
15. DIRECTORS' REPORT



CBS TECHNOLOGY BERHAD (537337 M)

15, Jalan Ara SD7/3A, Bandar Sri Damansara, 52200 Kuala Lumpur
Phone : +603-6277 7018 Fax : +603-6277 6018 Email : support@cbs.com.my

Registered Office

C15-1, Level 15 Tower C,
Megan Avenue II,
12 Jalan Yap Kwan Seng,
50450 Kuala Lumpur

18 March 2004

To: The Shareholders of CBS Technology Berhad

On behalf of the Board of Directors of CBS Technology Berhad ("CBS"), I report after due enquiry, that during the period from 31 December 2003 (being the date to which the last audited accounts of CBS and its subsidiary companies ("Group") have been made up) to 15 March 2004 (being the date not earlier than fourteen days before the issue of this Prospectus) that:-

- (a) the business of the Group, in the opinion of the Directors, have been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited accounts of the Group which have materially and adversely affected the business and operations or the value of the assets of the Group;
- (c) the current assets of the Group appear in the books at values, which are believed to be realisable in the ordinary course of business;
- (d) there are no other contingent liabilities that have arisen by reason of any guarantees or indemnities given by the Group;
- (e) since the last audited accounts of the Group, there have not been any default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which the Directors are aware of; and
- (f) since the last audited accounts of the Group, save as disclosed in the Accountants' Report and the Proforma Consolidated Balance Sheets as set out in Sections 13 and 14 of this Prospectus, there have been no changes in the published reserves or any unusual factors affecting the profits of the Group.

Yours faithfully
For and on behalf of the Board of Directors
CBS TECHNOLOGY BERHAD


Sun Chee Kong
Managing Director

16. BYE-LAWS

ESOS BYE-LAWS**1. DEFINITIONS**

In this Scheme, except where the context otherwise requires, the following definitions shall apply throughout:

Act	:	The Companies Act, 1965, as amended from time to time, and any re-enactment thereof
Associate Corporation	:	A corporation in which at least 20% but not more than 50% of the shares are held by the Company and/or its Subsidiaries
Board	:	The board of directors of CBS
Board Lot	:	A parcel of shares comprising 100 units or any other number of shares permitted to be traded by the MSEB as a board lot
CDS	:	Central Depository System
Committee	:	The committee appointed by the Board to administer the Scheme
Confirmed Employee	:	An employee who has received a written confirmation from the Company or its subsidiaries that they are a permanent employee of CBS
Company or CBS	:	CBS Technology Berhad
Corporation(s)	:	As defined in Section 4(1) of the Act
Disciplinary Proceeding	:	Proceedings instructed by the employer of the Grantee against the Grantee for any alleged misbehaviour, misconduct and/or any other acts of the Grantee deemed to be unacceptable to the employer whether or not such disciplinary proceedings may give rise to a dismissal or termination of service of such Grantee
Eligible Employee(s)	:	Any person (including an Executive Director) employed by the Company or an Eligible Subsidiary and who is eligible to participate in the Scheme in accordance with Bye-Law 4
Eligible Subsidiaries	:	Subsidiaries (provided that they are not dormant) of the Company nominated by the Committee to be Subsidiaries participating in the Scheme in accordance with Bye-Law 4

16. BYE-LAW (Cont'd)

Executive Director	:	A director who is on the day-to-day management and is on the payroll of one or more companies within the Group
Exercise Price	:	The price at which the Grantee shall be entitled to subscribe for each new Share as set out in Bye-Law 8
Grantee	:	An Eligible Employee who has accepted (in the manner indicated in Bye-Law 7) an Offer made by the Committee pursuant to Bye-Law 6
Group	:	The Company and its Subsidiaries
MSEB	:	Malaysia Securities Exchange Berhad
Market Day	:	A day on which the MSEB is open for trading in securities
MCD	:	Malaysian Central Depository Sdn. Bhd.
Offer Date	:	The date on which an Offer was made by the Committee to an Eligible Employee in writing
Offer(s)	:	A written offer made by the Committee to an Eligible Employee pursuant to Bye-Law 6
Option Certificate	:	The certificate confirming the granting of an Option to an Eligible Employee and the number of new Shares comprised in the Option
Option Period	:	A period commencing from the date of acceptance of an Offer or any part thereof as set out in Bye-Law 7 until the expiry of the Scheme as set out in Bye-Law 5
Option(s)	:	The right of a Grantee to subscribe for new Shares pursuant to a contract constituted by the acceptance by an Eligible Employee in the manner indicated in Bye-Law 7 of an Offer made to each Eligible Employee by the Committee pursuant to Bye-Law 6
RM and Sen	:	Ringgit Malaysia and Sen, respectively
SC	:	The Securities Commission

