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**14 PROFORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2004 AND THE REPORTING ACCOUNTANTS' LETTER THEREON**  
*(Prepared for the inclusion in this Prospectus)*

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13 June 2005

The Board of Directors  
**Ygl Convergence Berhad**  
10 China Street  
10200 Penang

Dear Sirs

**PROFORMA CONSOLIDATED BALANCE SHEETS  
AT 31 DECEMBER 2004**

We have reviewed the proforma consolidated balance sheets of Ygl Convergence Berhad ("Ygl Convergence") at 31 December 2004 together with the notes thereon, for which the Directors of Ygl Convergence are solely responsible, as set out in the accompanying statement which has been stamped for the purpose of identification. The proforma consolidated balance sheets have been prepared for the inclusion in the Prospectus to be dated 17 June 2005 in connection with the following, and should not be relied on for any other purposes.

- i) Acquisition of the entire issued and paid-up share capital of Ygl Consulting Sdn Bhd.
- ii) Acquisition of the entire issued and paid-up share capital of Ygl Multimedia Resources Sdn Bhd.
- iii) Public Issue of 8,400,000 new ordinary shares of RM0.10 each at an issue price of RM0.90 per share.
- iv) Bonus Issue of 33,400,000 new ordinary shares of RM0.10 each to be issued on the basis of one (1) new ordinary share in Ygl Convergence for every one (1) existing share held after the Public Issue.
- v) Listing of and Quotation for the entire enlarged issued and paid-up share capital of Ygl Convergence on the MESDAQ Market of Bursa Malaysia Securities Berhad.
- vi) Employees Share Option Scheme.

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REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

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In our opinion, the proforma consolidated balance sheets, which are provided for illustrative purposes only, have been properly compiled on the bases and assumptions set out in the accompanying notes to the proforma consolidated balance sheets and are presented on a basis consistent with the accounting principles normally adopted by Ygl Convergence. The adjustments in the accompanying notes are appropriate for the purposes of the proforma consolidated balance sheets.

Yours faithfully

  
MOORES ROWLAND  
No. AF:0539  
Chartered Accountants

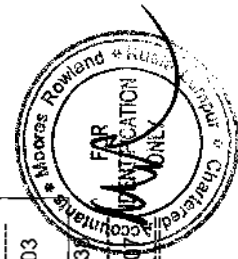
  
GAN MORN GHUAT  
No. 1499/5/07 (J)  
Partner

14 PROFORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2004 AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

YGL CONVERGENCE BERHAD

PROFORMA CONSOLIDATED BALANCE SHEETS  
AT 31 December 2004

	Audited at 31 December 2004 RM'000	(1) After Acquisition of Ygl Consulting RM'000	(2) After (1) and Acquisition of Ygl Multimedia RM'000	(3) After (2) and Public Issue RM'000	(4) After (3) and Bonus Issue RM'000	(5) After (4) and ESOS RM'000
PROPERTY, PLANT AND EQUIPMENT	-	1,078	1,078	1,078	1,078	1,078
ASSOCIATED COMPANY	-	-	436	436	436	436
INTANGIBLE ASSETS	-	-	55	55	55	55
DEFERRED TAX ASSET	-	-	-	-	-	-
<b>CURRENT ASSETS</b>						
Inventories	-	63	63	63	63	63
Trade and other receivables	-	2,290	2,330	2,330	2,330	2,330
Tax recoverable	-	1	1	1	1	1
Cash and bank balances	*	@	481	6,541	6,541	9,547
	*	2,354	2,875	8,935	8,935	11,941
<b>Less:</b>						
<b>CURRENT LIABILITIES</b>						
Trade and other payables	5	158	181	181	181	181
Amount owing to directors	-	521	686	686	686	686
Bank borrowings	-	163	163	163	163	163
Tax payable	-	173	173	173	173	173
	5	1,015	1,203	1,203	1,203	1,203
<b>NET CURRENT (LIABILITIES)/ASSETS</b>	(5)	1,339	1,672	7,732	7,732	10,732
	(5)	2,472	3,241	9,301	9,301	12,307



