

IOI CORPORATION BERHAD (“IOIC” OR THE “COMPANY”)

- PROPOSED ESOS

1. INTRODUCTION

On behalf of the Board of Directors of IOIC (“**Board**”), AmInvestment Bank Berhad (“**AmInvestment Bank**”) wishes to announce that the Company proposes to establish an executive share option scheme (“**ESOS**”) of up to ten percent (10%) of the issued and paid-up share capital of IOIC (“**Proposed ESOS**” or the “**Scheme**”), after the expiration of the Company’s existing executive share option scheme in November 2015.

Details of the Proposed ESOS are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED ESOS

The Company proposes to establish and implement the Scheme which will be valid for a duration of five (5) years. The Proposed ESOS will involve granting of options (“**ESOS Options**”) to the eligible employees and directors of IOIC and its subsidiaries which are incorporated and existing in Malaysia and are not dormant (“**IOIC Group**” or “**Group**”), who meet the eligibility criteria to participate in the Scheme (“**Eligible Person(s)**”), to subscribe for new ordinary shares of RM0.10 each in IOIC (“**IOIC Shares**” or “**Shares**”) at a pre-determined price (“**Exercise Price**”), in accordance with the by-laws governing the Scheme (“**By-Laws**”).

The Scheme will be administered by a committee duly appointed and authorised by the Board (“**ESOS Committee**”), which will have the absolute discretion in administering the Scheme including prescribing the financial and performance targets / criteria and such other conditions as it may deem fit. Any liberty, power or discretion which may be exercised or any decision or determination which may be made by the ESOS Committee (including any selection) may be exercised in the ESOS Committee’s sole and absolute discretion in accordance with the terms of reference of which the Board may establish to regulate and govern the ESOS Committee’s functions and responsibilities under the By-Laws.

The Proposed ESOS is targeted to be offered to the employees (under the grade of M1 and above) and all executive directors of the IOIC Group who are involved in the management of the Group (“**Executive Directors**”) in recognition of their accumulated contributions to the operations and continued growth of the Group. The Proposed ESOS is also intended to align the interests of the management and Executive Directors of the Group to drive long term financial performance and shareholders’ value enhancement.

The salient terms of the Proposed ESOS are as follows:-

2.1 Maximum number of new Shares available under the Scheme

The maximum number of the new IOIC Shares which may be issued and allotted under the Scheme shall not, at any point in time during the duration of the Scheme, exceed ten percent (10%) of the issued and paid-up ordinary share capital of the Company (excluding treasury shares).

The Company shall ensure that there are sufficient authorised and unissued IOIC Shares in the capital of the Company to satisfy all the outstanding ESOS Options granted under the Scheme throughout the duration of the Scheme.

2.2 Basis of allotment and maximum entitlement

Subject to any adjustments which may be made under the By-Laws, the maximum number of new IOIC Shares that may be offered and allotted to an Eligible Person shall be determined at the discretion of the ESOS Committee after taking into consideration amongst others, the Eligible Person's position, performance, length of service and seniority in IOIC Group respectively, or such other matters that the ESOS Committee may in its discretion deem fit subject to the following conditions:-

- (i) the Eligible Person(s) do not participate in the deliberation or discussion in respect of their own allocation; and
- (ii) the number of new IOIC Shares to be issued pursuant to the Scheme to any Eligible Person who, either singly or collectively through persons connected with him/her, holds twenty percent (20%) or more of the issued and paid-up capital of the Company (excluding treasury shares), does not exceed ten percent (10%) of the total number of new IOIC Shares to be issued pursuant to the Scheme.

For information purpose, unless the context otherwise requires, "persons connected with an Eligible Person" or "persons connected with a director" shall have the meaning given in relation to persons connected with a director or major shareholder as defined in Paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**").

2.3 Eligibility

An employee of the Group shall be able to participate in the Scheme, if, as at the date on which an offer of ESOS Options is made by the ESOS Committee ("**Offer**"):-

- (i) he/she has attained at least 18 years of age;
- (ii) he/she falls under the grade of M1 and above;
- (iii) is confirmed in writing as a full time employee and/or has been in the employment of IOIC Group (excluding subsidiaries which are dormant and/or incorporated outside Malaysia) for a period of at least three (3) years of continuous service prior to and up to the date of Offer, including service during the probation period; and
- (iv) he/she fulfils any other criteria and/or falls within such category as may be determined by the ESOS Committee from time to time.

Any director of the Group shall be able to participate in the Scheme, if, as at the date of Offer:-

- (i) he/she has attained at least 18 years of age;
- (ii) he/she is an Executive Director who has been involved in the management of the Group (excluding subsidiaries which are dormant and/or incorporated outside Malaysia) for a period of at least three (3) years of continuous service prior to and up to the date of Offer;
- (iii) the specific allocation of the new IOIC Shares to such Executive Director under the Scheme must have been approved by the shareholders of IOIC at a general meeting and he/she is not prohibited or disallowed by the relevant authorities or laws from participating in the Scheme; and

- (iv) he/she fulfils any other criteria and/or falls within such category as may be determined by the ESOS Committee from time to time.

