

YNH PROPERTY BERHAD (“YNH” OR THE “COMPANY”)

PROPOSED ESTABLISHMENT OF AN EMPLOYEES’ SHARE SCHEME (“PROPOSED ESS”)

1. INTRODUCTION

On behalf of the Board of Directors of YNH (“**Board**”), AmInvestment Bank Berhad (“**AmInvestment Bank**”) wishes to announce that the Company proposes to undertake a proposed establishment of a new employees’ share scheme (“**ESS**”) involving up to 15% of the issued and paid-up capital of YNH (excluding treasury shares) to eligible directors and employees of YNH and its subsidiaries (“**YNH Group**” or “**Group**”) which are not dormant (“**Eligible Persons**”) at any one time, which comprises the following:-

- (i) a proposed share option plan (“**Proposed Share Option Plan**”) involving the granting of rights to Eligible Persons to subscribe for new ordinary shares of RM1.00 each in YNH (“**YNH Shares**” or “**Shares**”) at a pre-determined price; and
- (ii) a share grant plan (“**Proposed Share Grant Plan**”) which entitles the Eligible Persons to receive new and/or existing YNH Shares at no consideration and/or the equivalent cash value of such shares or combination thereof, based on certain vesting conditions or performance targets to be met.

2. DETAILS OF THE PROPOSED ESS

The Proposed ESS will be administered by a committee, comprising members who shall be duly appointed and authorised by the Board (“**ESS Committee**”) and governed by a set of by-laws (“**By-Laws**”). The ESS Committee will have absolute discretion in administering the Proposed ESS including prescribing financial and performance criteria and such other conditions as it may deem fit. Offers will be granted to Eligible Persons under the Proposed ESS.

The Proposed ESS will comprise the following:-

(i) **Proposed Share Option Plan**

The Proposed Share Option Plan involves the granting of options (“**Share Options**”) to Eligible Persons to subscribe for new YNH Shares at a pre-determined price, in accordance with the By-Laws.

(ii) **Proposed Share Grant Plan**

The Proposed Share Grant Plan entails a share grant which entitles Eligible Persons to receive fully-paid YNH Shares on a vesting date, their equivalent cash value or combinations thereof, without any cash consideration payable by the Eligible Persons, upon them achieving pre-determined financial and/or performance conditions and/or other service conditions (“**Share Grants**”), in accordance with the By-Laws. As such, no proceeds would be raised by the Company pursuant to the Proposed Share Grant Plan.

Subject to the prevailing legislation and Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”), the Company will have the flexibility and discretion in determining the mode of settlement of the Share Grants by way of:-

- (a) an issue of new Shares;
- (b) delivery of existing Shares;
- (c) payment by cash; or
- (d) a combination of any of the above.

In determining the various modes of settlement, the ESS Committee will take into account factors such as the amount of cash available, the number of Shares to be delivered, the prevailing market price of the Shares and the cost to the Company. The Company shall have the flexibility to approve the vesting of the Share Grants, wholly or partly, in the form of cash rather than Shares, in which event the Eligible Person shall receive the aggregate value of the relevant number of Shares in cash, with value of each Share being for this purpose, based on the fair value of the Shares on or prior to the vesting date.

To facilitate the implementation of the Proposed Share Grant Plan, the Company may establish a trust to be administered by a trustee (“**Trustee**”). The Trustee shall, at such times as the ESS Committee shall direct, subscribe for and/or purchase the necessary number of existing YNH Shares to accommodate any transfer of YNH Shares to the Eligible Persons. For this purpose, the Trustee will be entitled from time to time to the extent permitted by law to accept funding and/or assistance, financial or otherwise from the Company, its subsidiaries and/or third parties.

The Trustee for the Proposed Share Grant Plan will be appointed to administer the trust in accordance with a trust deed. The Company shall have the power to appoint or rescind the appointment of any trustee as it deems fit in accordance with the provisions of the trust deed.

2.1 Quantum

The maximum number of Shares to be allotted and issued pursuant to the Proposed ESS shall not at any point in time in aggregate exceed 15% of the issued and paid-up share capital of the Company (excluding treasury shares) or such other percentage of the issued and paid-up share capital of the Company (excluding treasury shares) that may be permitted by Bursa Securities or any other relevant authorities from time to time during the duration of the Proposed ESS.

2.2 Basis of allocation and maximum entitlement

The basis of allocation of the number of Shares in respect of the Share Option and/or Share Grant and the maximum number of Shares which may be offered to an Eligible Person shall be determined entirely at the discretion of the ESS Committee subject to provisions in the By-Laws. An Eligible Person who is a member of the ESS Committee shall abstain from deliberations in respect of any Share Options and/or Share Grants to be granted to him or held or to be held by him.

