

PROPOSED ESTABLISHMENT OF AN EMPLOYEES’ SHARE OPTION SCHEME OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF GAMUDA (EXCLUDING TREASURY SHARES, IF ANY)

1. INTRODUCTION

On behalf of the Board of Directors of Gamuda (“**Board**”), Hong Leong Investment Bank Berhad (“**HLIB**”) wishes to announce that the Company proposes to establish an employees’ share option scheme (“**ESOS**”) of up to 10% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point in time during the duration of the ESOS (“**Proposed Scheme**”).

The Proposed Scheme will involve the granting of ESOS options (“**Options**”) to the employees and executive director(s) within Gamuda and its majority-owned subsidiaries (excluding dormant subsidiaries) (“**Group**”), who fulfil the eligibility criteria on the date on which an award of Options is made in writing by the ESOS Committee (as defined herein) (“**ESOS Offer(s)**”) at its discretion subject to the terms and conditions as set out in the by-laws of the Proposed Scheme (“**By-Laws**”) (“**Eligible Persons**”).

The Proposed Scheme will be subject to shareholder’s approval and the Company intends to seek such approval at a forthcoming Extraordinary General Meeting (“**EGM**”) to coincide with the upcoming 45th Annual General Meeting of the Company.

2. DETAILS

The Proposed Scheme serves to attract, retain, motivate, reward and align the interests of the Eligible Persons with the shareholders of the Company through the granting of Options to the Eligible Persons who meet the eligibility criteria for participation in the Proposed Scheme to subscribe for ordinary shares in the Company (“**Shares**”), in accordance with the By-Laws. Details of the eligibility criteria of the Eligible Persons are set out in **Section 2.3** of this announcement.

The Proposed Scheme will be administered in accordance with the By-Laws by a committee as shall be appointed by the Board from time to time in accordance with the By-Laws (“**ESOS Committee**”), who will be responsible for, implementing, allocating and administering the Proposed Scheme. The ESOS Committee shall comprise such number of the directors of any company in the Group and/or persons appointed/identified from time to time by the Board.

The ESOS Committee may, at any time within the duration of the Proposed Scheme, make ESOS Offer(s) to the Eligible Person(s), to subscribe for or acquire Shares at a prescribed Exercise Price (as defined herein). Upon acceptance of the ESOS Offers by the Eligible Persons (“**Grantee(s)**”), the Option is exercisable only by that Grantee during his lifetime and while he is in the employment or appointment of the Group within the exercise period. The ESOS Committee shall have full discretion to determine whether a vesting condition is necessary and applicable in relation to any ESOS Offer and whether such vesting condition has been satisfied or exceeded.

In implementing the Proposed Scheme, the ESOS Committee may in its discretion, after taking into consideration, amongst others, factors such as prevailing market price of the Shares, funding considerations and dilutive effects on the Company’s capital base, future returns and cash requirements of the Group, decide that the Shares to be awarded under the Proposed Scheme shall be satisfied by the following methods:

- (i) issuance of new Shares;
- (ii) transfer of existing Shares held in treasury;
- (iii) transfer of Shares held by any Trustee (as defined herein); and/or
- (iv) any other methods as may be permitted by the Companies Act 2016, as amended from time to time and any re-enactment thereof.

For the purposes of facilitating the implementation and administration of the Proposed Scheme, the Company and/or the ESOS Committee may establish a trust to be administered by a trustee or a trust company to be appointed by the Company from time to time (“**Trustee**”), if required, for the purposes of subscribing for new Shares and/or acquiring existing Shares and transferring them to Grantees at such times as the ESOS Committee shall direct (“**Trust**”). Such Shares to be held and dealt with by the Trustee shall include Shares held under moratorium. The Trustee if and when a Trust is established shall administer the Trust in accordance with the terms and conditions of the trust deed to be entered into between the Company and the Trustee constituting the Trust.

To enable the Trustee to subscribe for new Shares and/or acquire existing Shares for the purpose of the Proposed Scheme and to pay expenses in relation to the administration of the Trust, the Trustee will, to the extent permitted by law, be entitled from time to time to accept funding and/or assistance, financial or otherwise, from the Company and/or its subsidiaries or any third party to subscribe for Shares on behalf of Grantees and to release the relevant net gains arising from the sale of the Shares from the exercise of the Options by a Grantee (after deducting the price at which a Grantee shall be entitled to subscribe for or acquire each Share from the Company upon the exercise of the Options (“**Exercise Price**”) and the related transaction costs) to the relevant Grantee in accordance with the By-Laws.

