

PRESTAR RESOURCES BERHAD (“PRESTAR” OR THE “COMPANY”)

- PROPOSED ESTABLISHMENT OF AN EMPLOYEES’ SHARE OPTION SCHEME OF UP TO FIFTEEN PERCENT (15%) OF THE ISSUED AND PAID-UP SHARE CAPITAL OF PRESTAR

1. INTRODUCTION

On behalf of the Board of Directors of Prestar (“**Board**”), AmlInvestment Bank Berhad (“**AmlInvestment Bank**”) wishes to announce that Prestar proposes to undertake the proposed establishment of an employees’ share option scheme of up to fifteen percent (15%) of the issued and paid-up share capital of Prestar (“**Proposed ESOS**” or the “**Scheme**”)

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

2. THE PROPOSED ESOS

2.1 Details of the Proposed ESOS

The Company proposes to establish and implement the Proposed ESOS which will be valid for a duration of ten (10) years. The Proposed ESOS will involve the granting of options (“**ESOS Options**”) to the eligible employees and Directors (“**Eligible Persons**”) of Prestar and its subsidiaries which are not dormant (“**Prestar Group**” or the “**Group**”), who meet the eligibility criteria to participate in the Proposed ESOS, to subscribe for new ordinary shares of RM0.50 each in Prestar (“**Share(s)**” or “**Prestar Shares**”) at a pre-determined price (“**Exercise Price**”), in accordance with the by-laws governing the Proposed ESOS (“**By-Laws**”).

The Proposed ESOS will be administered by a share scheme committee (“**ESOS Committee**”), the members of which shall be duly appointed and authorised by the Board. The ESOS Committee will have the absolute discretion in administering the Proposed ESOS 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) pursuant to the By-Laws may be exercised in the ESOS Committee’s sole and absolute discretion having regard to the terms of reference 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 at eligible employees and all Directors who are in the position to drive the future growth of the Group as the Company believes that the Proposed ESOS will motivate selected employees to work towards the Group’s pre-determined performance conditions/performance targets.

2.2 Principal Features of the Proposed ESOS

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

2.2.1 Maximum number of new Shares available under the Scheme

The maximum number of the new Prestar Shares which may be issued and allotted under the Proposed ESOS shall not, at any point in time during the duration of the Proposed ESOS, exceed fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company.

The Company shall ensure that there are sufficient unissued Prestar Shares in the capital of the Company to satisfy all the outstanding ESOS Options throughout the duration of the Proposed ESOS.

2.2.2 Basis of allotment and maximum entitlement

Subject to any adjustments which may be made under the By-Laws, the maximum number of new Prestar 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 among others, the Eligible Person's performance and seniority subject to the following conditions:

- (i) the Company's Directors and senior management do not participate in the deliberation or discussion in respect of their own allocation; and
- (ii) the allocation 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, shall not exceed ten percent (10%) of the new Prestar Shares to be issued pursuant to the Proposed ESOS.

2.2.3 Eligibility

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

- (i) the individual is a full time employee whose employment with the Group has been confirmed and has attained eighteen (18) years of age;
- (ii) he / she is a confirmed employee of a company which is acquired by the Group during the duration of the Proposed ESOS and becomes a subsidiary of the Company upon such acquisition, on the date of Offer; and
- (iii) fulfills 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 Proposed ESOS, if, as at the date of Offer:

- (i) the individual is a Director (including non-executive and/or independent Director) of the Group;
- (ii) the specific allocation of the Prestar Shares to that individual under the Proposed ESOS has been approved by the shareholders of Prestar at a general meeting; and

- (iii) the individual fulfills any other criteria and/or falls within such category as may be determined by the ESOS Committee from time to time.

The eligibility does not confer on an Eligible Person a claim or right to participate 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 Scheme.

2.2.4 Duration of the Scheme

The Proposed ESOS shall be in force for a duration of ten (10) years from the effective date of the Scheme, being the date on which the last of the approvals and/or conditions stipulated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") have been obtained and/or complied with.

2.2.5 Exercise price of the ESOS Options

The exercise price of the ESOS Options at which the Eligible Persons are entitled to subscribe for new Prestar Shares shall be based on the higher of the following:

- (i) at a discount of not more than ten percent (10%) from the five (5)-day volume weighted average market price of Prestar Shares at the time of the Offer; or
- (ii) the par value of Prestar Shares.

The exercise price of the ESOS Options shall be subject to adjustments in accordance with the By-Laws.

2.2.6 Ranking of the new Prestar Shares

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

2.2.7 Retention period

Save for the allotment and issuance of Prestar Shares to the Non-Executive Directors of Prestar, the Prestar Shares allotted and issued pursuant to the Proposed ESOS will not be subject to any retention period or restriction on transfers.

Non-Executive Directors of the Prestar Group must not sell, transfer or assign their Prestar Shares obtained through the exercise of their ESOS Options for a period of one (1) year from the date of Offer or such period as may be prescribed by Bursa Securities.

3. UTILISATION OF PROCEEDS

The proceeds arising from the exercise of the ESOS Options will depend on, amongst others, the number of ESOS 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 ESOS Options could not be determined at this juncture. Nevertheless, the Company intends to utilise the proceeds arising from the exercise of the ESOS Options, if any, as working capital for the Group, as and when received by the Company.