To the extent possible and subject always to provisions in the By-Laws, the ESS Committee will ensure that there should be equitable allocation to the various grades of Eligible Persons. The ESS Committee will also ensure that no more than 10% (or such percentage as allowable by relevant authorities) of the total number of YNH Shares to be issued under the Proposed ESS shall be allocated to any Eligible Persons, who either singly or collectively through persons connected with them, holds 20% or more of the issued and paid-up share capital (excluding treasury shares) of YNH.

2.3 Eligibility to participate in the Proposed ESS

Any Director (executive or non-executive) or employee of the YNH Group (excluding dormant subsidiaries within YNH Group), who has attained the age of 18 years, is not an undischarged bankrupt, holds such job grade or such rank/position and fulfills any other criteria as may be determined by the ESS Committee from time to time, is eligible to participate in the Proposed ESS at the absolute discretion of the ESS Committee.

Pursuant to the Listing Requirements, the specific allocation of Shares and Share Options granted to each of the Directors, chief executive officer, major shareholders of YNH or persons connected to the Directors, chief executive officer or major shareholders of YNH in the Proposed ESS must first be approved by the shareholders of YNH at a general meeting.

The eligibility for consideration under the Proposed ESS does not confer an Eligible Person a claim or right to participate in or any right whatsoever under the Proposed ESS unless the ESS Committee has made an offer in writing (“**Offer**”) to the Eligible Persons and the Eligible Person has accepted the Offer in accordance with the terms as set out in the By-Laws.

The selection of any Eligible Person to participate in the Proposed ESS shall be at the discretion of the ESS Committee whose decisions shall be final and binding.

2.4 Duration of the Proposed ESS

The Proposed ESS shall continue to be in force for a period of five (5) years, commencing from the effective date of the Proposed ESS and may at the absolute discretion of the Board upon recommendation of the ESS Committee, to extend in writing the tenure of the Proposed ESS for another five (5) years or such shorter period as it deems fit immediately from the expiry of the first five (5) years provided that the duration of the Proposed ESS does not exceed ten (10) years in aggregate from the effective date.

For the avoidance of doubt, no further sanction, approval or authorisation of the shareholders of YNH is required for any such extension.

The effective date of the Proposed ESS shall be the date of full compliance with all relevant requirements stipulated in the Listing Requirements.

On expiry of the Proposed ESS, any Share Options and/or Share Grants which have yet to be exercised or vested shall be deemed cancelled and be null and void.

2.5 Pricing

The price payable for new YNH Shares upon exercise of any Share Options (“**Exercise Price**”) and Share Grant price (being the price which is used to determine the number of YNH Shares to be granted under the Share Grant) (“**Share Grant Price**”) shall be determined based on the higher of:-

- (i) at a price determined based on the five (5)-day volume weighted average price (“**VWAP**”) of YNH Shares up to the date immediately prior to the price-fixing date, subject to a discount (if any) of not more than 10% (or such basis as the relevant authorities may permit); or
- (ii) the par value of the YNH Shares.

The Exercise Price and Share Grant Price shall be subject to adjustments in accordance with the By-Laws.

2.6 Ranking of the YNH Shares

The YNH Shares to be issued pursuant to the Proposed ESS shall upon allotment and issue, rank *pari passu* in all respects with the then existing Shares except that such YNH Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid, for which the entitlement date is prior to:-

- (i) the date of allotment and issue of such new YNH Shares; or
- (ii) the date the existing YNH Shares that are transferred to the Eligible Persons, are credited into the relevant securities accounts of the ESS participants maintained by Bursa Malaysia Depository Sdn Bhd,

as the case may be.

2.7 Listing of and quotation for the new YNH Shares to be issued pursuant to the Proposed ESS

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

2.8 Utilisation of proceeds

The proceeds arising from the exercise of the Share Options will depend on, among others, the number of Share Options granted and exercised at the relevant point in time as well as the Exercise Price. As such, the actual amount of proceeds arising from the exercise of the Share Options as well as the timeframe for the utilisation of the proceeds are not determinable at this juncture.

Nevertheless, the Company intends to utilise the proceeds arising from the exercise of the Share Options, if any, as working capital for the Group as and when received by the Company.

No proceeds will be received pursuant to the Proposed Share Grant Plan as Eligible Persons will not be required to pay for the YNH Shares that may be issued and/or transferred to them.

2.9 Retention period

Pursuant to paragraph 8.20 of the Listing Requirements, a non-executive director must not sell, transfer or assign the YNH Shares obtained through the Offer made to him within one (1) year from the date of Offer or a longer period as may be determined by the ESS Committee or other prevailing applicable guidelines.