16. BYE-LAW (Cont'd)

Scheme	:	The scheme for the grant of Options to Eligible Employees of the Group to subscribe for new Shares according to the terms set out herein and such scheme shall be known as "CBS Technology Berhad Employees' Share Option Scheme"
Share(s)	:	Ordinary share or shares of par value Ringgit Malaysia Ten Sen (RM0.10) only each in the Company
Subsidiary (ies)	:	A Corporation which is a subsidiary of the Company as defined in Section 5 of the Act

2. ADMINISTRATION

The Committee shall administer the Scheme. The Board shall have the discretion as it deems fit to rescind and/or revoke the appointment of any person(s) in the Committee. The Committee shall so administer the Scheme in such manner, as it shall in its discretion deem fit and with such powers and duties as are conferred upon it by the Board including the powers to: -

- (a) subject to the provisions of the Scheme, construe and interpret the Scheme and Options granted under it, to define the terms therein and to recommend to the Board to establish, amend and revoke rules and regulations relating to the Scheme and its administration. The Committee in the exercise of this power may correct any defect, supply any omission, or reconcile any inconsistency in the Scheme or in any agreement providing for an Option in a manner and to the extent it shall deem necessary to expedite and make the Scheme fully effective; and
- (b) determine all questions of policy and expediency that may arise in the administration of the Scheme and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interests of the Company.

3. MAXIMUM NUMBER OF SHARES AVAILABLE UNDER THE SCHEME

- 3.1 The maximum number of new Shares which may be allotted pursuant to the exercise of the Options granted under the Scheme shall not exceed ten percent (10%) of the issued and paid-up ordinary share capital of the Company at any point in time during the existence of the Scheme.
- 3.2 There should be equitable allocation to the various grades of Eligible Employees and such equitable allocation shall be determined at the sole and absolute discretion of the Committee. There shall be not more than fifty percent (50%) of the Shares available under the Scheme allocated in aggregate, to directors and senior management. The balance of fifty percent (50%) of the Shares will be allocated to other eligible employees of the Group. In addition the number of shares allocated to any individual Eligible Employee who, either singly or collectively through persons connected with him/her, holds twenty percent (20%) or more in the total issued and paid-up capital of the Company shall not exceed ten percent (10%) of the total Shares available under the Scheme.

16. BYE-LAW (Cont'd)

- 3.3 The Company will during the existence of the Scheme keep available sufficient unissued Shares in the share capital of the Company to satisfy all outstanding Options, which may be exercisable from time to time.
- 3.4 In the event of the Company purchasing its own Shares, the number of new Shares to be allotted under the Scheme may exceed the aggregate of ten percent (10%) of the issued and paid-up ordinary share capital of the Company. All Options granted prior to the adjustment of the issued and paid-up ordinary share capital of the Company shall remain valid and exercisable in accordance with the provisions of this Scheme as if that reduction had not occurred. However, in such a situation, the Option Committee shall not make any further offers at any point in time after the share buy-back, unless the number of options that have been granted under the Scheme falls below ten percent (10%) of the issued and paid-up share capital of the Company.

4. ELIGIBILITY

- 4.1 The Committee shall have the discretion to determine the new Shares allocation criteria to any employee (including the Executive Directors) of the Group in respect of their participation in the Scheme. The criteria upon which the Committee will exercise its discretion shall without limitation include the length of service, performance and such other direct or indirect contributions by the employees to the Group and in particular, the following criteria for eligibility for participation in the Scheme shall be considered: -
- (a) be of at least eighteen (18) years of age on the Offer Date;
 - (b) be an employee who has been confirmed as an employee of the Company or an Eligible Subsidiary provided always that the employee must have served for a continuous period of at least 3 months of employment before being entitled to exercise his/her Option under his/her respective Offer;
 - (c) be employed on full-time basis by the Company or an Eligible Subsidiary within the categories of Eligible Employee as outlined in Bye-Law 6;
 - (d) in the event that he is serving under an employment contract that contract should be for a duration of at least 2 years but in the case of a person who is a retired employee of the Group that contract should be for a duration of at least 2 year and entered into prior to his mandatory retirement;
 - (e) if an employee is not Malaysian citizen, he must, in addition to the conditions stipulated in paragraphs (a) to (d) above, also fulfill the following conditions:
 - (i) he must be serving the Group on a full-time basis and his contribution must be vital to the Group; or
 - (ii) in the event that he is serving under an employment contract, that contract should be for a duration of at least 2 years; and