The ESOS Committee may from time to time at its absolute discretion select and identify any suitable Eligible Person to be offered the ESOS Options. In the event that any Eligible Person is a member of the ESOS Committee, such Eligible Person shall not participate in the deliberation or discussion of his/her own allocation of ESOS Options.

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

2.4 Duration of the Scheme

The Proposed ESOS shall be in force for a duration of five (5) years from the effective date of the implementation of the Scheme, being the date of full compliance with all the relevant requirements of the Listing Requirements in relation to the Proposed ESOS.

Upon the expiry of the Scheme, any ESOS Options which have yet to be exercised or vested (as the case may be and whether fully or partially) shall be deemed cancelled and be null and void.

2.5 Exercise Price

Subject to any adjustments made in accordance with the provisions of the By-Laws, the Exercise Price at which the Eligible Persons are entitled to subscribe for new IOIC Shares shall be based on the higher of the following:-

- (a) the five (5)-day volume weighted average market price (“**VWAP**”) of IOIC Shares, as quoted on Bursa Securities, 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; or
- (b) the par value of IOIC Shares of RM0.10 each, provided however that this provision shall cease to apply if due to a change in law, no par value is legally required to be ascribed to the share capital of the Company under the applicable law then in effect.

The Exercise Price as determined by the ESOS Committee shall be conclusive and binding on the grantees and shall be subject to any adjustments in accordance with the By-Laws for the Scheme, where applicable.

2.6 Ranking of the new IOIC Shares

The new IOIC Shares to be allotted and issued upon any exercise of the ESOS Options shall upon allotment and issue, rank *pari passu* in all respects with the then existing issued and paid-up IOIC Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distributions that may be declared, made or paid on or prior to the date of allotment of such IOIC Shares.

2.7 Utilisation of proceeds

The proceeds to be received by IOIC pursuant to the exercise of ESOS Options will depend on, *inter-alia*, the number of ESOS Options granted and exercised at the relevant point in time and the Exercise Price, which are not determinable at this juncture. Any proceeds from the exercise of ESOS Options are expected to be used for working capital requirements of the Group.

2.8 Retention period

The new IOIC Shares to be allotted and issued pursuant to the exercise of the ESOS Options under the Scheme will not be subject to any retention period or restriction on transfers.

3. RATIONALE FOR THE PROPOSED ESOS

The Proposed ESOS is designed to:-

- (i) drive and motivate the Eligible Persons to work towards achieving the Group's goals and objectives;
- (ii) reward the Eligible Persons in recognition of their accumulated contributions to the operations and continued growth of the Group;
- (iii) retain the Eligible Persons by giving the Eligible Persons a sense of ownership, loyalty and belonging to the Group by enabling them to participate directly in the equity of the Company and thereby provides an incentive for the Eligible Persons to participate in the future growth of the Group and motivate them towards better performance through greater productivity and loyalty;
- (iv) align the interests of the management and Executive Directors of the Group to drive long term financial performance and shareholders' value enhancement via direct participation in the equity of the Company; and
- (v) attract and retain high-calibre Eligible Persons.

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4. FINANCIAL EFFECTS OF THE PROPOSED ESOS

4.1 Share capital

The proforma effects of the Proposed ESOS on the issued and paid-up share capital of the Company are shown based on the following scenarios:-

Minimum Scenario : Assuming none of the treasury shares are resold, no further treasury shares are accumulated and none of the outstanding options under the Company's existing executive share options scheme ("**2005 ESOS**") as at 4 September 2015, being the latest practicable date prior to the date of this announcement ("**LPD**") are exercised.

Maximum Scenario : Assuming none of the treasury shares are resold, no further treasury shares are accumulated and 15,277,600 outstanding options under the 2005 ESOS as at the LPD are exercised into 15,277,600 Shares.

	Par Value (RM)	Minimum Scenario		Maximum Scenario	
		No. of IOIC Shares	RM	No. of IOIC Shares	RM
<u>Issued and paid-up share capital</u>					
Issued and paid-up share capital as at the LPD	0.10	6,459,921,395	645,992,140	6,475,198,995	647,519,900
Less: Treasury shares	0.10	(157,361,900)	(15,736,190)	(157,361,900)	(15,736,190)
		6,302,559,495	630,255,950	6,317,837,095	631,783,710
To be issued assuming full exercise of the ESOS Options	0.10	630,255,949	63,025,595	631,783,709	63,178,371
Enlarged issued and paid-up share capital	0.10	6,932,815,444	693,281,545	6,949,620,804	694,962,081

4.2 Substantial shareholders' shareholdings

The Proposed ESOS is not expected to have any immediate effect on the shareholdings of the substantial shareholders of the Company until and unless new IOIC Shares are issued pursuant to the exercise of the ESOS Options granted and vested under the Scheme. Any potential effect on the substantial shareholders' shareholdings in IOIC would depend on the number of new IOIC Shares to be issued at the relevant point in time.