The salient features of the Proposed Scheme are as set out below.

2.1 Maximum number of Shares available under the Proposed Scheme

The aggregate maximum number of Shares which may be made available under the Proposed Scheme and all other employee share schemes of the Company which may be in effect, if any, shall not in aggregate exceed 10% of the total number of issued Shares (excluding treasury shares, if any) at any point of time during the duration of the Proposed Scheme.

Notwithstanding the above or any other provisions contained within the By-Laws, if the maximum number of Shares comprised in the Options granted under the Proposed Scheme exceeds in aggregate 10% of the total number of issued Shares (excluding treasury shares, if any), then:

- (i) such Options granted prior to the adjustment of the total number of issued Shares (excluding treasury shares, if any), shall remain valid and exercisable in accordance with the By-Laws; and
- (ii) the ESOS Committee shall not make any further ESOS Offers until the total number of Shares comprised in the Options granted or to be granted under the Proposed Scheme falls below 10% of the total number of issued Shares (excluding treasury shares, if any).

2.2 Maximum allowable allocation of Options and basis of allocation

Subject to the By-Laws and any adjustments which may be made in accordance with the provisions therein, the aggregate maximum number of Options that may be granted to any Eligible Person (“**Maximum Allowable Allotment**”) shall be determined entirely at the discretion of the ESOS Committee and subject to, among others, the following:

- (i) non-executive directors of the Group are not eligible to receive the Options;

- (ii) allocation of Options to Executive Directors (as defined herein) in the manner as follows:

For the purpose of this announcement, the “**Executive Directors**” are defined as the executive directors of Gamuda and their respective alternate directors, who are full time employees of the Company.

Executive Directors	Designation	Allocation
YBhg Dato’ Lin Yun Ling	Group Managing Director	In aggregate, not more than 10% of the Options available under the Proposed Scheme
YBhg Dato’ Ir. Ha Tiing Tai	Deputy Group Managing Director	
Encik Mohammed Rashdan bin Mohd Yusof	Deputy Group Managing Director <i>(alternate director to YBhg Dato’ Lin Yun Ling)</i>	
Mr. Justin Chin Jing Ho	Managing Director, Gamuda Engineering Sdn Bhd <i>(alternate director to YBhg Dato’ Ir. Ha Tiing Tai)</i>	

- (iii) award of Options to each Executive Director shall commensurate relative to his executive position and role;
- (iv) no other individual employee shall receive more Options than the maximum individual allocation for the Executive Directors set out in Section 2.2(ii) above.

For information purposes, Sections 2.2(i) - (iv) adheres to Paragraph 6.37(3)(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”);

- (v) not more than 50% of the Options available under the Proposed Scheme shall be allocated in aggregate to all the directors and senior management of the companies in the Group, including the Executive Directors, who are full-time employees; and
- (vi) no Eligible Person who is also member of the ESOS Committee shall participate in the deliberation and discussion of their own respective allocations or allocations to person(s) connected to them.

Where the ESOS Committee prescribes a vesting condition in relation to an ESOS Offer, the Options or such part thereof as may be satisfied in the ESOS Offer will only vest with the Grantee on the ESOS vesting date if the vesting conditions are fully and duly satisfied, including the following:

- (a) the Grantee remains an Eligible Person and shall not have given notice of resignation or received a notice of termination as at the ESOS vesting date or has otherwise ceased or had his/her employment terminated;
- (b) the Grantee has not been adjudicated a bankrupt;
- (c) where applicable, the performance target, including the target of the Group’s financial performance and/or the Grantee’s individual performance as determined by the ESOS Committee, are fully and duly satisfied; and/or
- (d) any other conditions which are determined by the ESOS Committee.

For avoidance of doubt, the ESOS Committee may, at its discretion, determine whether granting of the ESOS Offer to any Eligible Persons will be in a single ESOS Offer or several ESOS Offers, where the vesting of Options comprised in the ESOS Offers are staggered or made in several tranches upon such terms as determined by the ESOS Committee.