16. BYE-LAW (Cont'd)

- (f) an Executive Director shall only be eligible to participate in the Scheme if he is holding a full-time executive position and the specific allotment to be made to the Executive Director has been approved by the shareholders of the Company in general meeting.
- 4.2 Eligible Employees who have accepted the Offer to participate in the Scheme shall not be eligible to participate in another employee's share option scheme implemented or to be implemented by the Subsidiaries within the Group.
- 4.3 Executive Directors of the Company who represent the Government or Government Institutions/agencies and Government employees who are serving in the public service scheme as defined under Article 132 of the Federal Constitution are not eligible to be granted options under the Scheme.
- 4.4 The Committee may, at its discretion, nominate any Subsidiary of the Company to be an Eligible Subsidiary at any time and from time to time. In addition, the Committee may at its discretion revoke or suspend the nomination of any Eligible Subsidiary at any time and from time to time, whereupon the employees of such Corporation shall henceforth cease to be eligible to receive an Offer under the Scheme provided that any Option already granted shall not be affected by such revocation or suspension, unless specifically provided elsewhere in these Bye-Laws.
- 4.5 An Eligible Employee can only be made Offers in respect of new Shares subject to Bye-Law 3.2 regardless of the number of positions held by such Eligible Employee within the CBS Group.
- 4.6 Subject to these Bye-Laws, the Committee shall have the discretion at any time and from time to time to extend the benefit of the Scheme to employees of Corporations which are not Eligible Subsidiaries and deem such employees to be Eligible Employees for the purposes of the Scheme in situations where such employees had at any time whether before or after the coming into force of these Bye-Laws been seconded to the Company or its Eligible Subsidiary from: -
- (a) a Subsidiary of the Company which is not an Eligible Subsidiary; or
- (b) an Associate Corporation.
- 4.7 (a) In the case of: -
- (i) an employee who was employed in a Corporation related to the Company as defined in Section 6 of the Act (but not being a Subsidiary of the Company) (hereinafter referred to as "Previous Corporation") and is subsequently transferred from the Previous Corporation to any Corporation in the Group; or
- (ii) an employee who is in the employment of a Previous Corporation which subsequently becomes a Corporation of the Group as a result of a restructuring or other exercise involving any Corporation in the Group; and

16. BYE-LAW (Cont'd)

that employee (hereinafter referred to as the "Affected Employee") is confirmed and has been in the employment of the Previous Corporation for at least one (1) year of continuous service including the service during any probation period, or in the case of an Executive Director, has served in such capacity in the Previous Corporation for at least one (1) year, the Affected Employee shall be eligible to participate in the Scheme.

- (b) Where an employee is transferred from the Company or an Eligible Subsidiary to a Corporation related to the Company as defined in Section 6 of the Act (but not being a Subsidiary of the Company) or an Associate Corporation (hereinafter referred to as "Subsequent Corporation"), that employee shall be entitled to continue to exercise the Option or any part thereof exercisable by him and subject to Bye-Law 9.3 on the effective date of the transfer, for a period of six (6) months from the date of his transfer from the Group to the Subsequent Corporation, failing which any Option or any part thereof granted to him, shall automatically lapse and be null and void and of no further force and effect.

- 4.8 If an employee who is in the employment of a company in the Group, which was subsequently divested, then such employee: -

- (a) will, notwithstanding such divestment be entitled to continue to exercise the Option or any part thereof exercisable by him and subject to Bye-Law 9.3 on the effective date of the divestment, for a period of six (6) months from the date of the divestment, failing which any Option or any part thereof granted to him shall automatically lapse and be null and void and of no further force and effect; and

- (b) shall not be eligible to participate further under the Scheme.

- 4.9 Eligibility under the Scheme does not confer on an Eligible Employee a claim or right to participate in the Scheme. The selection of any Eligible Employee to participate in the Scheme shall be at the discretion of the Committee and the decision of the Committee shall be final and binding. An Eligible Employee shall not acquire or have any rights over or in connection with Options or new Shares comprised therein unless the Committee has made an Offer to the Eligible Employee and the Eligible Employee has accepted the Offer in accordance with the terms of the Offer and the Scheme.

