

11. DIRECTORS' REPORT

(Prepared for inclusion in the Prospectus)



Datascan Berhad (43190-H)
formerly known as Datascan (Malaysia) Berhad
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25 June 2004

Registered Office:

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The Shareholders of
DATASCAN BERHAD ("Datascan ")

Dear Sir/Madam,

On behalf of the Board of Directors, I wish to report after due enquiry that between the period from 31 May 2004 (being the date to which the last audited accounts of the Company and its subsidiaries ("Group") has been made up) to 25 June 2004 (being a date not earlier than 14 days before the issuance of this Prospectus), that: -

- (a) the business of the Group has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen since to the last audited accounts of the Group which have adversely affected the trading 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) save as disclosed in Section 9.4 of this Prospectus, no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Company or any of its subsidiary or associated companies;
- (e) in the opinion of the Directors, they are not aware of since the last audited accounts of the Group where, 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; and
- (f) save as disclosed in the "Proforma Consolidated Balance Sheets" and the "Accountants' Report" of this Prospectus, there have been no changes in the published reserves or any unusual factors affecting the profits of the Group since the last audited accounts of the Group.

Yours faithfully,
For and on behalf of the Board of Directors
DATASCAN BERHAD

Director/Chief Executive Officer

12. SUMMARY OF BUSINESS PLAN

The following is a summary of the 5-year Business Plan prepared by Datascan for the purpose of inclusion in this Prospectus.

12.1. Background of the Group

The Group's core business is in providing total POS solutions for the Hospitality (F&B) and Retail Industries, which includes front-of-the-house POS applications to the back-of-the-house sales report analysis, inventory management systems, head office report consolidation and control systems, and related implementation and support services.

12.2. Growth Objectives and Strategies

Datascan's growth strategies are focused on finance, product development and market expansion that are congruent and complement with the Company's goals and objectives. Datascan's long-term goal is to establish itself as the premier global provider of innovative POS and ICT solutions and related services for the Hospitality (F&B) and Retail industries. The Group is modelled as a "total solutions provider" that helps its customers to gain sustainable competitive advantage through insightful knowledge acquired from using its products and services. The Group's immediate goal is to consolidate its presence in Malaysia and to establish a strong foothold in Singapore, Indonesia and Brunei before expanding to other regional countries.

12.3. Human Resource Policy

Datascan recognises that the continued growth of the Group will depend on its abilities and continued efforts of its existing management team, some of whom have been with the Group since its inception. Strong management, operations and technical resources are vital to a successfully managed organization to ensure its long term future growth. In this regard, every effort has been made by the Group to attract, recruit, and retain its workforce within the organisation including providing competitive remuneration packages and career development.

Moving forward, the Group would continue to recruit and retain the right candidate in expanding its workforce. Emphasis would also be placed in setting clear career-progression path, job expectations and developing the right skills for all levels of employees.

12.4. Conclusion

The Group's products will be positioned in the high-end market segment and aim to be recognised as one of the top five international brands in the future. Datascan would be able to develop world-class software solutions given its strategic partnership with Microsoft, in-depth knowledge of the hospitality industry and competitors' products as well the strong technical know-how of its employees.

The Group intends to achieve its objective by expanding its market share in Malaysia and regionally. The Group will continue to seek expansion in existing business as well as other business opportunities both locally and abroad.

13. BYE-LAWS OF THE ESOS**1. NAME OF SCHEME**

This Scheme is called the "Datascan Berhad Employee Share Option Scheme".

2. OBJECTIVES OF SCHEME

The objectives of the Scheme are-

- (a) to provide an opportunity for Employees and Directors to participate as shareholders of the Company;
- (b) to reward and retain Employees and Directors whose services are vital to the continued growth of the Group; and
- (c) to motivate Employees and Directors towards better performance through greater loyalty to the Group.

3. DEFINITIONS AND INTERPRETATION

3.1 In these Bye-Laws, the following terms and expressions have the following meanings:

- "Act" - The Companies Act, 1965, as amended from time to time, and any re-enactment thereof
- "Available Balance" - The unissued share capital of the Company which is available for the offer of further Options, subject to the limit set out in Bye-Law 4.2 and after deducting all Options which have been offered and accepted
- "Board" - The Board of Directors of the Company
- "Bursa Malaysia" - Bursa Malaysia Securities Berhad
- "Bye-Laws" - The rules, terms and conditions of the Scheme (as amended, varied or supplemented from time to time in accordance with Bye-Law 22)
- "CDS" - Central Depository System
- "CDS Account" - An account established by Malaysian Central Depository Sdn. Bhd. for a depositor for the recording of deposits of securities and dealings in such securities by the depositor
- "Company" or "Datascan" - Datascan Berhad (formerly known as Datascan (Malaysia) Berhad)
- "Date of Expiry" - The last day of the duration of the Scheme as defined in Bye-Law 19.2
- "Date of Offer" - The date on which an Offer is made by the Option Committee to an Eligible Person in the manner provided in Bye-Law 7

