

U O B K A Y H I A N S E C U R I T I E S ( M ) S D N B H D

**FOR IMMEDIATE PRESS RELEASE**

**BY FAX/ HAND**

1 Oktober 2020

**SURUHANJAYA SEKURITI MALAYSIA**

No. 3, Persiaran Bukit Kiara  
Bukit Kiara  
50490 Kuala Lumpur

**Untuk Perhatian: Cik Seri Izriana Mohtar**  
**Jabatan Pengambilalihan dan Percantuman**

Cik,

**KARAMBUNAI CORP BHD ("KCB" OR THE "COMPANY")**

- I. **PROPOSED SELECTIVE CAPITAL REDUCTION AND REPAYMENT EXERCISE UNDER SECTION 116 OF THE COMPANIES ACT, 2016 ("PROPOSED SCR"); AND**
- II. **PROPOSED ACCELERATION OF THE MATURITY OF KCB'S WARRANTS 2013/ 2023 ("WARRANT(S)") AND THE CANCELLATION OF THE WARRANTS THEREOF ("PROPOSED WAC")**

**(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")**

**1. INTRODUCTION**

The Company had on 18 September 2020 received a letter from its direct controlling shareholder, namely LIPKCO Limited ("**LIPKCO**" or the "**Offeror**"), informing the Board of Directors of KCB ("**Board**") of its intention to privatise KCB by way of a selective capital reduction and repayment exercise pursuant to Section 116 of the Companies Act, 2016 ("**Offer Letter**").

In conjunction with the Proposed SCR, the Offeror also requested KCB to accelerate the maturity of the outstanding Warrants and the cancellation of the Warrants thereof.

Tan Sri Dr Chen Lip Keong ("**Tan Sri Dr Chen**" or the "**Ultimate Offeror**"), being the sole director and sole shareholder of LIPKCO, is the ultimate offeror for the purpose of the Proposals. FACB Industries Incorporated Berhad ("**FACBII**") is the person acting in concert with the Offeror and Ultimate Offeror in respect of the Proposed SCR pursuant to Section 216 of the Capital Markets and Services Act 2007 ("**PAC**") ("**CMSA**").

As at 25 September 2020, being the latest practicable date prior to this press notice ("**LPD**"), the shareholdings and warrant holdings of the Offeror, the Ultimate Offeror and the PAC in KCB are as follows:-

**i. KCB Shares**

	<----- Direct ----->		<----- Indirect ----->	
	No. of KCB Shares	% <sup>*1</sup>	No. of KCB Shares	% <sup>*1</sup>
<b><u>Offeror</u></b>				
LIPKCO	5,241,234,862	90.73	-	-
<b><u>Ultimate Offeror</u></b>				
Tan Sri Dr Chen	-	-	5,580,416,104 <sup>*2</sup>	96.60
<b><u>PAC</u></b>				
FACBII	339,181,242	5.87	-	-

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**Notes:-**

<sup>\*1</sup> Computed based on 5,776,587,696 KCB Shares in issue

<sup>\*2</sup> Deemed interested by virtue of his interest in FACBII and LIPKCO pursuant to Section 8(4)(c) of the Companies Act, 2016 ("Act")

**ii. Warrants**

	<----- Direct ----->		<----- Indirect ----->	
	No. of Warrants	% <sup>*1</sup>	No. of Warrants	% <sup>*1</sup>
<b>Offeror</b>				
LIPKCO	845,011,624	83.25	-	-
<b>Ultimate Offeror</b>				
Tan Sri Dr Chen	-	-	845,011,624 <sup>*2</sup>	83.25
<b>PAC</b>				
FACBII	-	-	-	-

**Notes:-**

<sup>\*1</sup> Computed based on 1,015,029,840 outstanding Warrants

<sup>\*2</sup> Deemed interested by virtue of his interest in LIPKCO

LIPKCO and FACBII shall hereinafter be referred to as the "**Non-Entitled Shareholders**" in respect of the Proposed SCR, and LIPKCO shall hereinafter be referred to as the "**Non-Entitled Warrantholder**" in respect of the Proposed WAC.

On behalf of the Board, UOB Kay Hian Securities (M) Sdn Bhd ("**UOBKH**") wishes to notify the shareholders of KCB that the Board (save for the interested director, namely Chen Yiy Fon ("**Interested Director**")) had on 1 October 2020 deliberated on the content of the Offer Letter and has resolved to present the Proposed SCR and Proposed WAC to the Entitled Shareholders (*as defined herein*) and Entitled Warrantholders (*as defined herein*) respectively for their consideration and approval.