14 PROFORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2004 AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

	Audited at 31 December 2004 RM'000	(1) After Acquisition of Ygl Consulting RM'000	(2) After (1) and Acquisition of Ygl Multimedia RM'000	(3) After (2) and Public Issue RM'000	(4) After (3) and Bonus Issue RM'000	(5) After (4) And ESOS RM'000
Financed by:						
SHARE CAPITAL	*	2,200	2,500	3,340	6,680	7,348
SHARE PREMIUM	-	-	-	5,220	1,880	4,218
ACCUMULATED LOSS	(5)	(5)	(5)	(5)	(5)	(5)
SHAREHOLDERS' EQUITY	(5)	2,195	2,495	8,555	8,555	11,561
DISCOUNT ON ACQUISITION	-	277	746	746	746	746
	(5)	2,472	3,241	9,301	9,301	12,307
NUMBER OF ORDINARY SHARES ('000)	**	22,000	25,000	33,400	66,800	73,480
NTA per share (RM)	(2,500)	0.11	0.11	0.26	0.13	0.16

\* Represents RM2.

\*\* Represents issued and paid-up share capital of 20 ordinary shares of RM0.10 each.

# Represents cost of investment in an associated company of RM10.

@ Represents RM405



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14 **PROFORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2004 AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

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**YGL CONVERGENCE BERHAD**

**NOTES TO PROFORMA CONSOLIDATED BALANCE SHEETS**

1. The proforma consolidated balance sheets have been prepared for illustrative purposes only. They are based on the audited balance sheets of Ygl Convergence Berhad ("Ygl Convergence"), Ygl Consulting Sdn Bhd ("Ygl Consulting") and Ygl Multimedia Resources Sdn Bhd ("Ygl Multimedia") at 31 December 2004 and have been prepared on the accounting principles and bases consistent with those normally adopted by the Group (comprising Ygl Convergence, Ygl Consulting and Ygl Multimedia).
2. The proforma consolidated balance sheets have been adjusted to reflect the effects of the following on the assumption that they had been completed on 31 December 2004.

(i) *Acquisition of Ygl Consulting*

Ygl Convergence will acquire the entire issued and paid-up share capital of Ygl Consulting comprising 300,000 ordinary shares of RM1.00 each at a total purchase consideration of RM2,199,998 from the existing shareholders.

The purchase consideration will be satisfied entirely through the issue of 21,999,980 new ordinary shares of RM0.10 each in Ygl Convergence at an issue price of RM0.10 per share.

(ii) *Acquisition of Ygl Multimedia*

Ygl Convergence will acquire the entire issued and paid-up share capital of Ygl Multimedia comprising 2 ordinary shares of RM1.00 each at a total purchase consideration of RM300,000 from the existing shareholders.

The purchase consideration will be satisfied entirely through the issue of 3,000,000 new ordinary shares of RM0.10 each in Ygl Convergence at an issue price of RM0.10 per share.



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(iii) *Public Issue*

Ygl Convergence will issue 8,400,000 new ordinary shares at an issue price of RM0.90 per share.

The proceeds from the Public Issue totalling RM7,560,000 (8,400,000 shares at RM0.90 per share) will be utilised for the following:

	RM'000
Future business expansion and capital expenditure	4,130
Research and development expenditure	1,320
Working capital	610
Estimated listing expenses	1,500
	-----
	7,560
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The estimated listing expenses of RM1,500,000 will be written off against the share premium account.

(iv) *Bonus Issue*

Ygl Convergence will implement a Bonus Issue of 33,400,000 new ordinary shares to be issued to all shareholders of Ygl Convergence prior to the listing on the basis of one (1) new ordinary share in Ygl Convergence for every one (1) existing share held after the Public Issue and will be completed prior to the listing. The Bonus Issue will be effected through the capitalisation of RM3,340,000 from the share premium account arising from the Public Issue.