5. DURATION OF THE SCHEME

- 5.1 The implementation of the Scheme shall be subject to the receipt of the following approvals by the Company and the fulfillment of any conditions attached thereto:-

- (a) the MSEB;
- (b) the shareholders of the Company in a general meeting; and
- (c) Any other relevant regulatory authorities whose approvals are necessary in respect of the Scheme.

16. BYE-LAW (Cont'd)

- 5.2 The Scheme shall be in force for a period of five (5) years from the date of the launch or implementation of the Scheme, which is upon receipt of relevant approvals from the MSEB and shareholders, the fulfillment of any conditions attached thereto.

However the Scheme may be extended for up to five (5) years at the discretion of the Board upon the recommendation of the Committee.

6. OFFER

- 6.1 The Committee may at its discretion at any time and from time to time as it shall deem fit during the duration of the Scheme make one or more Offers to any Eligible Employee whom the Committee may select, based on the criteria of allocation set out in Bye-Law 3.2, to subscribe for new Shares in accordance with the terms of the Scheme.
- 6.2 The actual number of new Shares, which may be offered to an Eligible Employee shall, subject to the basis of determining the number of new Shares to be offered as set out in Bye-Law 3.2.
- 6.3 Each Offer shall be made in writing to an Eligible Employee and is personal to the Eligible Employee and cannot be assigned, transferred, encumbered or otherwise disposed of in any other manner whatsoever. An Offer which has not been accepted shall automatically lapse and be null and void in the event the Eligible Employee shall cease to be employed for any reason whatsoever by the Group, or in the event he has died or become a bankrupt prior to the acceptance of the Offer by the Eligible Employee in the manner set out in Bye-Law 7.
- 6.4 The Committee will in its offer letter state inter-alia the number of Shares offered, the Exercise Price and the closing date for accepting the Offer.
- 6.5 An Eligible Employee who is on any type of no pay leave for a continuous period of ninety (90) calendar days or more (excluding prolonged illness leave) may not be made an Offer until such time as the Eligible Employee returns to full time service with the Group.
- 6.6 On the grant of an Option, the Committee may make the exercise of the Option (whether in whole or in part) conditional upon the satisfaction of such objective performance criteria as the Board shall consider to be fair measure of the performance of the Grantee.

7. ACCEPTANCE OF THE OFFER

An Offer shall be valid for a period of thirty (30) days from the Offer Date ("Acceptance Period"). Acceptance must be made by written notice to the Committee within the Acceptance Period in such manner as prescribed by the Committee, and accompanied by a non-refundable payment to the Company of a sum of RINGGIT MALAYSIA TEN SEN (RM0.10) only as consideration for the Offer. The date of receipt by the Committee of such written notice shall constitute the date of acceptance.

16. BYE-LAW (Cont'd)

- 7.1 If the Offer is not accepted in the manner aforesaid, such Offer shall upon expiry of the Acceptance Period automatically lapse and shall be null and void and of no effect.
- 7.2 Within thirty (30) days from the due acceptance of the Offer in accordance with the provisions of this Bye-Law, the Committee shall issue to the Grantee the Option Certificate in such form as may be determined by the Committee.

8. DETERMINATION OF EXERCISE PRICE

The Committee may at its discretion determine the Exercise Price prior to its initial public offering at an issue price of RM0.32 while the Exercise Price after the initial public offering shall be at any price provided that the Exercise Price fixed shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the five (5)-day weighted average market price of the Shares preceding the date of Offer and shall in no event be less than the par value of the Shares.

The Exercise Price is subject to such adjustments in accordance with Bye-Law 15 herein.

9. EXERCISE OF OPTION

- 9.1 The Option granted to an Eligible Employee is only exercisable during the Option Period by the Grantee during his/her lifetime and whilst he / she is employed by the Group subject to the provision contained in Bye-Law 17.
- 9.2 The Option is personal to the Grantee and cannot be assigned, transferred, charged or otherwise disposed of in any manner whatsoever save as provided for in Bye-Law 17.4.
- 9.3 Subject to Bye-Law 9.5, 10 and 11, an Option granted under the Scheme shall be capable of being exercised at anytime during the Option Period provided that the Option shall be exercised on the basis of up to 20% of the maximum entitlement annually.