13. BYE-LAWS OF THE ESOS (Cont'd)

"Directors"	The directors, both Executive Directors and Non-Executive Directors, of the Group
"Eligible Person"	- An Employee or Director who is designated in writing by the Option Committee to be an Eligible Person described in Bye-Law 5, and in the case of an Employee, falling within any of the categories of Employees set out the table of Maximum Entitlement for Employee in Bye-Law 6
"Employee"	- A natural person who is employed by and on the payroll of any company in the Group
"Entitlement Date"	- The date as at the close of business on which shareholders' names must appear on Datascan's Record of Depositors in order to participate in any dividends, rights, allotments or other distributions
"Executive Director"	- A natural person who holds a directorship in a full time executive capacity in any company in the Group and is on its payroll
"Grantee"	- An Eligible Person who has accepted an Offer in the manner provided in Bye-Law 8
"Group"	- The Company and its subsidiaries as defined in Section 5 of the Act, which are not dormant. Subsidiaries include subsidiaries which are existing as at the Effective Date and subsidiaries which are incorporated or acquired at any time during the duration of the Scheme but exclude subsidiaries which are deemed to be divested under Bye-Law 17.2
Listing Requirements	- The Listing Requirements of the Bursa Malaysia for the MESDAQ market
"Market Day"	- Any day from Monday to Friday (inclusive of both days) which is not a public holiday and on which the Bursa Malaysia is open for the trading of securities
"Maximum Entitlement"	- The maximum number of Options that can be offered to an Eligible Person under Bye-Law 6.1
Non-Executive Director(s)	- a natural person who holds a directorship of any company in the Group who is not an Executive Director
"Offer"	- A written offer made by the Option Committee to an Eligible Person in the manner provided in Bye-Law 7
"Option"	- The right of a Grantee to subscribe for one (1) new Share pursuant to the contract constituted by acceptance by the Grantee in the manner provided in Bye-Law 8 of an Offer made to such Grantee by the Option Committee pursuant to Bye-Law 7

13. BYE-LAWS OF THE ESOS (Cont'd)

- "Option Committee" - A committee comprising directors and/or senior management personnel appointed by the Board to administer the Scheme
- "Option Period" - The period commencing from the Date of Offer and expiring on either the termination of the Scheme as provided in Bye-Law 19.6 or on the Date of Expiry of the Scheme as provided in Bye-Law 19.2. In the event that the duration of the Scheme shall be extended, the Date of Expiry of the Scheme shall be the date of expiry as so extended.
- "Person Connected" shall have the same meaning given in relation to person connected with a director or major shareholder as defined in Paragraph 1.1 of the Listing Requirements
- "Scheme" - The scheme for the granting of Options to Eligible Persons to subscribe for new Shares upon the terms as herein set out
- "Shares" - Ordinary shares of RM0.10 each in the Company
- "Subscription Price" - The price at which a Grantee is entitled to subscribe for each Share as calculated in accordance with the provisions of Bye-Law 11

- 3.2 Headings are for ease of reference only and do not affect the meaning of a Bye-Law.
- 3.3 References to the provisions of statutes include such provisions as amended or re-enacted from time to time, and references to statutes include any consolidations, replacements or revisions of the same.
- 3.4 Words importing one gender shall include the all other genders.
- 3.5 Words importing the singular number shall include the plural number and vice versa.

4. TOTAL NUMBER OF SHARES AVAILABLE UNDER THE SCHEME

- 4.1 Each Option shall on exercise entitle the Grantee to subscribe one (1) new Share in accordance with the provisions of these Bye-Laws.
- 4.2 Subject to Bye-Law 4.3, the total number of Shares to be issued under the Scheme shall not exceed ten per centum (10%) of the issued and paid-up capital of the Company at any one time. Subject to Bye-Law 4.3, the aggregate number of Options to be offered cannot at any time exceed the number of Options which if offered, together with Options already exercised and unexercised Options would result in Shares being issued under the Scheme exceeding ten per centum (10%) of the issued and paid-up ordinary share capital of the Company at any one time during the duration of the Scheme as provided in Bye-Law 19.2, and -
- (a) not more than fifty per centum (50%) of the Shares available under the Scheme may be allocated, in aggregate, to Directors and senior management; and

13. BYE-LAWS OF THE ESOS (Cont'd)

- (b) not more than ten per centum (10%) of the Shares available under the Scheme may be allocated to any individual Director or Employee who, either singly or collectively through any Person Connected with him holds twenty per centum (20%) or more of the issued and paid up capital of the Company.
- 4.3 In the event the maximum number of new Shares to be issued under the Scheme exceeds the aggregate of ten per centum (10%) of the issued and paid-up ordinary share capital of the Company as a result of the Company purchasing its own Shares pursuant to Section 67A of the Act, thereby diminishing the issued and paid-up capital of the Company, the Options granted shall remain valid and exercisable in accordance with these Bye-Laws. However, in such a situation, the Option Committee shall not make any further Offers until the total number of Shares to be issued under the Scheme falls below 10% of the issued and paid-up capital of the Company.
- 4.4 The Company will keep available sufficient unissued Shares in its authorised share capital to satisfy all outstanding Options throughout the duration of the Scheme.

