 10% of the total number of new Advancecon Shares to be issued under the Proposed ESOS.

### **2.3 Eligibility**

Only Eligible Persons of the Group (excluding dormant subsidiaries), who meet the criteria of eligibility for participation in the Proposed ESOS as set out in the By-Laws are eligible to participate.

In the case of an executive Director or a chief executive or a major shareholder of Advancecon and/ or persons connected to them who is an Eligible Person, their specific allotments under the Proposed ESOS shall be approved by the shareholders of Advancecon in a general meeting.

As set out in Section 2 of this announcement, the non-executive Directors of the Company shall not be entitled to participate in the Proposed ESOS.

### **2.4 Duration**

The Proposed ESOS, when implemented, shall be in force for a period of five (5) years from the effective date of implementation of the Proposed ESOS ("Effective Date").

On or before the expiry of the above initial five (5)-year period, the Proposed ESOS may be extended by the ESOS Committee at its absolute discretion, without having to obtain approval from the Company's shareholders in general meeting, for a further period of up to five (5) years immediately from the expiry of the first five (5) years, but will not in aggregate exceed ten (10) years from the Effective Date or such longer period as may be allowed by the relevant authorities.

### **2.5 Basis of determining the subscription price**

Subject to any adjustments made under the By-laws and pursuant to the Listing Requirements, the subscription price shall be based on the five (5)-day weighted average market price of the Advancecon Shares immediately preceding the date on which an offer is made by the ESOS Committee in writing ("Date of Offer"), with a discount of not more than 10% or such other percentage of discount as may be permitted by Bursa Securities and/ or any other relevant authorities from time to time during the duration of the ESOS, at the ESOS Committee's discretion.

### **2.6 Ranking of the ESOS Options and new Advancecon Shares to be issued arising from the exercise of the ESOS Options**

The Eligible Persons who have accepted the offer ("Grantee(s)") will not be entitled to any voting right or participation in any form of distribution and/ or offer of further securities in the Company until and unless such Grantees exercise their ESOS Options into new Advancecon Shares.

The new Advancecon Shares to be issued arising from the exercise of the ESOS Options shall, upon allotment and issuance, rank *pari passu* in all respects with the existing issued Advancecon Shares, except that the new Advancecon Shares will not be entitled to any dividends, rights, allotment and/ or other forms of distribution ("Distribution") that may be declared, made or paid to shareholders, for which the entitlement date for the Distribution precedes the date of allotment and issuance of the new Advancecon Shares. The new Advancecon Shares will be subject to all provisions of the Memorandum and Articles of Association or Constitution of Advancecon relating to transfer, transmission or otherwise.

## **2.7 Holding of Advancecon Shares**

The new Advancecon Shares to be allotted and issued to the Grantees pursuant to the exercise of the ESOS Options will not be subject to any holding period or restriction on transfer, disposal and/ or assignment.

## **2.8 Listing of and quotation for the new Advancecon Shares to be issued arising from the exercise of the ESOS Options**

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

## **3. UTILISATION OF PROCEEDS**

The actual amount of proceeds to be raised from the Proposed ESOS will depend on the number of ESOS Options granted and exercised at the relevant point of time and the subscription price payable upon the exercise of the ESOS Options.

The proceeds arising from the exercise of the ESOS Options will be utilised for the working capital requirements of the Advancecon Group, as and when received, within the tenure of the ESOS. As such, the exact timeframe for utilisation of the proceeds cannot be determined at this juncture.

The proceeds for working capital will be utilised to finance the Group's operational expenses which may include, but not limited to, staff costs, payment to trade creditors and general expenses. Notwithstanding the foregoing, the detailed allocation to each component of the working capital cannot be determined at this juncture as there is no certainty in the timing and amount to be raised from the exercise of the ESOS Options.

## **4. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED ESOS**

The implementation of the Proposed ESOS primarily serves to align the interests of the Eligible Persons to the corporate goals of Advancecon Group. The Proposed ESOS will provide the Eligible Persons with an opportunity to have equity participation in the Company and help achieve the positive objectives as set out below:-

- i. To recognise the contribution of the Eligible Persons whose services are valued and considered vital to the operations and continued growth of Advancecon Group;
- ii. 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 Advancecon Shares, upon exercising of the ESOS Options;
- iii. To motivate the Eligible Persons towards improved performance through greater productivity and loyalty; and
- iv. To inculcate a greater sense of belonging and dedication as the Eligible Persons are given the opportunity to participate directly in the equity of the Company.