Upon completion of the Bonus Issue, the issued and paid-up share capital of Ygl Convergence will increase from RM3,340,000 comprising 33,400,000 shares of RM0.10 each to RM6,680,000 comprising 66,800,000 shares of RM0.10 each.

(v) *Employees Share Option Scheme*

Ygl Convergence will implement an Employees Share Option Scheme ("ESOS") involving up to 10% of Ygl Convergence's issued and paid-up share capital at any time during the existence of the ESOS.

After completion of the Bonus Issue, the issued and paid-up share capital of Ygl Convergence will be 66,800,000 shares of RM0.10 each

The options will be exercised at an adjusted exercise price of RM0.45 per share pursuant to the by-laws governing the ESOS after the Bonus Issue.



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## **15 ESOS BYLAWS**

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### **1. NAME OF SCHEME**

This Scheme shall be called the “Ygl Convergence Employee Share Option Scheme”.

### **2. OBJECTIVES OF SCHEME**

The objectives of the Scheme are:-

- (a) To provide an opportunity for employees 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 towards better performance through greater loyalty to the Group.

### **3. DEFINITIONS AND INTERPRETATION**

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

“Act”	- The Companies Act, 1965, as amended from time to time, and any re-enactment thereof
“Articles”	- Articles of Association of the Company, as amended from time to time
“Auditor”	- External auditors of Ygl Convergence for the time being
“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 By-Law 4.2 and after deducting all Options which have been offered and accepted
“Bursa Securities”	- Bursa Malaysia Securities Berhad
“Board”	- The Board of Directors of the Company
“By-Laws”	- The rules, terms and conditions of the Scheme (as may be amended, varied or supplemented from time to time in accordance with By-Law 22)
“CDS”	- Central Depository System
“CDS Account”	- An account established by Bursa Malaysia Depository Sdn. Bhd. for a depositor for the recording of deposits of securities and dealings in such securities by the depositor
“Central Depositories Act”	- Securities Industry (Central Depositories) Act, 1991, as amended from time to time
“Company” or “Ygl Convergence”	- Ygl Convergence Berhad
“Date of Expiry”	- The last day of the duration of the Scheme as defined in By-Law 19.1

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**15 ESOS BYLAWS (Cont'd)**

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- “Date of Offer” - The date on which an Offer is made by the Option Committee to an Eligible Person in the manner provided in By-Law 7
- “Depository Rules” - Rules of Bursa Depository
- “Director” - A natural person who holds a directorship in an executive or non-executive capacity in any company in the Group
- “Effective Date” - The date of full compliance with all relevant requirements for the Scheme under the Listing Requirements for the implementation of the Scheme
- “Eligible Person ” - An Employee or a Director who is designated in writing by the Option Committee to be an Eligible Person described in By-Law 5, and falling within any of the categories of Eligible Persons set out in By-Law 6
- “Employee” - A natural person who is employed by and on the payroll of any company in the Group. Employees include executive Directors
- “Entitlement Date” - The date as at the close of business on which shareholders’ names must appear on Ygl Convergence’s Record of Depositors in order to participate in any dividends, rights, allotments or other distributions
- “Grantee” - An Eligible Person who has accepted an Offer in the manner provided in By-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 have been divested in the manner provided in By-Law 17.2
- “Listing Requirements” - The Listing Requirements of the Bursa Securities 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 Securities is open for the trading of securities
- “Maximum Entitlement” - The maximum number of Options that can be offered to an Eligible Person as stipulated in By-Law 6.1
- “Offer” - A written offer made by the Option Committee to an Eligible Person in the manner provided in By-Law 7
- “Option(s)” - The right of a Grantee to subscribe for one (1) new Share(s) pursuant to the contract constituted by acceptance by the Grantee in the manner provided in By-Law 8 of an Offer made to such Grantee by the Option Committee pursuant to By-Law 7



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**15 ESOS BYLAWS (Cont'd)**

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- “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 the Date of Expiry of the Scheme as provided in By-Law 19.1. 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
- “Scheme” - The scheme for the granting of Options to Eligible Person to subscribe for new Shares upon the terms as herein set out, such scheme to be known as the “Ygl Convergence Employee Share Option Scheme”
- “Shares” - Ordinary shares of RM0.10 each in the Company
- “Subscription Price” - The price at which a Grantee shall be entitled to subscribe for each Share as calculated in accordance with the provisions of By-Law 11
- “Subsidiary Company” - A company which is for the time being a subsidiary company of Ygl Convergence as defined in Section 5 of the Act

3.2 Headings are for ease of reference only and do not affect the meaning of a By-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 the masculine gender shall include the feminine and neuter 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 be exercisable into one (1) new Share in accordance with the provisions of these By-Laws.