Save for the above, the new YNH Shares to be allotted and issued to Eligible Persons pursuant to the Proposed ESS will not be subjected to any retention period unless the ESS Committee stipulates otherwise in the offer of Share Options and/or Share Grants.

3. RATIONALE FOR THE PROPOSED ESS

The proposed establishment of the Proposed ESS is to:-

- (i) recognise the contribution of the Eligible Persons whose services are valued and vital to the operation and continued growth of the Group and reward them by allowing them to participate in the Group's profitability and eventually realise potential capital gains arising from appreciation in the value of the YNH Shares;
- (ii) inculcate a greater sense of loyalty, belonging and dedication as the Eligible Persons are given the opportunity to participate directly in the equity of the Company;
- (iii) retain and provide a continuing incentive to Eligible Persons to stimulate greater commitment, productivity and effort on the part of the Eligible Persons towards the Group; and
- (iv) attract potential skilled and experienced employees to join the Group by making the total compensation package more competitive.

The Proposed ESS is also extended to the non-executive directors of YNH, in recognition of their contribution towards the growth and performance of YNH Group. In addition, their participation in the equity of the Company is an incentive for their continued efforts and strategic direction rendered to the YNH Group.

4. EFFECTS OF THE PROPOSED ESS

4.1 Issued and paid-up share capital

The effects of the Proposed ESS are shown based on the following scenarios:-

- (i) **Minimum Scenario**
 - Assuming that the existing 35,388,978 treasury shares held by the Company as at 12 April 2016 ("**LPD**") were retained by the Company and no further treasury shares are accumulated prior to the award of Share Options and/or Share Grants to Eligible Persons;
- (ii) **Maximum Scenario**
 - Assuming the existing 35,388,978 treasury shares held by the Company as at LPD were fully distributed to the shareholders as share dividends and no further treasury shares are accumulated prior to the award of Share Options and/or Share Grants to Eligible Persons.

For information purposes, the Company had recommended on 29 February 2016, the distribution of a final share dividend for the financial year ended 31 December (“**FYE**”) 2015 to the entitled shareholders on the basis of one (1) treasury share for every 25 YNH Shares (equivalent to 16,242,286 treasury shares), to be approved by shareholders in the Company’s forthcoming annual general meeting.

The assumption above is made solely for the purpose of this illustration only and is not to be construed or regarded as the Company’s commitment or indication of the Company’s intention towards its treasury shares.

The Proposed ESS will not have an immediate effect on the existing issued and paid-up capital of YNH, until and unless new YNH Shares are issued pursuant to the Proposed ESS, in which case the Company’s issued and paid-up share capital will increase progressively depending on the number of new YNH Shares issued.

The proforma effects of the Proposed ESS on the issued and paid-up share capital of YNH are set out below:-

	Minimum Scenario		Maximum Scenario	
	No. of Shares ('000)	Amount RM('000)	No. of Shares ('000)	Amount RM('000)
As at the LPD	441,446	441,446	441,446	441,446
Proposed bonus issue of YNH Shares announced on 13 April 2016 ⁽¹⁾	81,211	81,211	88,289	88,289
After the Proposed Bonus Issue	522,657	522,657	529,735	529,735
Maximum number of new YNH Shares to be issued under the Proposed ESS ⁽²⁾	73,090	73,090	79,460	79,460
Enlarged issued and paid-up share capital	595,747	595,747	609,195	609,195

Notes:

- (1) *The above is computed based on the proforma effects of the proposed bonus issue of YNH Shares on the basis of one (1) new YNH Share for every five (5) existing YNH Shares which was announced by AmlInvestment Bank on behalf of YNH on 13 April 2016 (“**Proposed Bonus Issue**”). The Proposed Bonus Issue is assumed to be implemented prior to the issuance of any Share Options and/or Share Grants under the Proposed ESS.*
- (2) *Computed based on:-*
- (i) *15% of the enlarged issued and paid-up share capital of the Company (net of any treasury shares held, if any) after the Proposed Bonus Issue; and*
 - (ii) *assuming that the Share Grants issued under the Proposed Share Grant Plan are fully satisfied via issuance of new YNH Shares.*

4.2 Substantial shareholders’ shareholdings

The Proposed ESS will not have any effect on the shareholdings of YNH’s substantial shareholders until and unless new Shares are issued to Eligible Persons. Any potential effect on their shareholdings will depend on the number of new Shares to be issued pursuant to the Proposed ESS at the relevant point in time.