Further details pertaining to the Proposals are set out in the ensuing sections.

**2. DETAILS OF THE PROPOSED SCR**

The Proposed SCR involves KCB undertaking a selective capital reduction and a corresponding capital repayment to all the shareholders of KCB, save for the Non-Entitled Shareholders ("**Entitled Shareholders**") whose names appear in the record of depositors as at the close of business on an entitlement date to be determined later ("**Entitlement Date**").

For illustrative purpose throughout this press notice, the effects of the Proposed SCR shall be illustrated based on the following scenarios:-

**Minimum Scenario** : Assuming none of the 170,018,216 outstanding Warrants are exercised by the Entitled Warrantholders (as defined herein) prior to the Entitlement Date

**Maximum Scenario** : Assuming all the 170,018,216 outstanding Warrants are fully exercised by the Entitled Warrantholders (as defined herein) prior to the Entitlement Date

**2.1** The salient terms of the Proposed SCR are as follows:-

- (a) Under the Proposed SCR, the Entitled Shareholders will receive a cash repayment sum of **RM0.11** for each KCB Share ("**SCR Offer Price**") held by them on the Entitlement Date. For avoidance of doubt, the Non-Entitled Shareholders will not be entitled to the cash repayment under the Proposed SCR.
- (b) As at the LPD, the Entitled Shareholders collectively hold 196,171,592 KCB Shares, representing 3.40% of the total issued shares of KCB. Assuming the Maximum Scenario (in event all the outstanding Warrants are fully exercised by the Entitled Warrantholders (as defined herein) prior to the Entitlement Date), the Entitled Shareholders will collectively hold 366,189,808 KCB Shares, representing 6.16% of the total enlarged issued shares of KCB.

- (c) As at the LPD, KCB has an issued share capital of RM655,618,071 comprising 5,776,587,696 KCB Shares. For illustrative purpose, the proforma effects of the Proposed SCR on the share capital of KCB as at the LPD are as follows:-

	<---- Minimum Scenario ---->		<---- Maximum Scenario ---->	
	No. of Shares	RM	No. of Shares	RM
Issued share capital as at LPD	5,776,587,696	655,618,071 <sup>^</sup>	5,776,587,696	655,618,071 <sup>^</sup>
Assuming the full exercise of outstanding Warrants by the Entitled Warranholders (as defined herein)	-	-	170,018,216	33,850,627 <sup>*1</sup>
	5,776,587,696	655,618,071	5,946,605,912	689,468,698
Shares to be cancelled under the Proposed SCR	(196,171,592)	(21,578,875) <sup>*2</sup>	(366,189,808)	(40,280,879) <sup>*3</sup>
Resultant issued share capital	<b>5,580,416,104</b>	<b>634,039,196</b>	<b>5,580,416,104</b>	<b>649,187,819</b>

**Notes:-**

<sup>^</sup> The amount has been rounded to the nearest whole figure

<sup>\*1</sup> Assuming all of the outstanding Warrants are exercised by the Entitled Warranholders (as defined herein) at an exercise price of RM0.1306 each, and adjusted for the corresponding reversal of the warrants reserve portion of RM11.65 million

<sup>\*2</sup> Equivalent to the repayment amount of RM21,578,875, which is computed based on 196,171,592 KCB Shares held by the Entitled Shareholders (under Minimum Scenario) multiplied by the SCR Offer Price of RM0.11 each

<sup>\*3</sup> Equivalent to the repayment amount of RM40,280,879, which is computed based on 366,189,808 KCB Shares held by the Entitled Shareholders (under Maximum Scenario) multiplied by the SCR Offer Price of RM0.11 each

- (d) The issued share capital of KCB will be reduced by way of cancellation of all the KCB Shares held by the Entitled Shareholders. Accordingly, the issued share capital of KCB will be reduced by RM21,578,875 (under Minimum Scenario) or up to RM40,280,879 (under Maximum Scenario).
- (e) All KCB Shares held by the Entitled Shareholders will be cancelled under the Proposed SCR. Any KCB Shares which are not cancelled will continue to be held by the Non-Entitled Shareholders, and accordingly, the Non-Entitled Shareholders will hold 5,580,416,104 KCB Shares, representing the entire equity interest in KCB upon the completion of the Proposed SCR ("**Completion**").
- (f) The actual number of KCB Shares to be cancelled under the Proposed SCR would be dependent on the share capital of KCB and the shareholdings of the Entitled Shareholders in the Company on the Entitlement Date. Consequently, the total repayment amount will be determined at the relevant point in time.