5. ELIGIBILITY

- 5.1 Only persons who are Directors as at the Date of Offer; or Employees who fulfill the following conditions shall be eligible to participate in the Scheme:-
 - (a) An Employee must be at least eighteen (18) years of age on the Date of Offer;
 - (b) An Employee must fall under one of the categories of Employees set out in the table of Maximum Entitlement for Employees in Bye-Law 6.1;
 - (c) An Employee must have been confirmed on the Date of Offer;
 - (d) If an Employee is employed by a subsidiary of the Company, the Employee's period of employment in the Group, shall be deemed to commence from the date on which the Employee commenced employment with the subsidiary, or the date on which such company became a subsidiary of the Company, whichever is later; and
 - (e) If an Employee is not a Malaysian citizen, in addition to the conditions stipulated in paragraphs (a) to (d) above, the Employee's contribution must be deemed by the Option Committee to be vital to the Group and the Employee must have served the Group on a full time basis for at least one (1) year as at the Date of Offer.

The selection of any Employee and Director for participation in the Scheme shall be at the discretion of the Option Committee and the decision of the Option Committee shall be final and binding.

- 5.2 No Employee or Director shall participate at any time in more than one (1) employee share option scheme currently implemented by any company within the Group.
- 5.3 Subject to Bye-Laws 4.2 and 6.1, in the event that the Option Committee has determined that certain Eligible Persons are entitled to be offered additional Options and the Available Balance is insufficient to grant their full additional

13. BYE-LAWS OF THE ESOS (Cont'd)

entitlements, the Available Balance may be distributed on such basis as the Option Committee may determine.

- 5.4 The Option Committee has the discretion not to make further additional Offers regardless of the amount of the Available Balance.
- 5.5 Eligible Persons who represent the Government or Government institutions or agencies and Government employees who are serving in the public service scheme as defined under Article 132 of the Federal Constitution are not eligible for the Scheme.

6. MAXIMUM ENTITLEMENT AND BASIS OF ALLOTMENT

- 6.1 The categories of Employees and Directors who are eligible to participate in the Scheme and the Maximum Entitlements of Employees and Directors are as set out in the tables below or as otherwise decided by the Option Committee. The Option Committee will ensure that there is an equitable allocation to the various categories of Employees and such allocations are in compliance with Bye-Law 4.2:

Maximum Entitlement for Directors

Category	Maximum Entitlement (No. of Shares)
Non-executive Chairman	367,000
Executive Directors	367,000

Maximum Entitlement for Employee

Category	Classification	Maximum Entitlement (No. of Shares)
Chief Technology Officer	A1	500,000
Vice Presidents	B1	367,000
Managers, Branch Managers and Assistant Managers	B2	239,000
Senior Executives	B3	128,000
Executives	B4	78,000
Non-executives	C1	53,000
General Workers	C2	33,000

6.2

- (a) In the event that an Eligible Person is moved to a higher category, his Maximum Entitlement shall be increased in accordance with categories in the table of Maximum Entitlement for Employees or the table of Maximum Entitlement for Directors in Bye-Law 6.1, as the case may be, upon his confirmation in the higher category.

13. BYE-LAWS OF THE ESOS (Cont'd)

- (b) In the event that an Eligible Person is moved to a lower category:-
- (i) his Maximum Entitlement shall be reduced in accordance with the categories in the table of Maximum Entitlement for Employees and the table of Maximum Entitlement for Directors in Bye-Law 6.1, as the case may be;
 - (ii) in the event that the total number of Shares in respect of Options which have been accepted by him up to the date he is moved to the lower category is greater than his Maximum Entitlement under such lower category, he shall be entitled to continue to hold and to exercise all unexercised Options held by him on such date but he shall not be entitled to be offered any further Options unless and until he is subsequently moved to a higher category so that his Maximum Entitlement is increased to an amount greater than the total number of Shares in respect of Options which have already been accepted by him; and
 - (iii) in the event that the total number of Shares in respect of Options which have been accepted by him up to the date he is moved to the lower category is less than his Maximum Entitlement under such lower category, he shall be entitled to continue to hold and to exercise all unexercised Options held by him on such date and, subject to Bye-Law 6.3, to be offered further Options up to his Maximum Entitlement under such lower category.

6.3 The number of Options to be offered to each Eligible Person shall, subject to each Eligible Person's Maximum Entitlement, be at the discretion of the Option Committee. In exercising its discretion, the Option Committee shall take into consideration the seniority, performance and length of service of each Employee and the contribution of the Director to the Company. The Option Committee shall not be obliged in any way to offer to an Eligible Person all or any part of the specified Maximum Entitlement. The decision of the Option Committee shall be final and binding.