## 5. EFFECTS OF THE PROPOSED ESOS

The effects of the Proposed ESOS are set out below:-

### 5.1 Issued share capital

The Proposed ESOS is not expected to have an immediate effect on the existing issued share capital of the Company until such time when the ESOS Options to be granted under the Proposed ESOS are exercised. The issued share capital of the Company will increase progressively depending on the number of new Advancecon Shares to be issued arising from the exercise of the ESOS Options that may be granted under the Proposed ESOS.

For illustrative purpose, the pro forma effects of the Proposed ESOS on the issued share capital of the Company, based on the assumption that the number of ESOS Options granted amounts to 15% of the total number of issued shares of Advancecon as at 2 November 2017, are set out below:-

	No. of Shares	RM
Issued share capital as at 2 November 2017	402,079,000	87,907,900
Shares to be issued assuming full exercise of the ESOS Options granted	60,311,850 <sup>*1</sup>	63,930,561 <sup>*2</sup>
<b>Enlarged issued share capital</b>	<b>462,390,850</b>	<b>151,838,461</b>

#### Notes:-

<sup>\*1</sup> For the avoidance of doubt, the maximum number of new Advancecon 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 at any point in time during the tenure of the Proposed ESOS

<sup>\*2</sup> Purely for illustrative purpose only, calculated based on RM1.06, being approximately 9.40% discount to the five (5)-day volume weighted average market price of Advancecon Shares up to and including 2 November 2017 of RM1.17 per Advancecon Share

### 5.2 Net assets ("NA") per Share and gearing

The Proposed ESOS is not expected to have an immediate effect on the NA per Share and gearing of the Group until such time when the ESOS Options to be granted under the Proposed ESOS are exercised. The effects on the NA per Share and gearing of the Group will depend on, amongst others, the subscription price of the ESOS Options, the number of new Advancecon Shares to be issued upon the exercise of the ESOS Options and the potential effect on the future earnings of the Group arising from the adoption of the Malaysia Financial Reporting Standards ("MFRS") 2 on share-based payment.

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

- i. Increase if the exercise price of the ESOS Options is higher than the NA per Share of the Group; or
- ii. Decrease if the exercise price of the ESOS Options is lower than the NA per Share of the Group,

at such point of exercise of the ESOS Options.

### **5.3 Earnings and earnings per Share ("EPS")**

The Proposed ESOS may have an effect on the earnings of the Group for the financial year ending 31 December 2017 and up to ten (10) years due to the possible impact of the MFRS 2 on share-based payment. However, any potential effect on the EPS of Advancecon Group in the future would depend on the number of ESOS Options granted and exercised, and the subscription price payable upon the exercise of the ESOS Options, as well as the impact of the MFRS 2 on share-based payment.

Under the MFRS 2 on share-based payment, the cost arising from the issuance of the ESOS Options is measured by the fair value of the ESOS Options, which is expected to vest at each Date of Offer and is recognised in the statement of comprehensive income, thereby reducing the earnings of Advancecon Group. The fair value of the ESOS Options is determined after taking into consideration, amongst others, the historical volatility of Advancecon Shares, the risk-free rate, the subscription price of the ESOS Options and time to maturity of the ESOS Options from the vesting date of the ESOS Options. Hence, the potential effect on the EPS of Advancecon Group, as a consequence of the recognition of the said cost, cannot be determined at this juncture.

Nevertheless, the Company has taken note of the potential impact of the MFRS 2 on Advancecon Group's future earnings and shall take into consideration such impact on the allocation and granting of ESOS Options to the Eligible Persons.

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#### 5.4 Substantial shareholders' shareholdings

The Proposed ESOS is not expected to have an immediate effect on the substantial shareholders' shareholdings in Advancecon until such time when the ESOS Options to be granted under the Proposed ESOS are exercised. Any potential effect on the substantial shareholdings in Advancecon will depend on the number of ESOS Options granted and new Advancecon Shares to be issued arising from the exercise of the ESOS Options at any point in time.