Options exercisable in a particular year of the Option Period but not exercised in that year can be carried forward and be exercisable in the subsequent year of the Option Period subject to the time limit of the Scheme as set out in Bye-Law 5.

- 9.4 The Grantee shall notify the Company in writing of his/her intention to exercise the Option in such form as may be prescribed by the Committee. The Committee may prescribe the Option or the balance thereof. The Option or the balance thereof may be exercised in full or in respect of such lesser number of Shares as the Grantee may decide to exercise provided that such lesser number shall be in multiple of and not less than a Board Lot. The Committee shall issue to the Eligible Employee a new Option Certificate in respect of that part of the Option, which the Eligible Employee had elected not to exercise. The new Option Certificate shall state, inter-alia, the remaining number of new Shares, which remain capable of being exercised and in such form as the Committee shall from time to time determine. The Option Certificate or any new Option Certificate previously issued to an Eligible Employee shall be lodged with the Company on the exercise of the Option or any part thereof.

16. BYE-LAW (Cont'd)

- 9.5 Every notice to exercise the Option shall be accompanied by the relevant Option Certificate and a remittance (calculated in accordance with Bye-Law 8) for the full amount of subscription monies in relation to the number of new Shares in respect of which the Option is being exercised and the Grantee shall provide the Committee with his CDS account number. The Company shall within ten (10) Market Days of the receipt of such notice and remittance from the Grantee, allot the relevant number of new Shares, despatch notices of allotment to the Grantee and make an application to the MSEB for the quotation of such new Shares, and cause to be credited into the CDS account of the Grantee such new Shares subject to the provisions of the Articles of Association of the Company and the MCD rules. No physical share certificate will be issued. The Company shall issue an Option Certificate for the remaining Options not exercised. Where a Grantee does not presently have a CDS account, the Company shall assist the Grantee in formally opening a CDS account with the MCD.
- 9.6 Notwithstanding anything to the contrary contained in these Bye-Laws, the Committee shall have the discretion by notice in writing to any Grantee who is being subjected to any Disciplinary Proceeding to suspend his rights to exercise his Option pending the outcome of such Disciplinary Proceeding. In addition to this right of suspension, the Committee may impose such terms and conditions as it shall deem appropriate in its discretion, on the right of exercise of the Option having regard to the nature of the charges made or brought against such Grantee, provided always that: -
- (a) in the event such Grantee is found not guilty of the charges which gave rise to such Disciplinary Proceeding at the end of its proceedings, the Committee shall reinstate the rights of such Grantee to exercise his Option as if such Disciplinary Proceeding had not been instituted in the first place;
 - (b) in the event the Disciplinary Proceeding resulted in a recommendation for the dismissal or termination of service of such Grantee, the Option shall immediately lapse and be null and void and of no further force and effect upon pronouncement of the dismissal or termination of service of such Grantee notwithstanding that such recommendation may be subsequently challenged by the Grantee in any other forum; and
 - (c) in the event such Grantee is found guilty but no dismissal or termination of service is recommended, the Committee shall have the right to determine at its discretion whether or not the Grantee may continue to exercise his Option and if so, to impose such limits, terms and conditions as it deems appropriate, on such exercise.
- 9.7 Where the exercise of the Option is conditional upon the satisfaction of the performance criteria to Bye-Law 6.6 above, the Option may not be exercised until such criteria are satisfied as shall be determined by the Board as its sole and absolute discretion PROVIDED however that nothing in this Bye-Law 9.7 shall prevent the exercise of an Option pursuant to Bye-Law 10 or where the Board varies, waives or relax such condition in accordance with Bye-Law 9.8 below.

16. BYE-LAW (Cont'd)

- 9.8 If after the Board has determined the objective performance criteria to be satisfied pursuant to Bye-Law 6.6 above, events occur which cause the Board to consider that different objective performance criteria would be fairer or more appropriate measure of the performance of the Grantee, the Board may waive, relax or vary any of the objective performance criteria PROVIDED always that any such waiver relaxation or variation may only be one which the Board reasonably considers will result in the criteria being no more or no less difficult to satisfy than would have been the case without such waiver relaxation or variation.
- 9.9 A Grantee may not be entitled to exercise any Option granted to him whilst he is on any type of no pay leave for a continuous period of ninety (90) days or more (excluding prolonged illness leave) until he returns to full time service with his company in the Group.