6.4 The Option Committee may at its discretion introduce additional categories of Employees which it deems necessary during the duration of the Scheme provided always that the Maximum Entitlements in respect of these additional categories are in compliance with applicable laws.

6.5 The Option Committee may make more than one (1) Offer to an Eligible Person provided that the aggregate number of Options offered to an Eligible Person throughout the entire duration of the Scheme does not exceed his Maximum Entitlement.

7. OFFER

7.1 During the duration of the Scheme, the Option Committee may at its discretion at any time and from time to time make an Offer in writing to an Eligible Person, subject to the Eligible Person's Maximum Entitlement and a minimum of 100 Options. The audit committee of the Company shall verify the allocation of Options as being in compliance with the criteria set in By-Law 6.1 at the end of each financial year and include a statement in the annual report verifying such allocation.

13. BYE-LAWS OF THE ESOS (Cont'd)

- 7.2 The Option Committee shall state the following particulars in the letter of Offer:
- (a) The number of Options that are being offered to the Eligible Person.
 - (b) The number of Shares which the Eligible Person shall be entitled to subscribe for upon the exercise of the Options being offered.
 - (c) The Option Period.
 - (d) The Subscription Price.
 - (e) The Offer Period as defined in Bye-Law 7.3.
- 7.3 An Offer shall be valid for a period of thirty (30) days from the Date of Offer ("Offer Period").
- 7.4 No Offer shall be made to any Director of the Group or a Person Connected to such Director unless such Offer and the related allotment of Shares have previously been approved by the shareholders of the Company in general meeting.
- 7.5 Without prejudice to Bye-Law 21, in the event of an error on the part of the Company in stating any of the particulars referred to in Bye-Law 7.2, then -
- (a) within one (1) month after discovery of the error, the Company shall issue a supplemental letter of Offer, stating the correct particulars referred to in Bye-Law 7.2;
 - (b) in the event that the error relates to particulars other than the Subscription Price, the Subscription Price applicable in the supplemental letter of Offer shall remain as the Subscription Price as per the original letter of Offer; and
 - (c) in the event that the error relates to the Subscription Price, the Subscription Price applicable in the supplemental letter of Offer shall be the Subscription Price applicable as at the date of the supplemental letter of Offer, save and except with respect to any Options which have already been exercised as at the date of issue of the supplemental letter of Offer.
- 7.6 After each adjustment following an alteration of the share capital of the Company as stipulated in Bye-Law 15.1, upon the return by a Grantee of the original letter of Offer to the Company, that letter of Offer shall be amended or a new letter of Offer shall be issued within two (2) months from the date of return of the original letter, to reflect the adjustment made to the number of Options granted to the Grantee and/or to the Subscription Price.

8. ACCEPTANCE

- 8.1 An Offer may be accepted by an Eligible Person within the Offer Period by written notice to the Company accompanied by a payment to the Company of a nominal non-refundable consideration of Ringgit Malaysia One (RM1.00) only for the grant of the Options.
- 8.2 If an Offer is not accepted in the manner stated in Bye-Law 8.1, the Offer shall automatically lapse upon the expiry of the Offer Period. The number of Options offered in the lapsed Offer shall be deducted from the Maximum Entitlement or the balance of the Maximum Entitlement of the Eligible Person, and the Eligible

13. BYE-LAWS OF THE ESOS (Cont'd)

Person shall not be entitled to be offered the number of Options offered in the lapsed Offer, in any Offers made in the future.

9. NON-TRANSFERABILITY

- 9.1 An Option is personal to the Grantee and subject to the provisions of Bye-Laws 14.2 and 14.3, is exercisable only by the Grantee personally during his lifetime whilst he is in the employment or holds directorship in the Group.
- 9.2 An Option shall not be transferred, assigned, disposed of or subject to any encumbrances by the Grantee except in the event of the death of the Grantee as provided under Bye-Law 14.3. Any such transfer, assignment, disposal or encumbrance shall result in the automatic cancellation of the Option.