4.2 The aggregate number of Shares to be offered under the Scheme shall not exceed 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 By-Law 19.1, and further, the following shall be complied with:-

- (a) Not more than fifty per centum (50%) of the Shares available under the Scheme shall be allocated, in aggregate, to Directors and senior management; and
- (b) Not more than ten per centum (10%) of the Shares available under the Scheme shall be allocated to any individual Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds 20% or more of the issued and paid-up share capital of the Company.

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**15 ESOS BYLAWS (Cont'd)**

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- 4.3 Notwithstanding By-Law 4.2 above nor any other provision herein contained, in the event the maximum number of new Shares comprised in the Options granted 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 and thereby diminishing the issued and paid-up capital of the Company, the Options granted shall remain valid and exercisable in accordance with these By-Laws. However, in such a situation, the Option Committee shall not make any further Offers.
- 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 Eligible Persons who fulfill the following conditions shall be eligible to participate in the Scheme:-
- (a) An Eligible Person must be at least eighteen (18) years of age on the Date of Offer;
  - (b) An Eligible Person must fall under one of the categories of Eligible Persons listed in By-Law 6.1 below or such additional categories as may be introduced by the Option Committee;
  - (c) An Eligible Person, in the case of an Employee, must have been confirmed on the Date of Offer;
  - (d) If an Eligible Person is not a Malaysian citizen, he must, in addition to the conditions stipulated in paragraphs (a) to (c) above, also fulfill the following conditions:-
    - (i) The Eligible Person's contribution must be deemed by the Option Committee to be vital to the Group;
    - (ii) Where the Eligible Person is of executive status, the Eligible Person has served the Group on a full time basis for at least one (1) year as at the Date of Offer; and
    - (iii) Where the Eligible Person is of non-executive status, the Eligible Person has served the Group on a full time basis for more than three (3) years as at the Date of Offer.

Provided always that the selection of any Eligible Person 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 Eligible Person 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 By-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 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 Directors 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.

**15 ESOS BYLAWS (Cont'd)**

- 5.6 The Option Committee may, at its discretion, nominate any Subsidiary Company of the Company to be an Eligible Subsidiary Company at any time from time to time provided that the Option Committee shall not so nominate any company which is dormant to be Eligible Subsidiary Company. A company shall ipso facto cease to be an Eligible Subsidiary Company at the time when such company ceases to be a Subsidiary Company of the Company. Additionally, the Option Committee may, at its discretion revoke or suspend the nomination of any Eligible Subsidiary Company at any time and from time to time, whereupon the employees or directors of such company shall henceforth cease to be eligible to receive an Offer under the Scheme provided that any Option already granted shall not be affected by such revocation or suspension.

**6. MAXIMUM ENTITLEMENT AND BASIS OF ALLOTMENT**

- 6.1 The categories of Eligible Persons who are eligible to participate in the Scheme and their Maximum Entitlements are as follows:-

Category	Maximum Entitlement (No. of Options)
Chief Executive Officer	600,000
Chief Operating Officer	600,000
Group Executive Director	270,000
Group Non-Executive Director	140,000
Group General Manager	210,000
Executive Director of Subsidiary	240,000
Associate Director of Subsidiary	140,000
Senior Consultant, Senior Executive, System Analyst, Manager	130,000
Consultant, Analyst Programmer	90,000
Junior Consultant, Programmer	50,000
Administrative Officer	50,000
General Worker	7,000