10. TAKEOVER

- 10.1 Notwithstanding Bye-Law 9.3 hereof, in the event of a takeover offer being made for the Company by a general offer or otherwise and such offer becoming or being declared unconditional, the Grantee shall be entitled to exercise in whole or in part any Option as yet unexercised within six (6) months from the date on which such offer becomes or is declared unconditional. After the expiry of the said period of six (6) months, the Grantee may exercise his unexercised or partially unexercised Options within the relevant Option Period set out in By-Law 9.3 hereof.
- 10.2 In addition, in the event any person becomes entitled or bound to exercise rights of compulsory acquisition of the Shares under the provisions of the Act or the Securities Commission Act, 1993 and gives notice to the Grantee that he intends to exercise such rights on a specified date, the Grantee shall be entitled to exercise in whole or in part any of the unexercised Options to which he is entitled until the expiry of such specified date. Upon the expiry of the specified date, all unexercised Options shall automatically lapse and shall thereafter be null and void.

11. SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION, ETC

Notwithstanding Bye-Law 9, in the event the court sanctions a compromise or arrangement between the Company and/or its members proposed for the purposes of, or in connection with, a scheme of arrangement and reconstruction of the Company or its amalgamation with any other company or companies under the provisions of the Act, each Grantee shall be entitled to exercise in whole or in part any unexercised Option to which he is entitled at any time and from time to time during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending on the date upon which in the opinion of the Committee, it becomes effective. Upon the expiry of the specified date or upon the compromise or arrangement becoming effective, any unexercised Options shall lapse and become null and void.

16. BYE-LAW (Cont'd)

12. RIGHTS ATTACHING TO THE NEW SHARES

The new Shares to be allotted upon the exercise of any Option will upon allotment rank pari passu in all respects with the then existing issued and paid-up Shares except that the new Shares so allotted will not be eligible for any dividends, rights, allotments or other distributions, the entitlement date for which is before the date of exercise of the Options and will be subject to all the provisions of the Articles of Association of the Company relating to transfer, transmission and otherwise.

13. LISTING OF AND QUOTATION FOR THE NEW SHARES

The Company shall notify the MSEB of any exercise of Options. Upon any new Shares (if any) being allotted to the Grantee pursuant to an exercise of the Option, the Company will apply to the MSEB for the listing of and quotation for such new Shares and will use its best endeavours to obtain permission for such listing and quotation.

The Committee, the Board and the Company shall not under any circumstances and for any reason whatsoever be held liable for any costs, expenses, charges, losses and damages whatsoever and howsoever arising in any event relating to the delay on the part of the Company in allotting and issuing new Shares or in procuring the MSEB's permission for the listing of and quotation for such new Shares.

14. RETENTION PERIOD

The new Shares to be allotted and issued to the Grantees pursuant to any exercise of the Options will not be subject to any retention period or restriction of transfer, save as specifically stated in the Articles of Association of the Company, as amended from time to time. Grantees should note that new Shares are intended for them to hold as investments for long-term yield rather than for realisation to yield immediate profit.

15. ALTERATION OF SHARE CAPITAL DURING THE OPTION PERIOD

15.1 Subject to Bye-Law 15.5 below, in the event of an alteration in the capital structure of the Company during the Option Period, whether by way of capitalisation of profits or reserves, rights issues, consolidation of shares, sub-division of shares or reduction of capital, corresponding adjustments (if any) shall be made in: -

(a) (i) the number of new Shares relating to an Option or any portion thereof that is unexercised; and/or

(ii) the number of new Shares comprised in an Offer, and/or

(b) the Exercise Price;

as determined by the Committee and whereby adjustments other than on capitalisation issue must be confirmed in writing by an approved company auditor as defined under Section 8 of the Act (acting as experts and not as arbitrators), to be in its opinion fair and reasonable and such determination shall be final and binding on the Grantees.

16. BYE-LAW (Cont'd)

Provided that (i) no adjustment to the Exercise Price shall be made which would result in the new Shares issued on the exercise of Options being issued at less than the par value of the Shares, and if such an adjustment would but for this provision result in the Exercise Price being less than the par value, the Exercise Price payable shall be at the par value and (ii) such adjustments shall give the Grantee the right to subscribe to the same proportion of the issued and paid-up share capital of the Company to which he was previously entitled.