4. RATIONALE FOR THE PROPOSED ESOS

The Proposed ESOS is designed to:

- (i) motivate and encourage the employees of the Group towards a greater level of commitment, dedication, loyalty and to drive enhanced productivity;
- (ii) reward and retain employees whose services are vital to the businesses, continued growth and future expansion of the Group;
- (iii) allow the Eligible Persons to directly participate in the equity of the Company and motivate them to contribute to the future growth of Prestar Group via a greater sense of belonging to the Group;
- (iv) reward the selected employees by allowing them to participate in the Company's profitability and eventually realise capital gains arising from any appreciation in the value of the Shares; and
- (v) align the interest of the senior management and Non-Executive Directors of the Group to drive long term financial performance and shareholders' value enhancement via direct participation in the equity of the Company.

Further, any proceeds to be received by the Company pursuant to the exercise of the ESOS Options (which will depend on, amongst others, the number of ESOS Options granted and exercised at the relevant point in time and the Exercise Price) will be utilised for the Company's working capital purposes.

5. EFFECTS OF THE PROPOSED ESOS

The effects of the Proposed ESOS are shown below:-

5.1 Share capital

The Proposed ESOS will not have an immediate effect on the issued and paid-up share capital of Prestar until and unless new Shares are issued in connection with the exercise of ESOS Options granted and vested under the Proposed ESOS. The issued and paid-up share capital of Prestar will increase progressively depending on the number of new Shares which may need to be issued in connection with the exercise of ESOS Options.

For illustration purposes only, assuming the maximum number of ESOS Options amounting to 15% of the issued and paid-up share capital of Prestar (net of 6,919,900 treasury shares) are fully granted and vested, the proforma effects of the Proposed ESOS on the issued and paid-up share capital of the Company in the event that such ESOS Options are exercised are set out in the table below.

	No. of Prestar Shares	RM
Ordinary share capital as at 20 September 2013	180,980,900	90,490,450
To be issued assuming full exercise of the ESOS Options	26,109,150	13,054,575
Enlarged issued and paid-up ordinary share capital	207,090,050	103,545,025

5.2 Net Asset (“NA”) per Share and gearing

The Proposed ESOS is not expected to have an immediate effect on the consolidated NA per Prestar Share and gearing of the Group until such a time when the ESOS Options are exercised. Any potential effect on the consolidated NA per Prestar Share and gearing of the Group will depend on the number of ESOS Options granted and exercised as well as the Exercise Price of the ESOS Options.

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

5.3 Earnings per Prestar Share (“EPS”)

The Proposed ESOS is not expected to have any immediate effect on the EPS of the Group until such time when the ESOS Options are granted. Any potential effect on the EPS of the Group in the future will depend upon, inter-alia, the number of ESOS Options granted and exercised, the Exercise Price of the ESOS Options and the expense arising from the granting of ESOS Options under Financial Reporting Standards 2 (“FRS 2”).

The quantum of such impact could not be determined at this juncture as it is dependent on, the factors mentioned above. However, it should be noted that the expense arising from the granting of the ESOS Options does not represent a cash outflow of the Company as it is merely an accounting treatment. The Board has taken note of the potential impact of FRS 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.

5.4 Substantial shareholders’ shareholding

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 Shares are issued in connection with the exercise of the ESOS Options granted and vested under the Proposed ESOS. Any potential effect on the substantial shareholders’ shareholdings in Prestar would depend on the number of new Shares issued at the relevant point in time.

5.5 Convertible securities

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

6. APPROVALS REQUIRED

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

- (i) Bursa Securities for the listing of and quotation for new Prestar Shares arising from the exercise of ESOS Options to be granted under the Proposed ESOS on the Main Market of Bursa Securities;
- (ii) the shareholders of Prestar at an Extraordinary General Meeting (“EGM”) to be convened for the Proposed ESOS; and
- (iii) any other relevant authorities, if required.

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

7. INTERESTS OF THE DIRECTORS, MAJOR/SUBSTANTIAL SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

All the Directors of the Company (collectively referred to as the “**Interested Directors**”) are deemed interested in the Proposed ESOS by virtue of their eligibility for the ESOS Options in their capacity as Directors of Prestar in respect of their specific allocation as well as specific allocations to persons connected to them.

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 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 Prestar, on the resolutions pertaining to their respective specific allocations of ESOS Options as well as the specific allocations to any persons connected with them under the Proposed ESOS at the 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 in Prestar 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 the EGM to be convened.

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

8. DIRECTORS' STATEMENT

After having considered all aspects of the Proposed ESOS (including but not limited to the rationale and effects of the Proposed ESOS) on the Company, the Board is of the opinion that the Proposed ESOS is in the best interests of the Company.

9. ADVISER

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

10. APPLICATION TO THE RELEVANT AUTHORITIES

Barring any unforeseen circumstances, the application to Bursa Securities in relation to the Proposed ESOS will be made within two (2) months from the date of this announcement.

11. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Board expects to complete the Proposed ESOS by the fourth (4th) quarter of 2013.

This announcement is dated 20 September 2013.