

13. PROFORMA CONSOLIDATED BALANCE SHEETS OF VIZTEL AS AT 31 DECEMBER 2003, TOGETHER WITH THE BASES AND ASSUMPTIONS, AND THE REPORTING ACCOUNTANT'S LETTER THEREON



AF: 0039

■ **Chartered Accountants**
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia

■ Phone : (03) 2087-7000
Fax : (03) 2095-5332
(General Line)
(03) 2095-9076
(03) 2095-9078
www.ey.com/my

Mail Address:
P.O. Box 11040
50734 Kuala Lumpur, Malaysia

**Reporting Accountants' Report on Pro Forma Consolidated Balance Sheets
(prepared for inclusion in the Prospectus to be dated 30 June 2004)**

18 June 2004

The Board of Directors
Viztel Solutions Berhad
Level 62, Tower 2
PO Box 49
Petronas Twin Towers
Kuala Lumpur
Malaysia

Dear Sirs

VIZTEL SOLUTIONS BERHAD ("VSB") – PRO FORMA CONSOLIDATED BALANCE SHEETS FOR THE YEAR ENDED 31 DECEMBER 2003

We report on the pro forma consolidated balance sheets set out in section 13 of the Prospectus to be dated 30 June 2004 which has been prepared for illustrative purposes only, to provide information on how the consolidated balance sheet of VSB and its subsidiaries as at 31 December 2003 that has been presented might have been affected by the following schemes had the schemes been completed on that date:

- i) issuance of 132,450 Redeemable Convertible Preference Shares ("RCPS"), 'Series C' to several subscribers at an issue price of approximately RM7.55 per share;
- ii) conversion of preferential cumulative dividends of RM349,190 due to RCPS, 'Series B' into 46,250 new ordinary shares of RM1.00 each in VSB at the conversion price of RM7.55 per share;
- iii) a bonus issue of 2,337,568 new ordinary shares of RM1.00 each in VSB to the shareholders of VSB on the basis of approximately 1.41 new ordinary shares of RM1.00 each in VSB for every one (1) ordinary share of RM1.00 each held in VSB via the capitalisation of RM2,337,568 from the share premium account of the Company after the above events;

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- iv) upon completion of the bonus issue, to undertake a subdivision of every one (1) ordinary share of RM1.00 each in VSB into ten (10) new ordinary shares of RM0.10 each in VSB;
- v) in conjunction with the listing of VSB on the Malaysian Exchange of Securities Dealing & Automated Quotation ("MESDAQ") Market, the Company will implement a public issue of 15,000,000 new VSB ordinary shares at an issue price of RM0.35 per share payable in full upon application;
- vi) to establish an Employee Share Option Scheme ("ESOS") of up to 25% of the issued and paid-up share capital of the Company after the public issue comprising 13,750,000 ESOS Options for the benefit of the Directors and eligible employees of the VSB Group upon listing of the Company on the MESDAQ Market; and
- vii) admission to the Official List of the Bursa Malaysia Securities Berhad and the listing of and quotation for VSB's entire enlarged issued and paid-up share capital of RM6,875,000 comprising 68,750,000 VSB shares of RM0.10 each on the MESDAQ Market.

The above shall collectively be referred to as 'the Scheme'.

It is the responsibility solely of the Directors of VSB to prepare the pro forma consolidated balance sheets in accordance with the requirements of the Securities Commission Prospectus Guidelines in respect of Public Offerings ("the Guidelines").

It is our responsibility to form an opinion, as required by the Guidelines, and to report our opinion to you. Our work consisted primarily of comparing the unadjusted financial information presented with their original form, considering the adjustments and discussing the pro forma consolidated balance sheets with responsible officers of VSB. Our work involved no independent examination of any of the underlying financial information other than our audit of the consolidated financial statements that included the audited consolidated balance sheet as at 31 December 2003, on which we reported to the members of the company as of the date of our report.

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In our opinion:

- (a) the pro forma consolidated balance sheets have been properly compiled on the bases stated; and
- (b) within the context of the assumed date of the Scheme:
 - (i) such bases are consistent with the accounting policies of the VSB; and
 - (ii) the adjustments set out are appropriate for the purposes of the pro forma consolidated balance sheets pursuant to the Guidelines.

The accompanying pro forma balance sheets and this letter have been prepared solely for the purposes stated above, in connection with the aforementioned Scheme. This letter is not to be reproduced, referred to in any other document, or used for any other purpose without our prior written consent.

Yours faithfully

A handwritten signature in black ink, appearing to be "Z. - J.", written over a horizontal line.

ERNST & YOUNG
AF:0039
Chartered Accountants
Kuala Lumpur, Malaysia

A handwritten signature in black ink, appearing to be "Kua Choo Kai", written over a horizontal line.

Kua Choo Kai
No. 2030/03/06(J)
Partner

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**VIZTEL SOLUTIONS BERHAD
PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2003**

The pro forma consolidated balance sheets have been prepared for illustrative purposes only to show the effects on the audited consolidated balance sheet as at 31 December 2003 of the following transactions, as referred to in the notes to the pro forma consolidated balance sheets, on the assumption that they were implemented and completed on that date, and by application of the accounting policies of VSB as disclosed in its audited financial statements for the year ended 31 December 2003:

	<i>Audited as at 31/12/03 RM</i>	<i>Pro forma I RM</i>	<i>Pro forma II RM</i>	<i>Pro forma III RM</i>	<i>Pro forma IV RM</i>	<i>Pro forma V RM</i>
NON-CURRENT ASSETS						
Plant and equipment	1,041,518	1,041,518	1,041,518	1,041,518	1,444,518	1,444,518
Deferred development costs	5,301,627	5,301,627	5,301,627	5,301,627	6,064,202	6,064,202
Negative goodwill on consolidation	(89,427)	(89,427)	(89,427)	(89,427)	(89,427)	(89,427)
	6,253,718	6,253,718	6,253,718	6,253,718	7,419,293	7,419,293
CURRENT ASSETS						
Trade receivables	3,082,690	3,082,690	3,082,690	3,082,690	3,082,690	3,082,690
Other receivables	370,535	370,535	370,535	370,535	370,535	370,535
Cash and bank balances	715,752	658,750	658,750	658,750	3,443,175	8,255,675
	4,168,977	4,111,975	4,111,975	4,111,975	6,896,400	11,708,900
CURRENT LIABILITIES						
Trade payables	(311,950)	(311,950)	(311,950)	(311,950)	(311,950)	(311,950)
Other payables	(1,547,951)	(1,268,533)	(1,268,533)	(1,268,533)	(1,268,533)	(1,268,533)
Tax payable	(17,750)	(17,750)	(17,750)	(17,750)	(17,750)	(17,750)
Borrowings	(4,862,323)	-	-	-	-	-
	(6,739,974)	(1,598,233)	(1,598,233)	(1,598,233)	(1,598,233)	(1,598,233)
NET CURRENT (LIABILITIES)/ASSETS	(2,570,997)	2,513,742	2,513,742	2,513,742	6,463,742	11,276,242
	3,682,721	8,767,460	8,767,460	8,767,460	12,717,460	17,529,960

14. PROFORMA CONSOLIDATED BALANCE SHEETS OF VIZTEL AS AT 31 DECEMBER 2003, TOGETHER WITH THE BASES AND ASSUMPTIONS, AND THE REPORTING ACCOUNTANT'S LETTER THEREON (cont'd)

**VIZTEL SOLUTIONS BERHAD
PRO FORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2003
(CONTD.)**

	<i>Audited as at 31/12/03 RM</i>	<i>Pro forma I RM</i>	<i>Pro forma II RM</i>	<i>Pro forma III RM</i>	<i>Pro forma IV RM</i>	<i>Pro forma V RM</i>
FINANCED BY:						
SHARE CAPITAL AND RESERVES						
Share capital	867,661	1,662,432	4,000,000	4,000,000	5,500,000	6,875,000
Share premium	283,430	6,647,308	4,309,740	4,309,740	6,759,740	10,197,240
Exchange translation reserves	(32,311)	(32,311)	(32,311)	(32,311)	(32,311)	(32,311)
(Accumulated losses)/retained profits	(141,218)	454,333	454,333	454,333	454,333	454,333
Shareholders' funds	977,562	8,731,762	8,731,762	8,731,762	12,681,762	17,494,262
Minority interests	-	-	-	-	-	-
	977,562	8,731,762	8,731,762	8,731,762	12,681,762	17,494,262
NON-CURRENT LIABILITIES						
Borrowings	2,669,461	-	-	-	-	-
Deferred taxation	35,698	35,698	35,698	35,698	35,698	35,698
	2,705,159	35,698	35,698	35,698	35,698	35,698
	3,682,721	8,767,460	8,767,460	8,767,460	12,717,460	17,529,960
Number of shares	867,661	1,662,432	4,000,000	4,000,000	55,000,000	68,750,000
Net Tangible (Liabilities)/Assets per share	(4.88)	2.12	0.88	0.09	0.12	0.17

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**VIZTEL SOLUTIONS BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2003**

The pro forma consolidated balance sheets, which are based on the audited consolidated balance sheet of VSB as at 31 December 2003, have been prepared on accounting policies and basis consistent with those normally adopted in the preparation of the financial statements and are provided for illustrative purposes only to show the effects of the following transactions, on the assumptions that they were affected on 31 December 2003:

PRO FORMA I

Pro forma I is stated after incorporating the effects of the following:

- (i) Conversion of 175,000 Redeemable Convertible Preference Shares ("RCPS"), 'Series A' amounting to RM3,000,000 into 175,000 ordinary shares of RM1.00 each. Share premium of RM2,825,000 will be recognized upon conversion;
- (ii) Accruing for a 9% dividend payable to the holders of RCPS, 'Series B' amounting to RM69,772 for the period commencing from 1 January 2004 to the date of the conversion;
- (iii) Conversion of 353,571 RCPS, 'Series B' amounting to RM2,669,461 into 353,571 ordinary shares of RM1.00 each. Share premium of RM2,315,890 will be recognized upon conversion. In addition and on the same date, the total dividend payable to the holders of RCPS, 'Series B' amounting to RM349,190 will be converted into 46,250 ordinary shares of RM1.00 each at an issue price of RM7.55 per share. Share premium of RM302,940 will be recognized upon conversion;
- (iv) Special issue of shares will be offered to the employees of the Company at an issue price of RM1.60 per share. 87,500 shares will be issued for a total consideration of RM140,000. Share premium of RM52,500 will be recognised upon issuance;
- (v) Issuance of 132,450 RCPS, 'Series C' to part finance the repayment of a secured loan amounting to RM1,862,323 as at 31 December 2003. RCPS, 'Series C' will be issued at RM7.55 per share for a total consideration of RM999,998. The Company has come into an agreement with the loan holder that the loan holder will waive RM665,323 of the secured loan should it be settled by June 2004. The proceeds from the issuance of RCPS, 'Series C' will be utilised to repay part of the secured loan amounting to RM1,197,000; and
- (vi) Conversion of 132,450 RCPS, 'Series C' into 132,450 ordinary shares of RM1.00. Share premium of RM867,548 will be recognized upon conversion.