**2.2** The Proposed SCR will be funded via the internally generated funds of KCB. The Offeror has confirmed that the Proposed SCR would not fail due to the insufficient financial capability of the Company, and that every Entitled Shareholders will be paid in full by cash.

**2.3** If KCB declares and/ or pays any dividends and/ or distributions of any nature whatsoever ("**Distributions**") in favour of its shareholders whereby the entitlement date for such Distributions is on or after the date of the Offer Letter up to the completion of the Proposed SCR and the shareholders are entitled to retain such Distributions, the Offeror shall cause the Company to reduce the SCR Offer Price by the quantum of the Distributions per Share that such shareholders are entitled to retain. For avoidance of doubt, no adjustment shall be made to the SCR Offer Price in the event that the entitlement date for the Distributions is after the completion of the Proposed SCR.

For avoidance of doubt, any reduction in the SCR Offer Price arising from the Distributions will not result in a reduction in the WAC Offer Price (as defined herein).

- 2.4 KCB is currently an unlisted public entity. For information purpose, KCB was de-listed and removed from the official list of Bursa Malaysia Securities Berhad ("**Bursa Securities**") on 21 November 2019.

### 3. PROPOSED WAC

- 3.1 The Proposed WAC involves the acceleration of the maturity of the outstanding Warrants and the cancellation of the Warrants thereof, and a corresponding cash repayment to all the warrantholders of KCB, other than the Non-Entitled Warrantholder, whose names appear in the record of depositors of the Company as at the close of business on the same Entitlement Date as the Proposed SCR to be determined later ("**Entitled Warrantholder(s)**").
- 3.2 For information purpose, the Warrants, which are issued on 21 October 2013 and due for expiry on 20 October 2023, are exercisable into new KCB Shares at RM0.1306 per KCB Share as stipulated in the deed poll dated 10 September 2013 constituting the said Warrants ("**Deed Poll**").
- 3.3 To facilitate the implementation of the Proposed WAC, the Deed Poll shall be modified by way of a supplemental deed, to allow for the early expiration of the Warrants. Pursuant to the terms of the Deed Poll, any modification to the Deed Poll is subject to the approvals of the warrantholders at a general meeting to be convened.
- 3.4 As at the LPD, the Entitled Warrantholders collectively hold 170,018,216 Warrants, representing 16.75% of the outstanding Warrants. Under the Proposed WAC and assuming no exercise of the outstanding Warrants prior to the Entitlement Date, the Entitled Warrantholders will receive a total cash repayment of RM5,100,546.48, which represents a cash repayment of **RM0.03** for each Warrant ("**WAC Offer Price**") held by them on the Entitlement Date. For avoidance of doubt, the Non-Entitled Warrantholder will not be entitled to the cash repayment under the Proposed WAC.
- 3.5 The actual number of Warrants to be cancelled under the Proposed WAC would be dependent on the warrantholdings of the Entitled Warrantholders in the Company on the Entitlement Date. Consequently, the total repayment amount will be determined at the relevant point in time.
- 3.6 The Proposed WAC will be funded via the internally generated funds of KCB. The Offeror has confirmed that the Proposed WAC would not fail due to the insufficient financial capability of the Company, and that every Entitled Warrantholders will be paid in full by cash.

### 4. BASIS OF ARRIVING AT THE SCR OFFER PRICE AND WAC OFFER PRICE

The SCR Offer Price and/ or WAC Offer Price shall be referred to as "**Offer Price**", and the KCB Shares and/ or Warrants shall be referred to as the "**KCB Securities**", as the case may be.

#### 4.1 SCR Offer Price

The SCR Offer Price was arrived at after taking into consideration of, amongst others, the following:-

- (a) a price-to-book multiple of 0.73 times, based on the latest audited consolidated net assets per KCB Share for the financial year ended 31 March 2020 of RM0.15;
- (b) it is equivalent to the previous offer price per KCB Share of RM0.11 under the Previous Offer (as defined herein) which was undertaken by the Ultimate Offeror on 23 September 2019, and which had subsequently closed on 4 November 2019; and



- (c) it is equivalent to the last transacted price of KCB Shares of RM0.11 as at 11 November 2019, being the last trading day prior to the suspension of trading of KCB Shares, and thereafter followed by the de-listing of KCB from the official list of Bursa Securities as mentioned in **Section 2.4** of this press notice.