10. EXERCISE OF OPTIONS

- 10.1 Subject to Bye-Laws 14.2, 14.3, 16 and 17, a Grantee shall be allowed to exercise the Options granted to him on terms set out in the letter of Offer, within three (3) working days from the first (1st) day and the fifteenth (15th) day of the month or such other period that may be stipulated by the Option Committee, during his lifetime and whilst he is in the employment of the Group or holds directorship in the Group and within the Option Period.
- 10.2 Subject to the discretion of the Option Committee, where a Grantee is serving under an employment contract, he may exercise any remaining unexercised Options within sixty (60) days before the expiry of the employment contract if the remaining duration of the contract as at the date on which the Options are granted is less than the Option Period.
- 10.3 Options which are exercisable in a particular year but are not exercised may be carried forward to subsequent years subject to the Option Period. Any balance of Options not exercised within six (6) months preceding the Date of Expiry shall be capable of being exercised in full subject to the approval of the Option Committee. Any Options which remain unexercised at the expiry of the Option Period shall be automatically null and void without any claim against the Company. For the avoidance of doubt, it is hereby stated that the provisions of Bye-Laws 10.1 and 10.2 are subject to the provisions of this Bye-Law 10.3.
- 10.4 A Grantee shall exercise his Options within three (3) working days from the first (1st) day and the fifteenth (15th) day of the month or such other period that may be stipulated by the Option Committee, by notice in writing to the Company stating the number of Options exercised. The procedure for the exercise of Options to be complied with by a Grantee shall be determined by the Option Committee from time to time.
- 10.5 A Grantee shall exercise his Options by notice in writing to the Company in the prescribed form stating the number of Options exercised, the number of Shares relating thereto and the Grantee's individual/nominee CDS Account number. The Options shall be exercised in multiples of and not less than one hundred (100) Shares. The exercise by a Grantee of some but not all of the Options which have been offered to and accepted by him shall not preclude the Grantee from subsequently exercising any other Options which have been or will be offered to and accepted by him, during the Option Period.
- 10.6 Every notice to exercise Options shall be accompanied by a remittance in Ringgit Malaysia in the form of a banker's draft or cashier's order drawn and payable in Kuala Lumpur, for the full amount of the subscription money in relation to the number of Shares in respect of which the notice is given and the relevant Option Certificate.

13. BYE-LAWS OF THE ESOS (Cont'd)

- 10.7 Within ten (10) Market Days of the receipt by the Company of such notice and payment, or such other period as may be prescribed by the Bursa Malaysia, the Company shall allot the relevant number of Shares to the Grantee and despatch the notice of allotment stating the number of Shares so credited to the Grantees and make an application for the quotation of such new Shares. The said Shares will be credited directly into the CDS Account of the Grantee or his financier, as the case may be. No physical certificates will be issued.
- 10.8 Non-Executive Directors who have been allocated the ESOS Option, must not sell, transfer or assign the Shares obtained through the exercise of the Options offered to him pursuant to the ESOS within one (1) year from the Date of Offer of such Options.
- 10.9 The Company, the Board and the Option Committee shall not under any circumstances be held liable to any person for any costs, losses, expenses, damages or liabilities howsoever arising in the event of any delay on the part of the Company in allotting and issuing the Shares or in procuring the Bursa Malaysia to list and quote the Shares subscribed for by a Grantee or any delay in receipt or non-receipt by the Company of the notice to exercise the Options or for any errors in any Offers.

11. SUBSCRIPTION PRICE

The Subscription Price of each Share comprised in any Option shall, subject always to the provisions of Bye-Law 15 hereof, be the weighted average market price of the Shares for the five (5) Market Days immediately preceeding the Date of Offer with a discount of not more than ten per centum (10%) or the par value of the Shares, whichever is the higher amount. For any Option granted as part the listing proposal of the Company, the subscription price must not be less than the initial public offer price.

12. RIGHTS ATTACHING TO SHARES

The new Shares to be allotted upon the exercise of any Options will, upon allotment and issue, rank pari passu in all respects with the existing issued and paid-up Shares of the Company, except that the new Shares will not be entitled to any dividends, rights, allotments or other distributions, the Entitlement Date of which is prior to the date of allotment of the said Shares. The new Shares will be subject to all the provisions of the Articles of Association of the Company.

13. HOLDING OF SHARES

The Company encourages Grantees to hold the Shares subscribed for by them for as long as possible although a Grantee or his financier, as the case may be, may subject to By-Laws 26 sell the Shares subscribed for by the Grantee at any time after such Shares have been credited to the Grantee's or his financier's CDS Account. A Grantee should note that the Shares are intended for him to hold as an investment rather than for realisation to yield a quick profit.

13. BYE-LAWS OF THE ESOS (Cont'd)

14. TERMINATION OF EMPLOYMENT

14.1 Any Option which has not been exercised by a Grantee shall subject to Bye-Law 14.2 be automatically terminated in the following circumstances:

- (a) If the Grantee is an Employee, termination of employment of the Grantee with the Group for any reason whatsoever, in which event the Option shall be automatically terminated on the day the Grantee notifies his employer of his resignation or on the Grantee's last day of employment, whichever is the earlier.
- (b) Bankruptcy of the Grantee, in which event the Option shall be automatically terminated on the date a receiving order is made against the Grantee by a court of competent jurisdiction.
- (c) Upon the happening of any other event which results in the Grantee being deprived of the beneficial ownership of the Option.
- (d) If the Grantee is a Director, resignation or termination of the Grantee as a Director of the Group.

Upon the termination of Options pursuant to Bye Law 14.1(a), (b), (c) or (d) above, the Grantee shall have no right to compensation or damages or any claim against the Company from any loss of any right or benefit or prospective right or benefit under the Scheme which he might otherwise have enjoyed, whether for wrongful dismissal or breach of contract or loss of office or otherwise howsoever arising from his ceasing to hold office or employment or from the suspension of his right to exercise his Options or his Options ceasing to be valid.