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**VIZTEL SOLUTIONS BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2003 (CONTD.)**

PRO FORMA II

Pro forma II is stated after incorporating the effects of Pro forma I and the effects of issuing bonus shares to the ordinary shareholders at the approximate ratio of 1.41 shares to every ordinary share held, by way of capitalization of share premium. A total of 2,337,568 new ordinary shares of RM1.00 each will be issued.

PRO FORMA III

Pro forma III is stated after incorporating the effects of Pro forma I and II and the effects of a share split of every 1 ordinary share to 10 ordinary shares. The par value of each of the ordinary share of the Company will be adjusted from RM1.00 to RM0.10.

PROFORMA IV

Pro forma IV is stated after incorporating the effects of Pro forma I, II and III and the effects of a proposed public issue of 15,000,000 ordinary shares of RM0.10 each at an issue price of RM0.35 per share. Total consideration to be received amounts to RM5,250,000. Listing expenditure of RM1,300,000 will be set off against the share premium account.

The proceeds from the public issue will be utilised as follows:

	RM
Proposed overseas investments *	540,190
Research and development expenditure	762,575
Working capital	2,244,235
Investment in telecommunication equipment	403,000
Estimated listing expenses	<u>1,300,000</u>
	<u>5,250,000</u>

*The funds will be used for staff costs, operational overheads and marketing expenses in VSB's operations in China.

PRO FORMA V

Pro forma V is stated after incorporating the effects of Pro forma I, II, III and IV and the effects of a proposed issue of shares under the Employee Share Option Scheme ("ESOS") of 13,750,000 new ordinary shares at RM0.35 each for a total consideration of RM4,812,500.

14. ESOS

The shareholders of Viztel have on 18 June 2004 adopted an ESOS for the benefit of the full-time executives and Directors of Viztel and its subsidiary companies. The ESOS was approved by Bursa Malaysia and the SC vide their letters dated 2 June 2004 and 1 June 2004 respectively.

Prior to the listing of the Company on the MESDAQ Market, the Board of the Company proposes to grant up to 5,384,400 Options to the Directors and Eligible Employee of the Group ("Initial Grant") as follows:

	<u>Number of ESOS Options</u>
Executive Directors	2,687,500
Non-Executive Directors	853,150
Employees	<u>1,843,750</u>
	<u>5,384,400</u>

The exercise price of the Options which are the subject matter of the Initial Grant is the Issue Price of the Viztel Shares.

The ESOS By-Laws are as follows:

1. DEFINITIONS

1.1 Except where the context otherwise requires, the following expressions in these By-Laws have the following meanings:

"Board"	: The Board of Directors of Viztel.
"Bursa Malaysia"	: Bursa Malaysia Securities Berhad (635998-W)
"By-Laws"	: The By-Laws governing the Scheme.
"CDS"	: Central Depository System.
"Central Depositories Act"	: The Malaysian Securities Industry (Central Depositories) Act 1991.
"Deposited Security(ies)"	: A security standing to the credit of a Securities Account and includes a security in a Securities Account that is in suspense
"Depositor"	: A holder of a Securities Account
"Duration of the Scheme"	: The duration of the Scheme shall be five (5) years from the commencement of the Scheme as defined in Clause 19 unless extended by the Option Committee in accordance with Clause 19.2.
"Eligible Employee/Director/Director"	: An employee or Director, of the Company who meets the criteria of eligibility for participation in the Scheme as set out in Clause 4.
"ESOS"	: Employees' share option scheme
"Grantee"	: An Eligible Employee/Director/Director who has accepted an Offer in the manner indicated in Clause 8.
"Market Day"	: Any day between Mondays and Fridays, both days inclusive, which is not a market holiday or public holiday
"Maximum Allowable Allotment"	: The maximum number of new Viztel Shares in respect of which Offers may be made to Eligible Employee/Directors/Directors, as provided in Clause 6.
"BMD"	: Bursa Malaysia Depository Sdn Bhd
"Listing Requirements"	: Listing Requirements of Bursa Malaysia for the MESDAQ Market

14. ESOS (cont'd)

“Viztel Group” or “Group”	:	Viztel and its subsidiary companies as defined in Section 5 of the Companies Act 1965
“Viztel Share(s)”	:	Ordinary share(s) of RM0.10 each in the capital of the Company
“Viztel” or “Company”	:	Viztel Solutions Berhad (Company No. 489232-W)
“Offer Date”	:	The date on which an Offer is made by the Option Committee to an Eligible Employee/Director to participate in the Scheme
“Offer”	:	An offer made in writing by the Option Committee to an Eligible Employee/Director in the manner indicated in Clause 5.
“Option Certificate”	:	A certificate issued by the Company pursuant to By-Law 8.3 hereof
“Option Committee”	:	The committee to be appointed by the Board to implement and administer the Scheme
“Option Period”	:	A period commencing from the Offer Date and expiring on a date which the Option Committee may in its discretion decide. Provided Always that no Option Period shall extend beyond the Duration of the Scheme
“Option Price”	:	The price per share at which a Grantee shall be entitled to subscribe for new Viztel Shares as set out in Clause 7.
“Option”	:	The rights of a Grantee to subscribe for new Viztel Shares pursuant to the contract constituted by acceptance by an Eligible Employee/Director, in the manner as set out in Clause 8, of an Offer made to such Eligible Employee/Director pursuant to Clause 5.
“Record of Depositors”	:	A record of Depositors established by the BMD under the Rules of the BMD
“RM” and “Sen”	:	Ringgit Malaysia and Sen, respectively
“ROC”	:	Registrar of Companies, Malaysia
“Scheme”	:	The scheme for the grant of Option to Eligible Employee/Directors to subscribe for new Viztel Shares on the terms as set out below.
“Securities Account”	:	An account established by BMD for a Depositor for the recording of Deposited Securities and for dealings in such securities by the Depositor