- 15.2 In the event that a fraction of a Share arising from the adjustments referred to in this Bye-Law would otherwise be required to be issued upon the exercise of an Option by the Grantee, the Grantee's entitlement shall be rounded down to the nearest whole number.
- 15.3 The Committee shall in writing and within thirty (30) Market Days of any adjustment as determined by the Committee pursuant to Bye-Law 15.1, notify the Grantee (or his legal or personal representatives where applicable) of the adjustment.
- 15.4 The adjustment pursuant to this Bye-Law shall be effective on the day immediately following the books closure date for the event giving rise to the adjustment.
- 15.5 No adjustment as provided in Bye-Law 15.1 or otherwise shall apply where the alteration in the capital structure of the Company arose from: -
- (a) an issue of new Shares in consideration or part consideration for an acquisition of any other securities, assets or business;
 - (b) a special issue of new Shares to Bumiputera investors nominated by the Ministry of International Trade and Industry, Malaysia and/or any other governmental authority to comply with the Government policy on Bumiputera capital participation;
 - (c) a private placement of new Shares by the Company;
 - (d) implementation of a share buy-back arrangement by the Company under Section 67A of the Act;
 - (e) any issue of warrants, convertible loan stocks or other instruments by the Company that gives a right of conversion into new Shares, and any issue of new Shares arising from the exercise of any conversion rights attached to such convertible securities; or
 - (f) an issue of new Shares upon the exercise of Options granted under the Scheme.

16. BYE-LAW (Cont'd)

16. AMENDMENT AND/OR MODIFICATION TO THE SCHEME

Any subsequent modifications and/or changes to the Scheme or the Bye-Laws shall not require the approval of the SC or any other relevant authorities. However, the Committee may at any time and from time to time recommend to the Board any amendments and/or modifications to all or any of the provisions of the Scheme and these Bye-Laws and the power to amend and/or modify all or any of the provisions of the Scheme and these Bye-Laws shall rest with the Board provided that no amendment shall alter adversely the rights attaching to any Options granted to such amendment except with the consent in writing of such number of Grantees whose entitlement, in the aggregate, to new Shares under their unexercised and unexpired Option is not less than half (1/2) in number of all the Shares which would be allotted upon exercise in full of all outstanding Options, nor alter such rights to the advantage of any Grantee without the prior approval of the shareholders of the Company.

17. TERMINATION OF THE OPTIONS

17.1 In the event of termination of employment or resignation or retirement of a Grantee for whatever reason prior to the exercise of an Option, such Option or the balance thereof shall forthwith cease to be valid; in the event of termination of employment of the Grantee by the Group on the date of expiry of the notice of termination, in the event of resignation of the Grantee on the date of notice of resignation and in the event of retirement of the Grantee on the day of retirement without any claim against the Company provided always that subject to the written approval of the Committee in its discretion, where the Grantee ceases his employment or appointment with the Group by reason of :-

- (a) his retirement at or after attaining normal retirement age;
- (b) his retirement before attaining the normal retirement age with the consent of the Committee;
- (c) redundancy; or
- (d) any other reasons which are acceptable to the Committee;

such Option shall remain exercisable within six (6) months of such cessation or such other period as determined by the Committee.

17.2 Where a Grantee retires and is re-employed by the Group, upon his re-employment, the ESOS Committee may at its discretion allow the Grantee to either: -

- (a) exercise the full extent of his entire unexercised option within six (6) months of his retirement or such extended period as the ESOS Committee may allow; or
- (b) be bound by the provisions of Bye-Law 9 as if that Grantee has never ceased employment.

16. BYE-LAW (Cont'd)

17.3 In respect of a Grantee employed under a fixed term employment contract, any earned Option remaining unexercised upon the:

- (a) cessation of his employment; or
- (b) the expiry of the original period of employment or any extension thereof,

whichever shall first happen, shall, together with the remainder of the Option, forthwith lapse and be of no further effect.

For avoidance of doubt, the restrictions contained in Bye-Law 9.3, shall apply to Grantees employed under a fixed term of employment contract.

17.4 Where the Grantee dies before the expiry of the Option Period and at the date of his death held unexercised Option or Options, such Option or Options may be exercised by the legal personal representatives of the Grantee within the Option Period or such other period as determined by the Committee.

17.5 The Option shall immediately become void and of no effect on the bankruptcy of the Grantee.

18. LIQUIDATION OF THE COMPANY

In the event of the liquidation of the Company, all unexercised or partially exercised Options shall automatically lapse and be null and void.