2.3 Eligibility

Subject to the discretion of the ESOS Committee, only Eligible Persons are entitled to participate in the Proposed Scheme and such Eligible Persons are those who fulfil the eligibility criteria on the date on which an ESOS Offer is made in writing to such Eligible Persons (“Award Date”). The eligibility criteria to participate in the Proposed Scheme is as follows:

- (i) is at least 18 years of age and is not an undischarged bankrupt or subject to any bankruptcy proceedings;
- (ii) is employed on the Award Date and is in full time employment of any company in the Group and his/her employment has been confirmed in writing on or prior to the Award Date; and
- (iii) falls within any other eligibility criteria that may be determined by the ESOS Committee from time to time at its discretion, whose decision shall be final and binding.

2.4 ESOS Offer

Subject to the By-Laws, the number of Options which may be offered to any Eligible Person shall be at the discretion of the ESOS Committee provided that the number of Options so offered which may be exercised in respect of all or any part of the Shares shall not be:

- (i) less than 100 Shares; and
- (ii) exceed the Maximum Allowable Allotment of such Eligible Person.

No ESOS Offer shall be made to any director, chief executive or persons connected with them, or major shareholder of the Company who are Eligible Persons, unless such ESOS Offer and related allocation of Shares have been previously approved by the shareholders of Gamuda in a general meeting.

2.5 Exercise Price

The Exercise Price of each Share comprised in any Options shall be based on the volume weighted average market price of the Shares for the 5 market days immediately preceding the Award Date, without any discount being accorded.

For the avoidance of doubt, the Exercise Price is subject always to the adjustments as provided for within the By-Laws and the Listing Requirements.

2.6 Retention period and moratorium

The Shares to be allotted and issued and/or transferred to a Grantee pursuant to the exercise of an Option under the Proposed Scheme may be subject to such retention period or restriction on transfer as determined by the ESOS Committee at its discretion. The Grantees are encouraged to hold the Shares subscribed as an investment and not for any speculative purpose and/or for the realisation of any immediate gain.

2.7 Ranking of the Shares and Options

The new Shares to be allotted and issued upon the exercise of any Option(s) under the Proposed Scheme will, upon allotment and issuance, rank equally in all respects with the then existing issued Shares, except that the new Shares so allotted and issued will not be entitled to any dividend, right, allotment or other distribution, where the entitlement date precedes the date of allotment and issuance of the new Shares.

In respect of existing Shares to be transferred to the Grantees, such Shares will not be entitled to any dividend, right, allotment and/or other distributions, where the entitlement date precedes the date which the existing Shares are transferred to the Grantees.

For the avoidance of doubt, a Grantee is not entitled to any dividend, right or other entitlement on his/her unexercised Options and/or unvested Options.

2.8 Duration, termination and winding-up

The Proposed Scheme shall be in force until 31 January 2027 from the effective date of implementation (“**Effective Date**”), subject to any extension of the Proposed Scheme as provided for in the By-Laws. It is our intent for the Effective Date to be as soon as practicable, immediately after obtaining the approval of the shareholders of Gamuda.

The Board shall have the discretion, without having to obtain approval of the Company’s shareholders, to extend the duration of the Proposed Scheme provided that the initial duration and such extension of the Proposed Scheme shall not in aggregate exceed the duration of 10 years from the Effective Date. In the event the Proposed Scheme is extended in accordance with the By-Laws, 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. For the avoidance of doubt, no further approval of the shareholders of the Company in a general meeting is required for any such extension.

The Proposed Scheme may be terminated by the ESOS Committee at any time before the date of expiry provided that the Company makes an announcement immediately to Bursa Securities.

All outstanding Options shall be automatically terminated and be of no further force and effect in the event that a resolution is passed or a court order is made for the winding-up of the Company commencing from the date of such resolution or the date of the court order. In the event a petition is presented in court for the winding-up or liquidation of the Company, all rights to exercise and/or vest the Options shall automatically be suspended from the date of the presentation of the petition. Conversely, if the petition for winding-up is dismissed by the court, the right to exercise and/or vest the Options shall accordingly be unsuspending.

2.9 Listing of and quotation for the new Shares

An application will be made to Bursa Securities for the listing of and quotation for the total number of new Shares to be issued pursuant to the Proposed Scheme on the Main Market of Bursa Securities.

2.10 Alteration of share capital and adjustments

In the event of any alteration in the capital structure of the Company during the duration of the Proposed Scheme, whether by way of rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of Shares or reduction or any other alteration in the capital structure of the Company or otherwise, the Exercise Price and/or the number of unexercised Options shall be adjusted in accordance with ensuring that the Option holders are not prejudiced against, due to such alteration, as stipulated for in the By-Laws.