## 4.2 WAC Offer Price

The WAC Offer Price was arrived at after taking into consideration of, amongst others, the following:-

- (a) represents a nominal amount for the Warrants in compliance with Note 5 to Rule of the Rules on Take-overs, Mergers and Compulsory Acquisitions ("**Rules**"), in view that the "see-through" price\* of the Warrants is negative after taking into consideration the exercise price of RM0.1306 per Warrant and the SCR Offer Price is RM0.11 per KCB Share;
- (b) it is equivalent to the previous offer price per Warrant of RM0.03 under the Previous Offer (as defined herein) which was undertaken by the Ultimate Offeror on 23 September 2019, and which had subsequently closed on 4 November 2019; and
- (c) represents a premium of 20.0% over the last transacted price of Warrants of RM0.025 as at 11 November 2019, being the last trading day prior to the suspension of trading of Warrants, and thereafter followed by the de-listing of KCB from the official list of Bursa Securities as mentioned in **Section 2.4** of this press notice.

### Note:-

- \* *Note 2 to Rule 8 of the Rules states that the "see-through" price is the excess of the offer price for the underlying securities over the exercise price of the convertible securities. An appropriate offer price for such convertible securities is at least the higher of the "see-through" price or the highest price paid by the offeror and persons acting in concert with the offeror during the offer period and within 6 months prior to the commencement of the offer period. However, in accordance with Note 5 to Rule 8 of the Rules, if the "see through" price of the convertible instrument is zero or negative, the offeror may offer a nominal amount for such convertible instrument*

The Offeror, the Ultimate Offeror and the person(s) acting in concert with them had not acquired any KCB Securities at a price higher than the Offer Price during the past 3 months prior to the date of the Offer Letter.

Should the Offeror, Ultimate Offeror or any person(s) acting in concert with them purchases or agrees to purchase any KCB Securities during the period commencing from the date of the Offer Letter until the completion of the Proposals at a consideration that is higher than the Offer Price, the Offeror shall cause the Company to increase the Offer Price to be not less than the highest price (excluding stamp duty and commission) paid or agreed to be paid by the Offeror, Ultimate Offeror or any person(s) acting in concert with them.

## 5. RATIONALE

### Opportunity for the Entitled Shareholders and Entitled Warranholders to realise their investments in the unlisted KCB Shares and Warrants

On 23 September 2019, the Ultimate Offeror had undertaken an unconditional voluntary take-over offer to acquire all the remaining KCB Shares and Warrants not already held by the Ultimate Offeror at a cash consideration of RM0.11 per KCB Share and RM0.03 per Warrant, respectively ("**Previous Offer**"). The Previous Offer had closed on 4 November 2019.

Subsequently, on 12 November 2019, the trading in KCB Shares and Warrants on the Main Market of Bursa Securities was suspended in view that the Ultimate Offeror holds more than 90.0% equity interest in KCB as a result of the Previous Offer, and that the Ultimate Offeror has no intention to maintain the listing status of KCB as stated in the offer document dated 14 October 2019. Thereafter, KCB was de-listed and removed from the official list of Bursa Securities on 21 November 2019.

Following the abovementioned series of events and given that KCB is presently an unlisted public entity, KCB is no longer subject to the requirements and obligations of a regulatory framework, i.e. Bursa Securities, which may then lack transparency and visibility of information (such as financial performance/ position, material developments, organisational/ structural change in the KCB group of companies) that are usually or timely disclosed to the public. Further, the Entitled Shareholders and Entitled Warranholders may experience difficulty and limited opportunities in realising their investments in KCB as there is no formal market, i.e. Main Market of Bursa Securities, for the Entitled Shareholders and Entitled Warranholders to trade in their unlisted securities of KCB.

Premised on the above, the Offeror and Ultimate Offeror are of the opinion that the Proposals provide the most appropriate avenue for the Entitled Shareholders and Entitled Warranholders to exit the Company and realise their investments in the unlisted securities of KCB.