14.2 The Option Committee may at its discretion allow an Option to remain exercisable during the Option Period on such terms and conditions as it shall deem fit if the cessation of employment occurs as a result of -

- (a) retirement on attaining the normal retirement age of fifty-five (55) years;
- (b) retirement before attaining the normal retirement age and with the consent of the employer company within the Group;
- (c) ill-health, injury, physical or mental disability;
- (d) redundancy;
- (e) transfer to any company outside the Group at the direction of the Company; or
- (f) any other circumstance acceptable to the Option Committee.

14.3 In the event that a Grantee dies before the expiry of the Option Period and, at the date of death, holds any Options which are unexercised, such Options may be exercised by the personal or legal representative of the deceased Grantee within the Option Period subject to the approval of the Option Committee. The proportion exercisable is at the discretion of the Option Committee.

13. BYE-LAWS OF THE ESOS (Cont'd)

15. ALTERATION OF SHARE CAPITAL AND ADJUSTMENT DURING THE OPTION PERIOD

15.1 Subject to Bye-Law 15.3, in the event of any alteration in the capital structure of the Company during the Option Period, whether by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of Shares or reduction of capital or otherwise howsoever, the Company shall cause such adjustment to be made to-

- (a) the number of Shares (excluding Options already exercised) under the Scheme; and/or
- (b) the Subscription Price,

as shall be necessary to give a Grantee the same proportion of the issued capital of the Company as that to which he was entitled prior to the event giving rise to such adjustment. In any event, such adjustment should not affect the capital outlay to be incurred by a Grantee in exercising his/her Option.

Any adjustment, other than on a bonus issue must be confirmed in writing by an approved Company Auditor ("Auditor") as defined under Section 8 of the Company Act, 1965.

15.2 The following provisions shall apply in relation to an adjustment which is made pursuant to Bye-Law 15.1:

- (a) Any adjustment to the Subscription Price shall be rounded up to the nearest one (1) sen and in no event shall the Subscription Price be reduced to an amount which is below the par value of the Shares.
- (b) In determining a Grantee's entitlement to subscribe for Shares, any fractional entitlements will be disregarded.

15.3 Bye-Law 15.1 shall not be applicable where an alteration in the capital structure of the Company arises from any of the following:

- (a) An issue of Shares pursuant to the exercise of Options under the Scheme.
- (b) An issue of securities as consideration for an acquisition.
- (c) An issue of securities as a private placement.
- (d) An issue of securities as a special issue approved by the relevant governmental authorities.
- (e) A restricted issue of securities.
- (f) An issue of warrants and convertible loan stocks or other instruments by the Company that gives a right of conversion into new Shares and any issue of Shares arising from the exercise of any conversion rights in respect of such convertible securities.
- (g) An issue of further Options to Eligible Persons under these Bye-Laws.

13. BYE-LAWS OF THE ESOS (Cont'd)

- (h) A purchase by the Company of its own Shares pursuant to Section 67A of the Act, in which event -
 - (i) if the number of Shares in respect of Options granted by the Company as at the date of designation of the Shares so purchased as treasury Shares or cancellation of such Shares is greater than 10% of the issued capital of the Company after such designation or cancellation, the Option Committee shall not make any further Offers; and
 - (ii) if the number of Shares in respect of Options granted by the Company as at the date of designation of the Shares so purchased as treasury Shares or cancellation of such Shares is less than 10% of the issued capital of the Company after such designation or cancellation, the Option Committee may make further Offers only when the total number of Options granted by the Company is less than 10% of the issued capital of the Company after such designation or cancellation.

15.4 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to Part VII of the Act, Bye-Law 15.1 shall be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which Bye-Law 15.1 is applicable, but Bye-Law 15.1 shall not be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which Bye-Law 15.1 is not applicable as described in Bye-Law 15.3.

15.5 An adjustment pursuant to Bye-Law 15.1 shall be made according to the following terms:

- (a) In the case of a rights issue, bonus issue or other capitalisation issue, on the Market Day immediately following the Entitlement Date in respect of such issue.
- (b) In the case of a consolidation or subdivision of Shares or reduction of capital, on the Market Day immediately following the date of allotment of new shares of the Company in respect of such consolidation, subdivision or reduction.

Upon any adjustment being made, the Option Committee shall give notice in writing within a period of two (2) months, to the Grantee, or his legal or personal representative where the Grantee is deceased, to inform him of the adjustment and the event giving rise thereto. Any adjustments other than on a bonus issue must be confirmed in writing by the Company's auditor to be in their opinion fair and reasonable. Nevertheless, for the avoidance of doubt, by virtue of Bye-Law 26, the decision of the Board shall be final and binding in all respects.