19. DISPUTES

Any disputes or difference of any nature arising hereunder shall be referred to the decision of the Committee. The said decision shall be final and binding on the parties unless the Eligible Employee of Grantee, as the case may be, shall dispute the same by notice to the Committee within fourteen (14) days of the receipt of the decision of the Committee, in which case, such dispute or difference shall be referred to the decision of an approved company auditor as defined under Section 8 of the Act (acting as expert and not as arbitrator), whose decision shall be binding in all respects and whose costs shall be borne by the party against whom the decision is given on appeal.

20. COMPENSATION

No Eligible Employee or Grantee shall bring any claim against the Company or Committee or any other party for compensation or damages arising from the suspension of his right to exercise his Option or his Option ceasing to be valid pursuant to the provisions of these Bye-Laws.

16. BYE-LAW (Cont'd)

21. INSPECTION OF THE AUDITED ACCOUNTS

Subject to the Articles of Association of the Company, all Grantees shall be entitled to inspect the latest available published audited accounts of the Company, on any Market Day, during the normal working hours of the Company, at the registered office of the Company.

22. TAXES

All taxes (including income tax), if any, arising from the exercise of any Option under the Scheme shall be borne by the Grantee.

23. COST AND EXPENSES

23.1 The Grantee shall be responsible for all charges of the MCD relating to or in connection with the issue and allotment of any new Shares in MCD's name and the crediting of the new Shares in the Grantee's CDS account.

23.2 Save for the taxes referred to in Bye-Law 22 and the fees referred to in Bye-Law 23.1, all fees, costs and expenses incurred by the Company in relation to the Scheme including but not limited to the fees, costs and expenses relating to the allotment and issue of the new Shares by the Company pursuant to the exercise of any Option shall be borne by the Company.

24. NOTICES

24.1 Any notice required to be given to an Eligible Employee shall be in writing and shall be in the first instance collected in person by the Eligible Employee within ten (10) days of a general notice being placed in one or more conspicuous place(s) at the workplace of the Eligible Employee requesting all Eligible Employees to collect the said notice during normal working hours from the Personnel Department of the Company or such other designated person as shall be stipulated in the general notice.

24.2 In the event that the said notice is not collected within the specified period of time, the said notice shall be delivered to the Eligible Employee by sending the same by pre-paid ordinary post to the latest postal address held in the employee records of the Company in respect of that Eligible Employee and any notice shall be deemed to have been delivered seven (7) days after the date it is posted.

25. NOT A TERM OF EMPLOYMENT

The Scheme does not form part, nor shall it in any way be construed as part of the terms and conditions of employment of any employee of the Group.

16. BYE-LAW (Cont'd)

26. ARTICLES OF ASSOCIATION

The provisions of these Bye-Laws shall be subject to the Articles of Association of the Company and in the event of a conflict between the provisions of these Bye-Laws and the Articles of Association of the Company, the provisions of the Articles of Association of the Company shall prevail.

27. SUBSEQUENT EMPLOYEE SHARE OPTION SCHEMES

The Company may establish a new employees' share option scheme after the expiry date of the current Scheme if the current Scheme is not renewed. Where the current Scheme has been renewed, a new scheme is allowed upon expiry of the renewed current Scheme. Eligible Employees who have been granted options under the current Scheme and if renewed, the renewed current Scheme, may be allowed to participate in the new employees' share option scheme.

28. TERMINATION OF EMPLOYEE SHARE OPTION SCHEMES

The Company may terminate the Scheme in mid-stream at any point in time throughout the Scheme. However, prior to the termination of the Scheme, the Company must satisfy all of the following conditions: -

- (a) obtain the consent of its shareholders of the Company at a general meeting, wherein at least a majority of the shareholders present should vote in favour of the termination; and
- (b) obtain the written consent of all Grantees who have yet to exercise their Options, either in part or in whole.

Pursuant to the above, the Company must provide sufficient information on the following matters: -

- (a) reasons for termination;
- (b) whether or not the termination of the Scheme would be in the best interest of the Company; and
- (c) any other information that would justify termination of the Scheme.

In the event of CBS terminates the continuation of the Scheme (i) no further Offers shall be made by the Committee from the date of such resolution, (ii) all Offers which have yet to be accepted shall lapse on the date of such resolution and (iii) all unexercised Options shall automatically lapse and shall become null and void.