1.2 In these By-Laws:-

- 1.2.1 Any reference to a statutory provision shall include any subordinate legislation made from time to time under the provision and any listing requirements, policies and/or guidelines of Bursa Malaysia (in each case, whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies and/or guidelines are addressed to by Bursa Malaysia);
- 1.2.2 Any reference to a statutory provision shall include that provision as from time to time modified or re-enacted after the date of these By-Laws so far as such modification or re-enactment applies or is capable of applying to any Options offered and accepted prior to the expiry of the Scheme;
- 1.2.3 Words denoting the singular shall include the plural and references to gender shall include both genders and the neuter;

14. ESOS (cont'd)

- 1.2.4 Any liberty or power which may be exercised or any determination which may be made under by this Scheme by the Option Committee may be exercised at the Option Committee's discretion;
- 1.2.5 The heading in these By-Laws are for convenience only and shall not be taken into account in the interpretation of these By-Laws; and
- 1.2.6 If an event occurs on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day.

2. NAME OF SCHEME

This Scheme will be named the "Viztel Employees' Share Option Scheme".

3. MAXIMUM NUMBER OF SHARES AVAILABLE UNDER THE SCHEME

- 3.1 The maximum number of new Viztel Shares which may be available under the Scheme shall not exceed in aggregate twenty-five percent (25%) of the total issued and paid-up share capital of the Company (save and except in the event of any capital reduction or share buy back by the Company, the total aggregate percentage may exceed twenty-five percent (25%) of the prevailing reduced issued and paid up share capital of the Company) at any one time at the point of granting of the Options during the existence of the Scheme.
- 3.2 In the event of any capital reduction or share buyback by the Company which results in the total number of shares to be issued under the Scheme exceeding 30% of the issued and paid-up capital of the Company, no further Options shall be offered until the total number of shares to be issued under the Scheme falls below 30% of the issued and paid up capital of the Company.
- 3.3 The Company will during the Option Period keep available sufficient authorised and unissued shares to satisfy all Options, which may be exercised, in whole or in part during the Option Period.

4. ELIGIBILITY

- 4.1 Subject to the discretion of the Option Committee, any employee and Director of the Viztel Group (i.e. by the Company or its subsidiaries as defined under the Companies Act 1965, provided that they are not dormant) is eligible to participate in the Scheme, if, as at the Offer Date, such employee and Director:
- 4.1.1 has attained the age of eighteen (18) years on the Offer Date;
- 4.1.2 either:
- (a) is classified as an "employee" based on the terms of employment letter issued by the Company and is not a member of any trade union;
- (b) in the case of Directors, the name appears in the Register of Directors on or before the Offer Date
- 4.2 Eligibility, however, does not confer on an Eligible Employee/Director a claim or right to participate in the Scheme unless an Offer in writing has been made by the Option Committee to the Eligible Employee/Director and the Eligible Employee/Director has accepted the Offer in accordance with the terms of the Offer and the Scheme.

14. ESOS (cont'd)

5. OFFER

- 5.1 The Option Committee may, within the Duration of the Scheme referred to in Clause 19, make Offers to any Eligible Employee/Director whom the Option Committee may in its discretion select to participate in the Scheme.
- 5.2 The Option Committee may in its discretion at any time and from time to time as it may deem fit make an Offer to any Eligible Employee/Director whom the Option Committee may in its discretion select, to subscribe during the Option Period for new Viztel Shares in accordance with the terms of the Scheme.
- 5.3 Nothing in this Scheme shall prevent the Option Committee from making more than one Offer to any Eligible Employee/Director Provided That:
- 5.3.1 the new Viztel Shares to be allotted shall always be in multiples of One Hundred (100) Viztel Shares; and
- 5.3.2 the total aggregate number of new Viztel Shares to be so allotted to any Eligible Employee/Director shall not exceed the Maximum Allowable Allotment of each Eligible Employee/Director as set out in Clause 6.
- 5.4 The Option Committee shall state the following particulars in the letter of Offer:-
- 5.4.1 the number of Shares that are being offered to the Eligible Employee/Director;
- 5.4.2 the number of Shares which the Eligible Employee/Director shall be entitled to subscribe for upon the exercise of the Option being offered;
- 5.4.3 the Option Period;
- 5.4.4 the Option Price; and
- 5.4.5 the closing date for acceptance of the Offer.
- 5.5 No Option shall be granted to any Director of the Company unless specific grant of Options to that Director shall have previously been approved by the shareholders of the Company in a general meeting.
- 5.6 With the exception to Sub-Clause 10.2, the Offer shall automatically lapse and be null and void in the event of the Eligible Employee/Director ceasing to be employed by the Viztel Group for any reason whatsoever prior to the exercise of the Offer by the Eligible Employee/Director in the manner set out in Clause 9.
- 5.7 Subject to Sub-Clause 10.2.5, the Offer shall automatically lapse and be null and void in the event of death, bankruptcy or insanity of the Eligible Employee/Director.