4.3 Earnings and earnings per share ("EPS")

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. Any potential effect on the consolidated EPS of the Group in the future will depend upon, *inter-alia*, the number of ESOS Options granted and exercised, the Exercise Price and the non-cash expense arising from the granting of the ESOS Options under MFRS 2 "Share-Based Payment" issued by the Malaysian Accounting Standards Board ("**MFRS 2**").

The quantum of such impact cannot be determined at this juncture as it is dependent on the factors mentioned above. The Board has taken note of the potential impact of MFRS 2 on the earnings of the Group and shall take proactive measures to manage the earnings impact in the allocation and granting of the ESOS Options to the Eligible Persons.

4.4 Net assets ("NA") and gearing

The Proposed ESOS is not expected to have an immediate effect on the consolidated NA per share and gearing of the Group until such time when the ESOS Options are exercised. Any potential effects on the consolidated NA per share and gearing of the Group will depend on the number of new IOIC Shares to be issued upon exercise of the ESOS Options and the Exercise Price.

In any event, the consolidated NA per share will increase if the Exercise Price exceeds the consolidated NA per share at the point of exercise and conversely, will decrease if the Exercise Price is less than the consolidated NA per Share at the point of exercise.

4.5 Convertible securities

Save for the outstanding options under the 2005 ESOS, IOIC does not have any existing and outstanding convertible securities as at the LPD.

5. APPROVALS REQUIRED

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

- (i) the approval of Bursa Securities for the listing of and quotation for the new IOIC Shares to be issued pursuant to the exercise of the ESOS Options on the Main Market of Bursa Securities;
- (ii) the approval of shareholders of IOIC at an extraordinary general meeting ("**EGM**") to be convened for the Proposed ESOS; and
- (iii) any other relevant authorities and/or parties, if required.

The Proposed ESOS is not conditional or inter-conditional upon any other corporate exercise/scheme of the Company.

6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Tan Sri Dato' Lee Shin Cheng ("**TSDLSC**") is the Executive Chairman and major shareholder of IOIC, holding 1.06% direct and 46.82% indirect interest in IOIC as at the LPD through IOIC Shares held in Vertical Capacity Sdn Bhd ("**VCSB**") as well as shares held by Dato' Lee Yeow Chor ("**DLYC**") and Lee Yeow Seng ("**LYS**"). TSDLSC, DLYC and LYS are major shareholders of Progressive Holdings Sdn Bhd which in turn holds 100% interest in VCSB.

TSDLSC, DLYC and Lee Cheng Leang ("**LCL**") are deemed interested in the Proposed ESOS by virtue of their eligibility for the ESOS Options in their capacity as Executive Directors of IOIC and/or the eligibility of persons connected to them for ESOS Options and in respect of their specific allocation and the specific allocations to persons connected to them. LYS is similarly deemed interested in the Proposed ESOS by virtue of the eligibility of TSDLSC and DLYC, who are persons connected with LYS, for the ESOS Options and the eligibility of other persons connected to him for the ESOS Options and the specific allocations to such persons. TSDLSC, DLYC, LYS and LCL are collectively referred to as the "**Interested Directors**".

Accordingly, the Interested Directors have abstained and will continue to abstain from all deliberations and voting in respect of any specific allocation of ESOS Options to themselves respectively as well as the specific allocations to any persons connected with them (where applicable) at the relevant Board meetings of the Company.

In addition, the Interested Directors will continue to abstain from voting in respect of their direct and/or indirect shareholdings in IOIC, on the resolutions pertaining to their respective specific allocations of ESOS Options as well as the specific allocations to any persons connected with them (where applicable) under the Proposed ESOS at an EGM to be convened.

Further, the Interested Directors have also undertaken that they shall ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings (if any) in IOIC on the resolutions pertaining to any specific allocations of ESOS Options to themselves respectively as well as the specific allocations to any persons connected with them under the Proposed ESOS at an EGM to be convened.

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

7. BOARD OF DIRECTORS' STATEMENT

After having considered all aspects of the Proposed ESOS (including but not limited to the rationale and effects of the Proposed ESOS), the Board is of the opinion that the Proposed ESOS is in the best interests of the Company (except that the Interested Directors have abstained from expressing any opinion in respect of their specific allocations and specific allocations to persons connected with them (where applicable) under the Proposed ESOS is concerned).

8. APPLICATION TO THE RELEVANT AUTHORITIES

Application(s) to the relevant authorities are expected to be submitted within one (1) month from the date of this announcement.

9. ADVISER

AmInvestment Bank has been appointed as the Adviser for the Proposed ESOS.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstance, the Board expects the Proposed ESOS to be implemented by the first (1st) quarter of calendar year 2016.

This announcement is dated 17 September 2015.