### **Greater flexibility in managing KCB's business and operations**

Upon the completion of the Proposed SCR, the Non-Entitled Shareholders will be the only shareholders of KCB and hence the Proposed SCR will accord the Non-Entitled Shareholders greater flexibility in the implementation of any business initiatives and/ or operational changes of KCB group of companies, if any, moving forward. In addition, the Proposed SCR will also facilitate the elimination of administrative efforts and costs pertaining to KCB's obligations to its shareholder, which can be utilised more efficiently in the business of KCB and/ or to facilitate the aforementioned initiatives and/ or operational changes in the future.

## **6. COVENANTS PURSUANT TO THE OFFER LETTER**

**6.1** From the date of KCB's acceptance of the terms of the Offer Letter until the Completion, KCB shall undertake that:-

- (a) Save for the issuance of new KCB Shares arising from the exercise of the Warrants, if any, KCB will not conduct any form of capital raising exercise, whether in the form of debt or equity, and will not grant any options over KCB Shares or issue any new KCB Shares;
- (b) KCB and its subsidiaries, associates and joint ventures will not enter into any material commitment or material contract or undertake any obligation or acquire or dispose of any of its assets or create a security interest over any of its assets outside the ordinary course of business;
- (c) KCB will not pass any resolution in general meeting (other than in respect of any ordinary business tabled in an annual general meeting or in connection with the Proposals) or make any alteration to the provisions of the Constitution of KCB or any KCB's subsidiaries, unless it is in relation to the Proposals;
- (d) KCB shall not acquire any additional KCB Shares pursuant to share buy-back mandate; and
- (e) KCB will not do or cause, or allow to be done or omitted, any act or thing which would result (or be likely to result) in a breach of any lawful obligation of KCB or any of its subsidiaries;

without the prior written consent of the Offeror.

**6.2** In addition, KCB shall agree with and undertake to the Offeror that it shall not enter into any discussion or negotiation, or agreement, with any other party with respect to the sale of the assets and liabilities of KCB or any privatisation proposal involving KCB or any of its subsidiaries at any time from the date of the Offer Letter until the Completion without the prior written consent of the Offeror.

- 6.3 KCB shall also agree with and undertake to the Offeror that, as from the date of the Offer Letter until the Completion, the Company (and using reasonable endeavours to cause and procure that of its subsidiaries) shall carry on its business only in the usual, regular and ordinary course in substantially the same manner as the same is carried on as of the date of the Offer Letter so as to preserve its relationships with all parties to the end that its goodwill and going concern shall not be materially impaired at Completion, save as otherwise agreed in writing by the Offeror.

## 7. EFFECTS OF THE PROPOSALS

### 7.1 Share capital

The Proposed WAC does not have any effect on the issued share capital of KCB.

The pro forma effects of the Proposed SCR on the issued share capital of KCB as at the LPD are set out below:-

	<----- Minimum Scenario ----->		<----- Maximum Scenario ----->	
	No. of Shares	RM	No. of Shares	RM
Issued share capital as at LPD	5,776,587,696	655,618,071 <sup>^</sup>	5,776,587,696	655,618,071 <sup>^</sup>
Assuming the full exercise of outstanding Warrants by the Entitled Warrantholders	-	-	170,018,216	33,850,627 <sup>*1</sup>
	5,776,587,696	655,618,071	5,946,605,912	689,468,698
Shares to be cancelled under the Proposed SCR	(196,171,592)	(21,578,875) <sup>*2</sup>	(366,189,808)	(40,280,879) <sup>*3</sup>
Resultant issued share capital	<b>5,580,416,104</b>	<b>634,039,196</b>	<b>5,580,416,104</b>	<b>649,187,819</b>

**Notes:-**

<sup>^</sup> The amount has been rounded to the nearest whole figure

<sup>\*1</sup> Assuming all of the outstanding Warrants are exercised by the Entitled Warrantholders at an exercise price of RM0.1306 each, and adjusted for the corresponding reversal of the warrants reserve portion of RM11.65 million

<sup>\*2</sup> Equivalent to the repayment amount of RM21,578,875, which is computed based on 196,171,592 KCB Shares held by the Entitled Shareholders (under Minimum Scenario) multiplied by the SCR Offer Price of RM0.11 each

<sup>\*3</sup> Equivalent to the repayment amount of RM40,280,879, which is computed based on 366,189,808 KCB Shares held by the Entitled Shareholders (under Maximum Scenario) multiplied by the SCR Offer Price of RM0.11 each

### 7.2 NA per Share and gearing level

Assuming the Proposals had been effected as at 31 March 2020 (being the end of the FYE 31 March 2020), the pro forma effects of the Proposals on the latest audited consolidated NA per Share and gearing level of KCB are as follows:-