6. MAXIMUM ALLOWABLE ALLOTMENT AND THE BASIS OF ALLOTMENT

- 6.1 Subject to the adjustments which may be made under Clause 14, the aggregate maximum number of new Viztel Shares that may be subscribed pursuant to the exercise of the Option offered to any of the Eligible Employee/Directors of the Viztel Group who are entitled to participate in the Scheme shall be at the sole and absolute discretion of the Option Committee after taking into consideration the position, performance, seniority and the length of service of

14. ESOS (cont'd)

the Eligible Employee/Directors in the Viztel Group or such other matters which the Option Committee may in its sole and absolute discretion deem fit subject to the following:-

- 6.1.1 the number of new Viztel Shares allocated, in aggregate, to the Directors and senior management of the Viztel Group shall not exceed 50% of the new Viztel Shares available under the Scheme; and
- 6.1.2 the allocation to an Eligible Employee/Director who, either singly or collectively through persons connected with the Eligible Employee/Director, holds 20% or more of the issued and paid-up share capital of Viztel must not exceed 10% of the total number of Viztel Shares available under the Scheme.
- 6.2 Subject to any adjustments which may be made under Clause 14, the maximum number of new Viztel Shares that may be offered and allotted to an Eligible Employee/Director shall be determined at the discretion of the Option Committee taking into consideration the performance, seniority and years of service of the Eligible Employee/Director subject always to Clause 3 above. The decision of the Option Committee shall be final and binding.
- 6.3 Subject to Clause 18, in the circumstances where the maximum allowable allotment as provided in the Listing Requirements on ESOS is amended by Bursa Malaysia from time to time, the Option Committee shall have the absolute discretion to make the necessary adjustments so that the number of new Viztel Shares that may be offered to any one of the Eligible Employee/Directors shall be in accordance with the provisions of the Listing Requirements prevailing during the Option Period.
- 6.4 An Eligible Employee/Director who holds more than one (1) position within the Company, and by virtue of such position is an Eligible Employee/Director in more than one (1) category, shall be entitled to the Maximum Allowable Allotment of any one (1) category. The Option Committee shall be entitled at its discretion to determine the applicable category.
- 6.5 The Option Committee may, subject to the approval of the Board, introduce additional categories of Eligible Employee/Directors who are eligible to participate in the Scheme, which it deems necessary, during the duration of the Scheme.

7. OPTION PRICE

- 7.1 The Option Price shall be the higher of the following:-
 - 7.1.1 the issue price of Viztel Shares for the initial public offering of Viztel Shares to the public;
 - 7.1.2 the weighted average market price of the Viztel Shares as shown in the Daily Official List of Bursa Malaysia for the five (5) Market Days immediately preceding the Offer Date with an allowance for a discount of not more than ten per centum (10%) at the Option Committee's discretion; or
 - 7.1.3 the par value of the Viztel Shares.
- 7.2 The Option Price shall be stipulated on each Option Certificate.
- 7.3 The Option Price shall be adjusted to any adjustments in accordance with Clause 14.

14. ESOS (*cont'd*)

8. ACCEPTANCE OF THE OFFER

- 8.1 The Offer to participate in the Scheme shall be valid for acceptance for a period of thirty (30) days from the Offer Date or such longer period as may be determined by the Option Committee on a case by case basis at its discretion. The acceptance of an Offer shall be made by way of a written notice from the Eligible Employee/Director to the Option Committee in the form prescribed by the Option Committee from time to time. In the event that the Eligible Employee/Director fails to accept the Offer within the prescribed period, the Offer shall automatically lapse PROVIDED THAT the Option Committee shall not be precluded from making a new Offer to the Eligible Employee/Director subsequently.
- 8.2 Acceptance of the Offer by an Eligible Employee/Director shall be accompanied by the payment of Ringgit Malaysia One (RM 1.00) as non-refundable consideration for the grant of the Option.
- 8.3 Within fourteen (14) days after the due acceptance of the Offer in accordance with the provisions of this Clause, the Option Committee shall issue to the Grantee an Option Certificate in such form as may be determined by the Option Committee from time to time stating, inter alia, the number of Viztel Shares granted, the Option Price and the Option Period.
- 8.4 An Option shall be personal to the Grantee and cannot be assigned, transferred or otherwise disposed of in any manner whatsoever.
- 8.5 The Option may be cancelled at the discretion of the Grantee by notice in writing to the Option Committee.

9. EXERCISE OF OPTIONS

- 9.1 Subject to Sub-Clause 9.2 below, an Option may be exercised by the Grantee by notice in writing to the Company in the prescribed form from time to time during the Option Period in respect of all or any part of the new Viztel Shares comprised in the Option, provided that where an Option is exercised in respect of a part of the new Viztel Shares comprised therein, the number of new Viztel Shares of which such Option may be exercised shall not be less than One Hundred (100) and shall be in multiples of One Hundred (100). Notwithstanding anything herein to the contrary in the event of any alteration in the share capital of the Company during the Option Period in accordance with Clause 14 which results in the number of Viztel Shares comprised in an Option not being in multiples of One Hundred (100), then the requirement that an Option shall be exercised in multiples of not less than One Hundred (100) new Viztel Shares shall not be applicable for the Grantee's final exercise of the Option.
- 9.2 Subject to Clause 14, the Option Committee may, at any time and from time to time, before or after an Option is granted, limit the exercise of the Option to a maximum number of new Viztel Shares and/or such percentage of the total new Viztel Shares comprised in the Option during such periods within the Option Period and impose any other terms and/or conditions deemed appropriate by the Option Committee in its discretion including amending/varying any terms and conditions imposed earlier.

The partial exercise of an Option shall not preclude the Grantee from exercising the Option for the remaining duration of the Option Period in respect of the balance of the new Viztel Shares comprised in the Option.

Any new Viztel Shares comprised in an Option not subscribed for in any year following the date on which the Option was granted, may be subscribed for in any subsequent year until and including the last year of the Option Period.