Substantial shareholders	Shareholdings as at 2 November 2017		Assuming the Maximum Shares are fully granted and vested under the Proposed ESOS by issuance of new Advancecon Shares <sup>1</sup>	
	Direct	Indirect	Direct	Indirect
	No. of Shares	%	No. of Shares	%
Dato' Phum Ang Kia	95,563,750	23.77	-	-
Lim Swee Chai	51,488,250	12.81	51,488,250	11.14
Pham Soon Kok	29,350,250	7.30	29,350,250	6.35

Note:-

<sup>1</sup> For clarification, the pro forma effects above have not taken into consideration any ESOS Options that may be granted to Dato' Phum Ang Kia and Lim Swee Chai, who are also the Eligible Persons for the Proposed ESOS. In addition, Pham Soon Kok will not be granted any ESOS Options as he is not an employee of Advancecon. The illustration above is set out purely to show the dilution effects of the Proposed ESOS on the substantial shareholders' shareholdings based on the enlarged share capital of Advancecon pursuant to the Proposed ESOS

## **5.5 Convertible securities**

As at the date of this announcement, the Company does not have any existing convertible securities.

## **6. 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 Advancecon Shares to be issued arising from the exercise of the ESOS Options on the Main Market of Bursa Securities;
- ii. The shareholders of Advancecon, at an extraordinary general meeting ("EGM") of the Company to be convened; and
- iii. Any other relevant authorities and/ or approvals, if necessary.

The Proposed ESOS is not conditional upon any other proposals undertaken or to be undertaken by the Company.

## **7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED TO THEM**

All the executive Directors of Advancecon, namely Dato' Phum Ang Kia, Lim Swee Chai, Ir. Yeo An Thai and Tung Kai Hung, are eligible to participate in the Proposed ESOS, and are therefore deemed interested to the extent of their respective allocations under the Proposed ESOS. Accordingly, the executive Directors of Advancecon have abstained and will continue to abstain from deliberating, expressing an opinion and making any recommendations at all relevant Board meetings in relation to their respective allocations as well as allocations to persons connected to them, if any, under the Proposed ESOS. The executive Directors of Advancecon will also abstain from voting in respect of their direct and/ or indirect shareholdings, if any, at the forthcoming EGM of the Company on the ordinary resolutions to be tabled for their respective proposed allocation, if any, as well as the proposed allocations to the persons connected to them, if any. The executive Directors of Advancecon 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 and the proposed allocations to the persons connected to them to be tabled at an EGM of the Company to be convened.

The major shareholders of Advancecon, namely Dato' Phum Ang Kia and Lim Swee Chai, who are also the Eligible Persons under the Proposed ESOS ("Interested Major Shareholders") will abstain from voting in respect of their direct and/ or indirect shareholdings in the Company on the ordinary resolutions pertaining to the proposed allocation to themselves, as well as the proposed allocations to the persons connected to them under the Proposed ESOS, if any, to be tabled at an EGM of the Company to be convened. The Interested Major Shareholders will also undertake to ensure that persons connected to them, if any, will abstain from voting in respect of their direct and/ or indirect shareholdings in the Company on the ordinary resolutions pertaining to the proposed allocation to the Interested Major Shareholders and the proposed allocations to the persons connected to them under the Proposed ESOS, if any, to be tabled at an EGM of the Company to be convened.

Further details on the direct and indirect interests of the executive Directors of Advancecon, Interested Major Shareholders and/ or persons connected to them, if any, will be disclosed in the circular to shareholders in relation to the Proposed ESOS in due course.



**8. DIRECTORS' STATEMENT**

The Board, having considered all aspects of the Proposed ESOS such as the rationale and the effects of the Proposed ESOS, is of the opinion that the Proposed ESOS is in the best interest of the Group.

Accordingly, the Board recommends that the shareholders of Advancecon vote in favour of the resolution pertaining to the Proposed ESOS at the forthcoming EGM of the Company to be convened.

However, in view that all the executive Directors of Advancecon, namely Dato' Phum Ang Kia, Lim Swee Chai, Ir. Yeo An Thai and Tung Kai Hung, are eligible to participate in the Proposed ESOS, they have abstained from deliberating and making any recommendations at all relevant Board meetings in relation to their respective allocations as well as allocations to persons connected to them, if any, under the Proposed ESOS. They will also abstain and ensure that persons connected to them, if any, from voting in respect of their direct and/or indirect interests in Advancecon, on the resolutions pertaining to their respective allocations as well as allocations to persons connected to them, if any, under the Proposed ESOS at the forthcoming EGM of the Company to be convened.

**9. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances, the Proposed ESOS is expected to be implemented by the first quarter of 2018.

**10. APPLICATION TO THE AUTHORITIES**

The application to the relevant authorities for the Proposed ESOS shall be submitted within two (2) months from the date of this announcement.

**11. ADVISER**

UOBKH has been appointed as the Adviser for the Proposed ESOS.

**This announcement is dated 13 November 2017.**