**Minimum Scenario**

	Audited as at 31 March 2020	I After the Proposed SCR	II After I and the Proposed WAC
	RM'000	RM'000	RM'000
Share capital	655,618	634,039	634,039
Capital reserve	269,918	269,918	269,918
Warrant reserve	69,529	69,529	57,883 <sup>*2</sup>
Asset revaluation reserve	164,181	164,181	164,181
Foreign currency translation reserve	(4,394)	(4,394)	(4,394)
Accumulated losses	(301,262)	(301,762) <sup>*1</sup>	(295,216) <sup>*2</sup>
<b>Shareholders' funds/ NA</b>	<b>853,590</b>	<b>831,511</b>	<b>826,411</b>



	Audited as at 31 March 2020 RM'000	I After the Proposed SCR RM'000	II After I and the Proposed WAC RM'000
Number of KCB Shares ('000)	5,776,588	5,580,416	5,580,416
NA per KCB Share (RM)	0.15	0.15	0.15
Total borrowings (RM'000)	2,350	2,350	2,350
Gearing level (times)	0.003	0.003	0.003

**Notes:-**

<sup>1</sup> After deducting the estimated expenses (comprising professional fees, regulatory fees, administrative expenses) of approximately RM0.50 million in relation to the Proposals

<sup>2</sup> After adjusting for the transfer of RM11.65 million from warrant reserve pursuant to the cancellation of the Warrants, and deducting the Proposed WAC repayment of RM5.10 million to the Entitled Warrantheolders

**Maximum Scenario**

	Audited as at 31 March 2020 RM'000	I Assuming the full exercise of outstanding Warrants by the Entitled Warrantheolders RM'000	II After the Proposed SCR RM'000
Share capital	655,618	689,469 <sup>1</sup>	649,188
Capital reserve	269,918	269,918	269,918
Warrant reserve	69,529	57,883 <sup>1</sup>	57,883
Asset revaluation reserve	164,181	164,181	164,181
Foreign currency translation reserve	(4,394)	(4,394)	(4,394)
Accumulated losses	(301,262)	(301,262)	(301,762) <sup>2</sup>
<b>Shareholders' funds/ NA</b>	<b>853,590</b>	<b>875,795</b>	<b>835,014</b>
Number of KCB Shares ('000)	5,776,588	5,946,606	5,580,416
NA per KCB Share (RM)	0.15	0.15	0.15
Total borrowings (RM'000)	2,350	2,350	2,350
Gearing level (times)	0.003	0.003	0.003

**Notes:-**

<sup>1</sup> Assuming the full exercise of 170,018,216 outstanding Warrants by the Entitled Warrantheolders at an exercise price of RM0.1306 each, and adjusted for the corresponding reversal of the warrants reserve portion of RM11.65 million

<sup>2</sup> After deducting the estimated expenses (comprising professional fees, regulatory fees, administrative expenses) of approximately RM0.50 million in relation to the Proposals

**7.3 Earnings and Earnings/ (Loss) per Share ("EPS"/ "(LPS)")**

The Proposals are not expected to have any material effect on the earnings/ losses and EPS/ (LPS) of KCB Group for the financial year ending 31 March 2021.

Upon the Completion and as a result of the cancellation of KCB Shares pursuant to the Proposed SCR, the total number of KCB Shares in issue will be reduced, which will affect the EPS/ (LPS) of KCB Group accordingly.

**7.4 Substantial shareholders' shareholdings**

The Proposed WAC does not have any effect on the substantial shareholders' shareholdings of KCB.

Upon Completion of the Proposed SCR, KCB will be wholly-owned by the Non-Entitled Shareholders as a result of the cancellation of all KCB Shares held by the Entitled Shareholders. The pro forma effects of the Proposed SCR on the shareholding structure of the substantial shareholders of KCB are as follows:-



## Minimum Scenario

Substantial shareholders	<----- As at the LPD ----->				<----- After the Proposed SCR ----->			
	<----- Direct ----->		<----- Indirect ----->		<----- Direct ----->		<----- Indirect ----->	
	No. of Shares	% <sup>*1</sup>	No. of Shares	% <sup>*1</sup>	No. of Shares	% <sup>*2</sup>	No. of Shares	% <sup>*2</sup>
LIPKCO	5,241,234,862	90.73	-	-	5,241,234,862	93.92	-	-
FACBII	339,181,242	5.87	-	-	339,181,242	6.08	-	-
Tan Sri Dr Chen	-	-	5,580,416,104 <sup>*3</sup>	96.60	-	-	5,580,416,104 <sup>*3</sup>	100.00