13. BYE-LAWS OF THE ESOS (Cont'd)

16. TAKE-OVERS AND MERGERS

- 16.1 In the event of an offer being made for Shares under the Securities Commission Act, 1993 and the Malaysian Code on Take-Overs and Mergers, 1998 and such offer being declared unconditional, the following provisions shall apply:
- (a) A Grantee shall be entitled to exercise all or any of the Options held by him as at the date of such offer being declared unconditional, within a period of six (6) months after such date and in accordance with the provisions of Bye-Law 10.4. In the event that the Grantee elects not to so exercise some or all of the Options held by him, the unexercised Options shall be automatically terminated on the expiry of the said period of six (6) months.
 - (b) If during the said period of six (6) months, the offeror becomes entitled or bound to exercise rights of compulsory acquisition in respect of the Shares under the provisions of the Securities Commission Act, 1993 and gives notice to the Grantee that he intends to exercise such rights on a specific date ("**Specified Date**"), the Grantee shall be entitled to exercise all or any of the Options held by him until the expiry of the said period of six (6) months or the Market Day immediately preceding the Specified Date, whichever is the earlier, and in accordance with the provisions of Bye-Law 10.4. In the event that the Grantee elects not to so exercise some or all of the Options held by him, the unexercised Options shall be automatically terminated on the expiry of the said period of six (6) months or on the Specified Date, whichever is the earlier.
- 16.2 In the event the court has sanctioned a compromise or arrangement between the Company and its members for the purpose of, or in connection with, a scheme for reconstruction of the Company or amalgamation with any other company or companies under the provisions of the Act, then the Grantee shall immediately become entitled in the period up to but excluding the date upon which such compromise or arrangement becomes effective, to exercise in whole or in part his Options. All unexercised Options held by a Grantee shall be automatically terminated on the date upon which such compromise or arrangement becomes effective.
- 16.3 For the avoidance of doubt, the limits on the exercise of Options stipulated in Bye-Law 10.1 shall not apply in respect of Bye-Laws 16.1(a), 16.1(b) and 16.2 above.

17. DIVESTMENT FROM GROUP

- 17.1 In the event that a company within the Group is divested from the Group, a Grantee who is employed by such company or is a Director of such company-
- (a) shall be entitled to continue to hold and to exercise all the Options held by him on the date of completion of such divestment within a period of one (1) year from the date of completion of such divestment or the Option Period, whichever expires first, and in accordance with the provisions of Bye-Law 10.4, in which event the limits on the exercise of Options stipulated in Bye-Law 10.1 shall not apply and if the Grantee does not so exercise some or all of such Options, the unexercised Options shall be automatically terminated upon the expiry of the relevant period; and

13. BYE-LAWS OF THE ESOS (Cont'd)

- (b) shall no longer be eligible to participate for further Options under the Scheme as from the date of completion of such divestment.

17.2 For the purposes of Bye-Law 17.1, a company shall be deemed to be divested from the Group in the event that such company would no longer be a subsidiary of the Company pursuant to Section 5 of the Act.

18. WINDING UP

All outstanding Options shall be automatically terminated in the event that a resolution is passed or a court order is made for the winding up of the Company.

19. DURATION, TERMINATION AND EXTENSION OF SCHEME

19.1 The effective date for the implementation and launching ("Effective Date") of the Scheme shall be the date of full compliance with all relevant requirements in Chapter 3 of the Listing Requirements by the Company including the following:

- a) Submission of final copy of the Bye-Laws pursuant to paragraph 3.14.6 of the Listing Requirements (together with a letter of compliance and checklist in compliance with Appendix 3D of the Listing Requirements);
- (b) Receipt of approval-in-principle for the listing of the Shares to be issued under the Scheme from Bursa Malaysia;
- (c) The approval from the Company's shareholders' for the Scheme in general meeting and the approvals of any other relevant authorities; and
- (d) The fulfilment of all conditions attached to the aforesaid approvals, if any.

19.2 The Scheme shall come into force on the Effective Date. The Scheme shall subject to Bye-Law 19.6 be in force for a duration of 3 years from the Effective Date. The date of expiry of the Scheme shall be at the end of the 3 years from the Effective Date or, if the Scheme shall be extended, shall be the date of expiry as so extended ("**Date of Expiry**").

19.3 Offers can only be made during the duration of the Scheme before the Date of Expiry.

19.4 Notwithstanding anything to the contrary, all unexercised Options shall lapse on the Date of Expiry.

19.5 The Scheme may be extended for further periods of up to 2 years, subject to the condition that the total duration of the Scheme shall not exceed ten (10) years, at the discretion of the Board upon the recommendation of the Option Committee. Any extended Scheme under this provision shall be implemented in accordance with the terms of these Bye-Laws, subject however to any revisions and/or changes to the relevant laws and/or regulations currently in force. Unless otherwise required by the relevant authorities, no further approvals shall be required for the extension of the Scheme.