In the event that existing Shares are purchased for delivery to Eligible Persons as a mode of settlement for the Share Grants pursuant to the Proposed Share Grant Plan, there will be no impact on the shareholdings of YNH’s substantial shareholders, unless such existing Shares are delivered to such Eligible Persons who are also substantial shareholders of YNH. If YNH pays the equivalent cash value pursuant to the Proposed Share Grant Plan, there will be no effect on the shareholdings of YNH’s substantial shareholders.

4.3 Net assets (“NA”) per Share and gearing

The Proposed ESS is not expected to have an immediate effect on the NA and gearing of YNH Group until such time when the Share Options are granted and new YNH Shares are issued in connection with the exercise of Share Options and/or vesting of the Share Grants. Any potential effect on the NA per Share and gearing of the Group will depend on the number of new Shares issued and/or granted which will only be determined at the point of:-

- (i) exercise of Share Options and the Exercise Price; and/or
- (ii) grant of Share Grants and mode of settlement for the Share Grants at vesting date.

The NA per Share of the Group immediately following the exercise of Share Options can be expected to increase if the Exercise Price is higher than YNH Group’s NA per Share at the point of exercise and conversely, would be expected to decrease if the Exercise Price is below the Group’s NA per Share at the point of exercise.

Upon vesting of the Share Grants, the Group’s NA per Share can be expected to decrease resulting from the allotment and issuance of new Shares to satisfy any Share Grants pursuant to the Proposed ESS.

4.4 Earnings per Share (“EPS”)

The Proposed ESS is not expected to have any immediate material effect on the earnings of YNH Group. In accordance with MFRS 2 “Share-Based Payment” issued by the Malaysian Accounting Standards Board (“**MFRS 2**”), the Proposed ESS will result in a charge to the earnings of YNH Group over the period from the grant date to the vesting date of the Share Options and/or Share Grants, as the case may be.

The potential effect of the Proposed ESS on the EPS of YNH Group in future, as a consequence of recognising the expenses in accordance with MFRS 2 cannot be determined at this juncture as it would depend on various factors that affect the fair value of the Share Options and/or Share Grants at the relevant point in time.

Strictly for illustrative purposes, excluding the effects on the future earnings contribution to the Group and the potential cost of awarding the Share Grants and/or Share Options under MFRS 2, the Proposed ESS will have a dilutive effect on the Group’s EPS due to the increase in the number of Shares resulting from the exercise of Share Options and/or allotment and issuance of new Shares to satisfy any Share Grants pursuant to the Proposed ESS.

The Board has taken note of the potential effect of the Proposed ESS on YNH Group’s earnings and will take into consideration such potential effects in managing the earnings impact in allocating and granting of the Share Options and Share Grants to the Eligible Persons.

4.5 Convertible securities

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

5. APPROVALS REQUIRED

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

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

The Proposed ESS is conditional upon the Proposed Increase in Authorised Share Capital and Proposed M&A Amendments announced on 13 April 2016.

Other than the above, the Proposed ESS is not conditional upon any other proposals undertaken or to be undertaken by the Company.

6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED TO THEM

All the Directors of the Company (collectively referred to as the “**Interested Directors**”) (of which Dato’ Dr. Yu Kuan Chon and Dato’ Yu Kuan Huat are also the major shareholders of YNH) are deemed interested only in respect of their respective entitlements under the Proposed ESS. As such, the Interested Directors have abstained and will continue to abstain from all deliberations and voting in respect of any specific allocation of Share Options and/or Share Grants to themselves as well as the specific allocations to any persons connected to them at the relevant Board meetings.

Further, the Interested Directors will continue to abstain from voting in respect of their direct and/or indirect shareholdings in the Company, if any, on the resolutions pertaining to their respective specific allocations of Share Options and/or Share Grants as well as the specific allocations to any persons connected to them under the Proposed ESS at the EGM to be convened.

The Interested Directors will also undertake to ensure that the persons connected to them will abstain from voting in respect of their direct and/or indirect shareholdings in the Company, if any, on the resolutions pertaining to their respective specific allocations of Share Options and/or Share Grants to themselves respectively under the Proposed ESS at the EGM to be convened.

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

7. DIRECTORS’ STATEMENT

Having considered all aspects of the Proposed ESS, the Board is of the opinion that the Proposed ESS is in the best interest of the Company.

8. ESTIMATED TIMEFRAME FOR SUBMISSION TO THE AUTHORITIES

The application to Bursa Securities for the Proposed ESS is expected to be submitted within two (2) months from the date of this announcement.

9. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed ESS is expected to be implemented by the third quarter of the calendar year 2016.

10. ADVISER

AmInvestment Bank has been appointed as the Principal Adviser for the Proposed ESS.

This announcement is dated 20 April 2016.