### Notes:-

- <sup>\*1</sup> Computed based on 5,776,587,696 KCB Shares in issue
- <sup>\*2</sup> Computed based on 5,580,416,104 KCB Shares in issue
- <sup>\*3</sup> Deemed interested by virtue of his interest in FACBII and LIPKCO pursuant to Section 8(4)(c) of the Act

## Maximum Scenario

Substantial shareholders	<----- As at the LPD ----->				I Assuming the full exercise of outstanding Warrants by the Entitled Warrantholders			
	<----- Direct ----->		<----- Indirect ----->		<----- Direct ----->		<----- Indirect ----->	
	No. of Shares	% <sup>*1</sup>	No. of Shares	% <sup>*1</sup>	No. of Shares	% <sup>*2</sup>	No. of Shares	% <sup>*2</sup>
LIPKCO	5,241,234,862	90.73	-	-	5,241,234,862	88.14	-	-
FACBII	339,181,242	5.87	-	-	339,181,242	5.70	-	-
Tan Sri Dr Chen	-	-	5,580,416,104 <sup>*4</sup>	96.60	-	-	5,580,416,104 <sup>*4</sup>	93.84

### II

Substantial shareholders	<----- After I and the Proposed SCR ----->			
	<----- Direct ----->		<----- Indirect ----->	
	No. of Shares	% <sup>*3</sup>	No. of Shares	% <sup>*3</sup>
LIPKCO	5,241,234,862	93.92	-	-
FACBII	339,181,242	6.08	-	-
Tan Sri Dr Chen	-	-	5,580,416,104 <sup>*4</sup>	100.00

### Notes:-

- <sup>\*1</sup> Computed based on 5,776,587,696 KCB Shares in issue
- <sup>\*2</sup> Computed based on 5,946,605,912 KCB Shares in issue
- <sup>\*3</sup> Computed based on 5,580,416,104 KCB Shares in issue
- <sup>\*4</sup> Deemed interested by virtue of his interest in FACBII and LIPKCO pursuant to Section 8(4)(c) of the Act

## 7.5 Convertible securities

Save for the 1,015,029,840 outstanding Warrants, the Company does not have any other outstanding convertible securities as at the LPD. The Company is undertaking the Proposed WAC in conjunction with the Proposed SCR.

## 8. APPROVALS REQUIRED

8.1 The Proposed SCR is subject to and conditional upon approvals being obtained from the following:-

- (a) the approval of the Company's non-interested shareholders to be tabled at an extraordinary general meeting ("EGM") via a special resolution which must be approved by:-

- (i) at least a majority in number of the non-interested shareholders and 75% in value to the votes attached to the KCB Shares held by the non-interested shareholders that are cast either in person or by proxy at the EGM; and
- (ii) the value of the votes cast against the special resolution is not more than 10% of the votes attached to the KCB Shares held by the non-interested shareholders of the total voting shares of the Company;
- (b) the approval or consent of the existing financiers and/ or creditors of KCB and/ or its subsidiaries, where required; and
- (c) the grant of an order of the High Court of Malaya approving the Proposed SCR under Section 116 of the Companies Act, 2016 ("**Order**").

The Proposed SCR will become effective on a date of lodgment of an official copy of the sealed Order with the Registrar of Companies ("**Effective Date**"). The payment of the SCR Offer Price to the Entitled Shareholders will be made as soon as practicable following the Effective Date, but in any event, not later than 10 days from the Effective Date

- 8.2 The completion of the Proposed WAC shall be subject to the fulfilment of all requisite conditions precedent including, but are not limited to, the approval of the Company's non-interested warrant holders to be tabled at a Warrant holders' Meeting via a special resolution which must be approved by at least 75% of the votes cast on a poll (either in person or by proxy).
- 8.3 The Proposed SCR and the Proposed WAC are inter-conditional upon each other. The Proposed SCR will not be carried out if the Proposed WAC is not implemented, or vice versa.