14. ESOS (cont'd)

- 9.3 Every such written notice referred to in Sub-Clause 9.1 hereof must be in the form prescribed by the Option Committee from time to time and accompanied by a remittance (calculated in accordance with the provisions of Clause 7) for the full amount of the subscription monies for the new Viztel Shares in respect of which notice is given. Within ten (10) Market Days from the receipt by the Company of the aforesaid notice and remittance from the Grantee, the Company shall allot such new Viztel Shares to the Grantee accordingly, subject to and in accordance with the provisions of the Articles of Association of the Company, the Central Depositories Act and the Rules of the BMD.
- 9.4 A Grantee who exercises his Option shall provide the Option Committee with the details of his Securities Account or the details of the Securities Accounts of his authorised nominee, as the case may be, in the notice referred to in Sub-Clause 9.1. The new Viztel Shares to be issued pursuant to the exercise of an Option will be credited into the Securities Account of the Grantee or his Authorised Nominee, as the case may be and a notice of allotment stating the number of shares credited into such Securities Account will be issued and despatched to the Grantee or the Grantee's Authorised Nominee with a copy to the Grantee, as the case may be, within ten (10) Market Days from the date of receipt by the Company of the written notice of the exercise of the Option together with the requisite remittance. No physical share certificate(s) will be issued.
- 9.5 An Eligible Employee/Director serving under an employment contract may exercise any remaining unexercised Option within twenty five (25) days before the expiry of the employment contract if the remaining duration of the contract as at the date on which the Option is granted is less than the Option Period.
- 9.6 No Options shall be exercisable after the expiry of the Option Period.
- 9.7 In the event that a Grantee is subject to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service) the Option Committee may, in its discretion, suspend and/or cancel the right of the Grantee to exercise his Option pending the outcome of such disciplinary proceedings. The Option Committee may impose such terms and conditions as the Option Committee shall deem appropriate having regard to the nature of the charges made or brought against the Grantee and the outcome of such disciplinary proceedings PROVIDED ALWAYS THAT in the event that such Grantee shall subsequently be found to be not guilty of the charges which gave rise to such disciplinary proceedings, the Option Committee shall reinstate the rights of such Grantee to exercise his Option PROVIDED THAT such reinstatement is within the Duration of the Scheme in accordance with Clause 19.
- 9.8 Notwithstanding the provisions of Sub-Clause 9.3, the Board (including directors that had resigned but were on the Board during the Option Period), the Option Committee, the Company and/or any officer of the Company shall not under any circumstances be held liable for any cost, loss, expense and/or damages whatsoever or howsoever arising in any event relating to the delay on the part of the Company in allotting the new Viztel Shares within the stipulated deadline or in procuring Bursa Malaysia to list the new Viztel Shares subscribed for by a Grantee.
- 9.9 Subject to the discretion of the Option Committee, failure by the Grantee to comply with the procedure for an exercise of an Option as stipulated in Sub-Clauses 9.1 to 9.5 will invalidate the purported exercise of such Option by an Eligible Employee/Director.
- 9.10 Every Option shall be subject to the condition that no new Viztel Shares shall be issued to a Grantee pursuant to the exercise of an Option if such issue would be contrary to any law, enactment, rules and/or regulations of any legislative or non-legislative body which may be in force during the Option Period or such period as may be extended.

14. ESOS (cont'd)

9.11 The Company will undertake to keep available sufficient unissued Viztel Shares to satisfy all outstanding Options.

10. TERMINATION OF THE OPTION

10.1 All remaining unexercised Options shall forthwith lapse and/or be deemed to be cancelled and cease to be exercisable in relation to any new Viztel Shares in respect of which such Options have not been exercised upon the occurrence of one or more of the following events:-

10.1.1 the Grantee ceasing to be in employment with Viztel Group; or

10.1.2 in the event of death, insanity or bankruptcy of the Grantee;

10.1.3 in the event of any misconduct on the part of the Grantee as determined by the Option Committee in its discretion;

10.1.4 in the event of any breach on the part of the Grantee of the By-Laws or of any of the terms of the Option;

10.1.5 winding up or liquidation of the Company, in which event the Option shall be automatically terminated on the following date:-

(a) in the case of a voluntary winding up:-

(i) the date on which a provisional liquidator is appointed by the Company; or

(ii) the date on which the shareholders of the Company passed a resolution to voluntarily wind up the Company; or

(b) in the case of an involuntary winding up, the date on which a petition for winding up is served on the Company ; or

10.1.6 termination of the Scheme pursuant to Clause 20.

For the purpose of Clause 10.1.1 above, the Grantee shall be deemed to have ceased to be so employed by Viztel as of the date of the notice of termination tendered by or given by the Grantee to the Company, unless such notice shall be withdrawn prior to its effective date.

10.2 Where the Grantee ceases his/ her employment or appointment with the Company by reason of: -

10.2.1 retirement on attaining the retirement age under Viztel's retirement policy;

10.2.2 retirement before attaining the normal retirement age but with the consent of the Board;

10.2.3 redundancy or any voluntary separation scheme;

10.2.4 ill-health, injury, physical or mental disability; or

10.2.5 any other circumstances which are acceptable to the Option Committee.

14. ESOS (cont'd)

he/she may exercise his/ her unexercised Option or Options within the relevant Option Period or Periods.

11. TAKEOVER

Notwithstanding Clause 9 above and subject to the provisions of any applicable statutes, rules, regulations and/or conditions issued by the relevant authorities, in the event of:

11.1 a takeover offer being made for the Company through a general offer to acquire the whole of the issued share capital of the Company (or such part thereof not at the time owned by the person making the general offer ("Offeror") or any persons acting in concert with the Offeror) a Grantee will be entitled, within three (3) months of such a general offer being made, to exercise all or any part of his Options and the Directors shall use their best endeavours to procure that such a general offer be extended to any new Viztel Shares that may be issued pursuant to the exercise of Options under this Clause; and

11.2 the Offeror becoming entitled or bound to exercise the right of compulsory acquisition of Viztel Shares under the provisions of any applicable statutes, rules and/or regulations and gives notice to the Company that it intends to exercise such right on a specific date, a Grantee will be entitled to exercise all or any part of his Option from the date of service of the said notice to the Company until and inclusive of the date on which the right of compulsory acquisition is exercised;

PROVIDED ALWAYS THAT any Option to the extent unexercised after the expiry of the periods stipulated in the aforesaid circumstances shall remain in force and continue to be exercisable until the expiry of the Option Period applicable thereto.

12. SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION

Notwithstanding Clause 9 above and subject to the discretion of the Option Committee, in the event of the court sanctioning a compromise or arrangement between the Company and its members proposed for the purposes of, or in connection with, a scheme of arrangement and reconstruction of the Company under Section 176 of the Companies Act 1965 or its amalgamation with any other company or companies under Section 176 of the Companies Act 1965, a Grantee may be entitled to exercise all or any part of his Option or Options at any time commencing from the date upon which the compromise or arrangement is sanctioned by the court and ending with the date upon which it becomes effective PROVIDED ALWAYS THAT any part of an Option which remains unexercised after the expiry of the period stipulated above shall remain in force and continue to be exercisable until the expiry of the Option Period applicable thereto.

13. RETENTION PERIOD

The new Viztel Shares to be issued and allotted to a Grantee pursuant to the exercise of any Option or Options will not be subject to any retention period.

14. ALTERATION OF SHARE CAPITAL DURING THE OPTION PERIOD

14.1 In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of capitalisation of profit or reserves, rights issues, reduction, subdivisions or consolidation of capital or otherwise howsoever taking place:

14.1.1 the Option Price; and/ or

14.1.2 the number of new Viztel Shares comprised in the Option so far as unexercised,

14. ESOS (cont'd)

shall be adjusted in such manner as the external auditors of the Company for the time being (acting as experts and not as arbitrators), upon reference to them by the Option Committee, confirm in writing to be in their opinion (other than for bonus issues), fair and reasonable, PROVIDED ALWAYS THAT:-

- (a) no adjustment to the Option Price shall be made which would result in the new Viztel Shares to be issued on the exercise of the Option being issued at a discount to par value, and if such an adjustment would but for this provision have so resulted, the Option Price payable shall be the par value of the new Viztel Shares;
- (b) upon any adjustment being made pursuant to this Clause, the Option Committee shall within thirty (30) days of the effective date of the alteration in the capital structure of the Company notify the Grantee (or his/her legal or personal representatives where applicable) in writing informing him of the adjusted Option Price thereafter in effect and/or the revised number of new Viztel Shares thereafter to be issued on the exercise of the Option;
- (c) such adjustments would give the Grantee the same proportion of the issued ordinary share capital of the Company as that to which he was entitled under the Option prior to such alterations; and
- (d) such adjustments should ensure that the capital outlay to be incurred by each Grantee in exercising his options remain unaffected.

14.2 The provisions of this Clause shall not apply where the alteration in the capital structure of the Company arises from the issue of securities as consideration for an acquisition or as a special issue to Bumiputera parties approved by the relevant authorities; a private placement or restricted issue of new Viztel Shares by the Company; a share buy-back arrangement by the Company; an issue of new Viztel Shares arising from the exercise of any conversion rights attached to securities convertible to new Viztel Shares or upon exercise of any other rights including warrants (if any) issued or to be issued by the Company; and an issue of new Viztel Shares pursuant to the Scheme.

15. QUOTATION OF SHARES

The new Viztel Shares referred to in Clause 3 above and the new Viztel Shares (if any) to be allotted and issued to the Grantee will not be listed or quoted on Bursa Malaysia until the Option is exercised in accordance with Clause 9 above whereupon the Company shall make the necessary application to Bursa Malaysia for the listing of and quotation for such new Viztel Shares and use its best endeavours to obtain permission for the dealing therein.

16. RANKING OF NEW VIZTEL SHARES

The new Viztel Shares to be allotted upon any exercise of any Options granted shall upon allotment and issue, rank *pari passu* in all respects with the existing Viztel Shares PROVIDED ALWAYS that the new Viztel Shares so allotted will not be entitled to any dividends, rights, allotments and/ or other distributions unless such new Viztel Shares are specified as being credited to the Securities Account of the Grantee in the Record of Depositors maintained by the Company with the BMD and requested by the Company from the BMD for the purpose of determining persons entitled to such dividends, rights, allotments, and/ or distributions in accordance with the Company's Articles of Association.

14. ESOS (cont'd)

17. ADMINISTRATION

The Scheme shall be administered by the Option Committee consisting of such persons appointed by the Board. The Option Committee shall administer the Scheme in such manner as it shall in its discretion deem fit. For the purpose of administering the Scheme, the Option Committee may do all such acts and things and enter into any transactions, agreements, deeds, documents or arrangements, and make rules, regulations or impose terms and conditions or delegate part of its power relating to the administration of the Scheme, as the Option Committee may in its discretion deem fit necessary and/or expedient for the implementation of the Scheme. The Board shall have power from time to time to rescind the appointment of any person to the Option Committee as it deems fit.

The Board shall have power at any time and from time to time to assume and/or exercise or execute any of the powers and authorities conferred upon the Option Committee pursuant to this By-Law.

18. AMENDMENT AND/OR MODIFICATION TO THE SCHEME

Subject to the approvals of Bursa Malaysia and any other relevant authorities, the Board shall have the power at any time and from time to time by resolution to amend and/or modify all or any of the provisions of the Scheme PROVIDED THAT no such amendment and/or modification shall be made which would either materially prejudice the rights then accrued to any Grantee without the Grantee's prior consent or alter to the advantage of any Grantee in respect of any provisions of the Scheme without the prior approval of the Company's shareholders in a general meeting, provided that such prior approval is required by the relevant regulatory provisions governing the Scheme.