13. BYE-LAWS OF THE ESOS (Cont'd)

19.6 The Scheme may be terminated by the Company prior to the expiry of its duration or tenure stated in this Bye-Law 19 PROVIDED ALWAYS that prior to the termination of the Scheme, the following conditions must have been satisfied by the Company:

- (a) That the consent from the Company's shareholders at a general meeting had been obtained wherein at least a majority of the shareholders present must have voted in favour of the termination.
- (b) That the written consent from all Grantees who have yet to exercise their Option, either in part or in whole, have been obtained.

19.7 The circular sent to the Company's shareholders to obtain the approval under Bye-Law 19.6(a) and the information to the Grantees to obtain the written consent from the Grantees under Bye-Law 19.6(b) must include the information set out in Appendix 7D of the Listing Requirements.

20. SUBSEQUENT EMPLOYEE SHARE OPTION SCHEME

Subject to the approval of the relevant authorities and compliance with the requirements of the relevant authorities, the Company may establish a new employee share option scheme after the Date of Expiry or after the termination of the Scheme pursuant to Bye-Law 19.6 herein.

21. ADMINISTRATION

21.1 The Scheme shall be administered by the Option Committee. The Option Committee shall, subject to these Bye-Laws, administer the Scheme in such manner as it shall think fit.

21.2 Without limiting the generality of Bye-Law 21.1, the Option Committee may, for the purpose of administering the Scheme, do all acts and things, rectify any errors in Offers, execute all documents and delegate any of its powers and duties relating to the Scheme as it may in its discretion consider to be necessary or desirable for giving effect to the Scheme.

21.3 The Board shall have power at any time and from time to time to rescind the appointment of any person appointed to the Option Committee as it shall deem fit.

22. AMENDMENT

22.1 Subject to Bye-Law 22.2, the Option Committee may at any time and from time to time recommend to the Board any additions or amendments to or deletions of these Bye-Laws as it shall in its discretion think fit and the Board shall have the power by resolution to add to, amend or delete all or any of these Bye-Laws upon such recommendation PROVIDED THAT no additions or amendments to or deletions of these Bye-Laws shall be made which will-

- (a) prejudice any rights then accrued to any Grantee without the prior consent or sanction of that Grantee;
- (b) alter to the advantage of any Eligible Person to whom the Option Committee has made an Offer; or

13. BYE-LAWS OF THE ESOS (Cont'd)

- (c) increase the number of Shares available under the Scheme beyond the maximum imposed by Bye-Law 4.2. ,

unless shareholders' approval is obtained at a general meeting.

- 22.2 For the purpose of complying with the provisions of Appendix 3D of the Listing Requirements, the matters in relation to items (1) to (7) of Appendix 3D of the Listing Requirements shall not be amended or altered in any whatsoever for the advantage of participants without the prior approval of shareholders in general meeting.

23. INSPECTION OF ACCOUNTS

All Grantees are entitled to inspect the latest annual report of the Company at the registered office of the Company at Suite 13.03, 13th Floor Menara Tan & Tan, 207, Jalan Tun Razak, 50400 Kuala Lumpur, during normal business hours.

24. SCHEME NOT A TERM OF EMPLOYMENT

This Scheme shall not confer or be construed to confer on an Eligible Person any special rights or privileges over the Eligible Person's terms and conditions of employment in the Group under which the Eligible Person is employed or the terms and conditions under which the Eligible Person holds office as a Director nor any rights additional to any compensation or damages that the Eligible Person may be normally entitled to arising from the cessation of such employment or loss of office. The Scheme shall not form part of or constitute or be in any way construed as a term or condition of employment of any Employee or the terms and conditions of appointment of any Director.

25. NO COMPENSATION FOR TERMINATION

No Employee shall be entitled to any compensation for damages arising from the termination of any Options or this Scheme pursuant to the provisions of these Bye-Laws.

26. RETENTION PERIOD AND COMPENSATION

- 26.1 Save for Bye-Law 10.8, the Shares allotted to the Grantee pursuant to the exercise of an Option will not be subject to any retention period or restriction of transfer.

- 26.2 No Eligible Person or Grantee shall bring any claim against the Company or the Option Committee or any other party for compensation or damages arising from this Option ceasing to be valid pursuant to the provisions of these Bye-Laws, as the same may be amended from time to time in accordance with Bye-Law 22.

27. DISPUTES

Any disputes arising hereunder shall be referred to the decision of the Board, whose decision shall be final and binding in all respects, provided that any Directors of the Company who are also in the Option Committee shall abstain from voting and no person shall be entitled to dispute any decision or certification which is stated to be final and binding under these Bye-Laws.

13. BYE-LAWS OF THE ESOS (Cont'd)

28. COSTS AND EXPENSES

All fees, costs and expenses incurred in relation to the Scheme including but not limited to the fees, costs and expenses relating to the allotment and issue of Shares pursuant to the exercise of Options, shall be borne by the Company.

29. ARTICLES OF ASSOCIATION

In the event of a conflict between any of the provisions of these Bye-Laws and the Articles of Association of the Company, the Articles of Association shall prevail.