Save in connection with a bonus issue, subdivision or consolidation of Shares, the external auditors or Principal Adviser (acting as expert and not arbitrator) must confirm in writing that the adjustments are in their opinion fair and reasonable. The opinion of the external auditors or Principal Adviser shall be final, binding and conclusive.

3. USE OF PROCEEDS

The Company will receive proceeds pursuant to the exercise of the Options by the Eligible Persons under the Proposed Scheme. However, the actual amount of proceeds to be raised from the Proposed Scheme will depend on the Exercise Price and the number of the Options exercised at relevant points of time. As such, the amount of proceeds to be received from the exercise of the Options is not determinable at this juncture. The Company intends to use the proceeds arising from the exercise of the Options for the working capital requirements of the Group.

Pending utilisation of proceeds raised as and when the Options are exercised, the proceeds will be placed in deposits with licensed financial institutions or short-term money market instruments. The interests derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be similarly used for the working capital requirements of the Group.

4. RATIONALE

The Proposed Scheme is to achieve the following objectives:

- (i) to provide an incentive to drive and motivate the Eligible Persons towards better performance, and work towards achieving the goals and objectives of the Group in order to drive the growth of the Group;
- (ii) to align the interests of the Eligible Persons, including management personnel of the Group, with the interest of the shareholders of the Company via direct participation in the equity of the Company;
- (iii) to retain the Eligible Persons by giving them a sense of ownership, loyalty and belonging to the Group by enabling them to participate directly in the equity of the Company;
- (iv) to attract prospective employees with relevant skills and experience to the Group by making the total compensation package more competitive; and
- (v) to reward the Eligible Persons in accordance with their contributions to the operations and sustained growth and profitability of the Group.

5. EFFECTS

5.1 Issued share capital

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

Strictly for illustrative purposes only, assuming that the number of Options have been fully satisfied through the issuance of new Shares and based on the 10% limit of the Company's issued ordinary share capital as at 30 September 2021, being the latest practicable date prior to the date of this announcement ("LPD"), is fully granted, vested and such Options are fully satisfied through the issuance of new Shares, the pro forma effect of the Proposed Scheme as at the LPD is as follows:

	Illustrative Scenario	
	No. of Shares	RM
	('000)	('000)
Issued share capital as at the LPD	2,513,528	3,620,949
New Shares issued pursuant to the Proposed Scheme ⁽¹⁾⁽²⁾	251,353	766,626
Total enlarged issued share capital	2,764,881	4,387,575

Notes:

- (1) For illustrative purposes only, the Ringgit Malaysia value of the Shares issued pursuant to the Proposed Scheme is based on an assumed exercise price of RM3.05, being the 5-day volume weighted average market price of the Shares up to and including the LPD.

- (2) This scenario is illustrative only as it has not projected any increase in the share capital of the Company over the duration of the Proposed Scheme, due to possible shareholder acceptance of possible Dividend Reinvestment Schemes for interim and final dividends of the Company throughout the duration of the Proposed Scheme. The number of Options to be issued is capped at 10% of the share capital at any time throughout the duration of the Proposed Scheme, and hence the number of new Shares issued pursuant to the Proposed Scheme as shown in the illustrative scenario, could be higher due to increases in the Company's share capital.

5.2 Net assets (“NA”) and gearing

Save for the potential impact of the Malaysian Financial Reporting Standard 2 on Share Based Payment as issued by the Malaysian Accounting Standards Board (“**MFRS 2**”), the Proposed Scheme is not expected to have an immediate material effect on the consolidated NA, NA per Share and gearing of the Group until such time as the Options are exercised. The pro forma effects will depend on, among others, the number of new Shares to be issued upon the exercise of the Options and the Exercise Price of such Options.

Upon the exercise of the Options, the consolidated NA per Share is expected to:

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

at such point of exercise.

5.3 Earnings and earnings per Share (“EPS”)

The extent of the effect of the Proposed Scheme on the Group's earnings and EPS cannot be determined at this juncture as it would depend on the fair value of the Options measured at grant date and in accordance to the MFRS 2 which will include, among others, the number of Options and/or Shares comprised in the Options that are expected to become exercisable and other various factors.