19. DURATION OF THE SCHEME

19.1 The Scheme shall be in force for a period of five (5) years commencing from the date the adviser for the Scheme confirms in writing to Bursa Malaysia of full compliance with all relevant requirements under Chapter 3 of the Listing Requirements including the following:

- (a) submission of the final copy of the By-Laws to Bursa Malaysia;
- (b) receipt of approval-in-principle for the listing of the Viztel Shares to be issued under the Scheme from Bursa Malaysia;
- (c) procurement of shareholders' approval for the Scheme;
- (d) receipt of approval of any other relevant authorities; and
- (e) fulfillment of all conditions attached to the above approvals, if any.

The effective date of the launch and implementation of the Scheme shall be the date of the confirmation letter from the adviser of the Company as abovementioned.

19.2 Upon the expiry of the Scheme, the Option Committee shall have the discretion to extend the Duration of the Scheme PROVIDED THAT:-

- (a) any extension of the Scheme shall not result in the total duration of the Scheme exceeding ten (10) years;
- (b) the approval of the shareholders of the Company in a general meeting has been obtained, where required; and
- (c) all necessary approvals, where required, have been obtained from the Bursa Malaysia and any other relevant authorities.

14. ESOS (cont'd)

20. MID-STREAM TERMINATION OF THE SCHEME

Notwithstanding the provisions of Clause 19, the Company has the right to terminate the Scheme at any time during the Duration of the Scheme provided the following approval(s)/ consent(s) are obtained:-

- 20.1 the approval of Bursa Malaysia for the termination of the Scheme;
- 20.2 the consent of Viztel's shareholders at a general meeting wherein at least a majority of the shareholders present voted in favour of the termination; and
- 20.3 the written consent of all Grantees who have yet to exercise their Options, either in part or in whole.

21. SUBSEQUENT EMPLOYEES' SHARE OPTION SCHEME

The Company may establish a new employees' share option scheme after the expiry of the Scheme or upon termination of the Scheme subject to the approval of Bursa Malaysia.

22. DISPUTES

In the event of any dispute between the Option Committee and an Eligible Employee/Director or Grantee, as to any matter or thing of any nature arising hereunder, the Option Committee shall determine such dispute or difference by a written decision given to the Eligible Employee/Director or Grantee, as the case may be. The said decision shall be final and binding on the parties unless the Eligible Employee/Director or Grantee, as the case may be, shall dispute the same by written notice to the Option Committee within fourteen (14) days of the receipt of the written decision, in which case such dispute shall be referred to the decision of the external auditors of the Company for the time being, acting as experts and not as arbitrators, whose decision shall be final and binding in all respects. In the event that the external auditors are unable to reach a decision in respect of the dispute, such dispute shall be referred to a court of law of competent jurisdiction in Malaysia, whose decision shall be final and binding in all respects.

23. COMPENSATION

- 23.1 An Eligible Employee/Director or Grantee who ceases to hold office or employment shall not be entitled to any compensation for the loss of any right or benefit or prospective right or benefit under the Scheme which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office.
- 23.2 No Eligible Employee/Director or Grantee or legal or personal representatives shall bring any claim, action or proceeding against the Company or the Option Committee or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension of his rights to exercise his Option or his Option ceasing to be valid pursuant to the provisions of these By-Laws, or as the same may be amended from time to time in accordance with Clause 18 hereof.

24. TRANSFERS FROM/ TO OTHER COMPANIES RELATED TO THE GROUP

- 24.1 In the event that: -
 - 24.1.1 an employee or executive director who was employed in a company which is not within the Viztel Group and is subsequently transferred from such company within the Viztel Group;

14. ESOS (cont'd)

24.1.2 an employee or executive director who was in the employment of a company which subsequently becomes a member of the Viztel Group as a result of a restructuring exercise or otherwise involving Viztel and/or any company within the Viztel Group with any of the first mentioned company in (a) below,

(the first mentioned company in 24.1.1 and 24.1.2 above are referred to as the "Previous Company"), such an employee of the Previous Company (the "Affected Employee"), will, if the Affected Employee satisfies all conditions under Clause 4 :-

- (a) be entitled to continue to exercise all such unexercised Option(s) which were granted to him under the Previous Company's ESOS in accordance with the By-Laws of such Previous Company's ESOS but he shall not, upon such transfer or restructuring or divestment as the case may be, be eligible to participate for further options of such Previous Company's ESOS;
- (b) be eligible to participate in the Scheme only for the remaining duration of the Scheme, subject to the Option Committee's approval;
- (c) if the Affected Employee had participated in the Previous Company's ESOS, the number of new Viztel Shares to be offered to such Affected Employee under the Scheme shall be subject to the discretion of the Option Committee after taking into consideration, among others, the number of shares comprised in the option that were offered or exercised under the Previous Company's ESOS, and the Maximum Allowable Allotment under the Scheme.

25. COSTS AND EXPENSES

All costs and expenses incurred in relation to the Scheme including but not limited to the costs and expenses relating to the issue and allotment of the new Viztel Shares upon the exercise of any Option shall be borne by the Company.

26. NOT A TERM OF EMPLOYMENT

This 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.

27. ARTICLES OF ASSOCIATION

Notwithstanding the terms and conditions contained in this Scheme, if a situation of conflict should arise between this Scheme and the Articles of Association of the Company, the provisions of the Articles of Association of the Company shall at all times prevail.

28. TAXES

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

29. DISCLAIMER OF LIABILITY

Notwithstanding any provisions herein contained, the Option Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event including but not limited to the Company's delay in issuing and allotting the Shares.

14. ESOS (cont'd)

30. GOVERNING LAW

This Scheme shall be governed by and construed in accordance with the laws of Malaysia. The Grantees, by accepting the Options in accordance with this Scheme and the Company submit to the non-exclusive jurisdiction of the courts of Malaysia.

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