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

Save as disclosed below, none of the Directors, major shareholders and/ or persons connected with them have any interest, direct or indirect, in the Proposals:-

### 9.1 Interested Major Shareholder

Name	Nature of interest
Tan Sri Dr Chen	<ul style="list-style-type: none"> <li>• Being the Ultimate Offeror</li> <li>• He is the sole shareholder of LIPKCO and major shareholder of FACBII</li> <li>• As at the LPD, he indirectly holds 96.60% shareholdings and 83.25% warrant holdings in KCB</li> </ul>
LIPKCO	<ul style="list-style-type: none"> <li>• Being the Offeror/ Non-Entitled Shareholder</li> <li>• As at the LPD, it directly holds 90.73% shareholdings and 83.25% warrant holdings in KCB</li> </ul>

Tan Sri Dr Chen and LIPKCO are deemed as the Interested Major Shareholders in the Proposals. Accordingly, they will abstain from voting in respect of their direct and/ or indirect interests in KCB on the resolutions pertaining to the Proposed SCR and Proposed WAC to be tabled at the respective general meetings to be convened.

### 9.2 Interested Director

Name	Nature of interest
Chen Yiy Fon	<ul style="list-style-type: none"> <li>• He is the Chief Executive Officer/ Non-Independent Executive Director of KCB</li> <li>• He is the son of Tan Sri Dr Chen (Ultimate Offeror)</li> </ul>

For the avoidance of doubt, as at the LPD, he does not hold any direct and/ or indirect KCB Shares and Warrants.

Chen Yiy Fon is deemed as the Interested Director in the Proposals by virtue of his family relationship with the Ultimate Offeror. Accordingly, he has abstained and will continue to abstain from deliberating and voting at all relevant board meeting(s) of KCB in relation to the Proposals.

### 9.3 Persons Connected

Name	Nature of interest
FACBII	<ul style="list-style-type: none"> <li>• Being a PAC/ Non-Entitled Shareholder</li> <li>• As at the LPD, it directly holds 5.87% shareholdings in KCB</li> <li>• As at the LPD, it does not hold any Warrants</li> </ul>

FACBII is a PAC in respect of the Proposed SCR by virtue of its relationship with the Ultimate Offeror, in which the Ultimate Offeror is a major shareholder in FACBII. Accordingly, it has abstained and will continue to abstain from deliberating and voting at all relevant board meeting(s) of KCB in relation to the Proposed SCR.

In addition, all the abovementioned parties will ensure that person(s) connected with them will also abstain from voting in respect of their direct and/ or indirect interests in KCB, if any, on the resolutions pertaining to the Proposed SCR and Proposed WAC to be tabled at the respective general meetings to be convened.

### 10. DIRECTORS' STATEMENT

The Board (save for the Interested Director) has on 1 October 2020 deliberated on the Offer Letter and has resolved to present the Proposed SCR and Proposed WAC to the Entitled Shareholders and Entitled Warranholders respectively for their consideration and approval.

### 11. ADVISERS

The Board has appointed UOBKH as the Principal Adviser for the Proposals.

In accordance with Paragraph 3.06 of the Rules on Take-overs, Mergers and Compulsory Acquisitions, the Board (save for the Interested Director) has appointed Public Investment Bank Berhad to act as the Independent Adviser to advise the Entitled Shareholders/ Entitled Warranholders and the non-interested Directors of KCB on the fairness and reasonableness of the Proposals and the voting action to be taken at the general meeting(s) to be convened.

### 12. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstance, and subject to obtaining the approvals as set out in **Section 8** above, the Proposals are expected to be completed by the first quarter of 2021.

Should you require further clarification or additional information, please do not hesitate to contact the following person:-

Name	Designation	Telephone	E-mail address
Winston Loh	Associate Director	(03) 2147 1955	<a href="mailto:winstonloh@uobkayhian.com">winstonloh@uobkayhian.com</a>

Facsimile no.: (03) 2147 1950



Sekian, terima kasih.

Yang benar,  
Untuk dan bagi pihak  
**UOB KAY HIAN SECURITIES (M) SDN BHD**



**TAN MENG KIM**  
Pengarah Pengurusan  
Pasaran Modal



**NANTHA KUMAR**  
Pengarah  
Ketua Bersama, Kewangan Korporat

Encl.

c.c. *LIPKCO Limited (Offeror) / Tan Sri Dr Chen Lip Keong (Ultimate Offeror) / Ms Yew Nyuk Kwei (Company Secretary of KCB)*

*Company : The News Straits Times  
Attention : The Editor, Business Section  
Fax No. : 03-2056 7151*

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*Company : Berita Harian  
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