In accordance with the MFRS 2, the potential cost of awarding the Options will need to be measured at fair value on the grant date and recognised as an employee benefit expense over the vesting period of such Options and subject to fulfilment of relevant vesting conditions, which may have an effect on the future earnings of the Group.

It should be noted that the estimated cost under MFRS 2 does not represent a cash outflow and is merely a corresponding increase in the share options reserve within equity over the vesting period.

In the event the exercise of Options is satisfied via issuance of new Shares, transfer of treasury shares and/or existing Shares, there may be cash outflow and/or an employee benefit expense to the Group.

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 Options to Eligible Persons.

5.4 Substantial shareholders' shareholdings

The Proposed Scheme is not expected to have an immediate effect on the shareholdings of the substantial shareholders of Gamuda until such time the Options granted under the Proposed Scheme are exercised. However, if and when the Options are exercised in the future, the percentage shareholdings of the substantial shareholders will be diluted accordingly.

For illustrative purposes only, assuming that the number of Options exercised into new Shares are as described in **Section 5.1 of this announcement**, the pro forma effect of the Proposed Scheme based on the substantial shareholders' shareholding structure of the Company as at the LPD in respect of the Company's shareholdings is set out in the table below:

Substantial shareholders	As at the LPD		Assuming exercise of all Options as set out in Section 5.1 of this announcement	
	No. of Shares	%	No. of Shares	%
	('000)		('000)	
Employees Provident Fund Board	367,436	14.62	367,436	13.29
Kumpulan Wang Persaraan (Diperbadankan)	205,966	8.19	205,966	7.45

5.5 Convertible securities

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

6. APPROVALS REQUIRED

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

- (i) Bursa Securities, for the listing of and quotation for such number of new Shares, representing up to 10% of the total number of issued shares of the Company (excluding treasury shares, if any) that may be issued pursuant to the Proposed Scheme on the Main Market of Bursa Securities;
- (ii) shareholders of the Company at a general meeting to be convened; and
- (iii) any other relevant authorities, if required.

The Proposed Scheme is not conditional upon any other corporate exercise scheme of the Company.

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

All the Executive Directors of Gamuda, namely YBhg Dato' Lin Yun Ling and YBhg Dato' Ir. Ha Tiing Tai and their respective alternate directors, namely Encik Mohammed Rashdan bin Mohd Yusof and Mr. Justin Chin Jing Ho, are deemed interested in the Proposed Scheme to the extent of their proposed allocation, as well as the allocations to persons connected to them, if any, under the Proposed Scheme.

As at the LPD, the shareholdings of the Executive Directors in the Company are as follows:

Executive Director	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
	('000)		('000)	
YBhg Dato' Lin Yun Ling	75,036	2.99	-	-
YBhg Dato' Ir. Ha Tiing Tai	27,384	1.09	87	*
Encik Mohammed Rashdan bin Mohd Yusof	458	0.02	-	-
Mr. Justin Chin Jing Ho	-	-	-	-

Note:

- * Negligible.

Accordingly, the Executive Directors have abstained from and will continue to abstain from deliberating, expressing an opinion and making any recommendations at all relevant Board meeting(s) in relation to their allocation, as well as allocations to persons connected to them, if any, under the Proposed Scheme.

The Executive Directors will also abstain from voting in respect of their direct and/or indirect shareholdings in the Company, if any, on the ordinary resolutions to be tabled at the forthcoming EGM for their proposed allocation, as well as any proposed allocations to persons connected to them. In addition, the Executive Directors will 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, if any, on the ordinary resolutions to be tabled at the forthcoming EGM for their proposed allocation and any proposed allocations to persons connected to them.

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

8. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed Scheme (including but not limited to the rationale and effects of the Proposed Scheme), is of the opinion that the Proposed Scheme is in the best interest of Gamuda.

9. EXPECTED TIME FRAME FOR SUBMISSION TO AUTHORITIES

Barring any unforeseen circumstances, the application to Bursa Securities for the listing of and quotation for the new Shares to be issued pursuant to the Proposed Scheme is expected to be made within 2 months from the date of this announcement.

10. EXPECTED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Scheme is expected to be implemented and completed within 2 months from the date of Bursa Securities' approval for the listing application in relation to the Proposed Scheme.

11. ADVISER

HLIB has been appointed as the Principal Adviser to the Company for the Proposed Scheme.

This announcement is dated 22 October 2021.