- 6.2 (a) In determining the number of Options to be offered to an Eligible Person under the Scheme, the seniority of the Eligible Person and his length of service in the Group as at the Date of Offer shall be taken into consideration, subject to a minimum of one hundred (100) Options and in multiples of one hundred (100) Options.
- (b) In the event that an Eligible Person is moved to a higher category and has achieved the appropriate length of service, as determined by the Option Committee, during the tenure of the Scheme may be eligible for additional new Shares to be decided by the Option Committee at its discretion subject to the following:-
- (i) that the said Eligible Person be allotted additional new Shares to the Maximum Entitlement for the category to which he/she has been promoted or be allotted additional new Shares in accordance with the length of service, less the number of new Shares already allotted to him/her;
- (ii) The Eligible Person's Maximum Entitlement shall be increased in accordance with the scale provided in By-Law 6.1 upon his/her confirmation in the higher category. The additional allotment shall be from:
- (1) The balance of the total Offer not exceeding ten per centum (10%) of the issued and paid-up share capital of the Company as referred to in By-Law 4 hereof;

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**15 ESOS BYLAWS (Cont'd)**

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- (2) The resignation of Grantees who have not exercised their Options in full; or
      - (3) Additional Options that may be made available as a result of an increase to the issued and paid-up share capital of the Company.
    - (iii) that in the event that the balance of the new Shares available are insufficient to grant the full additional new Shares allotted to the promoted Eligible Employee, the available balance shall then be distributed on a proportionate basis according to the additional allotment for which they are eligible; and
    - (iv) that the Option Committee has the discretion not to make further additional allotment in the event that the balance of the new Shares available is inadequate to make a meaningful allotment.
  - (c) In the event that an Eligible Person is moved to a lower category, the following provisions shall apply:-
    - (i) His Maximum Entitlement shall be reduced in accordance with the scale provided in By-Law 6.1;
    - (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 By-Law 6.3, to be offered further Options up to his Maximum Entitlement under such lower category.
- 6.3 Notwithstanding By-Law 6.1, 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 Eligible Person. The Option Committee shall not be obliged in any way to offer to an Eligible Person all 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 Eligible Persons which it shall deem necessary during the duration of the Scheme provided always that the Maximum Entitlements in respect of these additional categories are in compliance with the relevant Listing Requirements and 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.

**15 ESOS BYLAWS (Cont'd)**

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**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 under By-Law 6.1 hereof.
- 7.2 The Option Committee shall state the following particulars in the letter of Offer:-
- (a) The number of Options to subscribe for Shares under the Scheme 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; and
  - (e) The Offer Period as defined in By-Law 4.
- 7.3 The actual number of new Shares which may be offered to such Eligible Person shall be at the discretion of the Option Committee and shall not be less than one hundred (100) Shares nor more than the Maximum Entitlement as set out in By-Law 6 herein. The new Shares offered to Eligible Person shall always be in multiples of one hundred (100) Shares hereof
- 7.4 An Offer shall be valid for a period of thirty (30) days from the Date of Offer ("Offer Period").
- 7.5 No Offer shall be made to any Director of Ygl Convergence unless such Offer and the related allotment of Shares have previously been approved by the shareholders of the Company in general meeting.
- 7.6 Without prejudice to By-Law 21, in the event of an error on the part of the Company in stating any of the particulars referred to in By-Law 7.2, the following provisions shall apply:-
- (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 By-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 original 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.
- 7.7 After each adjustment following an alteration of the share capital of the Company as stipulated in By-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.
- 7.8 Nothing herein shall prevent the Option Committee from making more than one (1) Offer to an Eligible Person PROVIDED ALWAYS that the total aggregate number of new Shares to be offered to any Eligible Person shall not exceed the Maximum Entitlement as set out in By-Law 6 above.

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**15 ESOS BYLAWS (Cont'd)**


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**8. ACCEPTANCE**

- 8.1 Any Eligible Person who accepts an Offer by written notice must return to the Option Committee within thirty (30) days from the Offer Date, the Acceptance Form as prescribed by the Option Committee (subject to modification by the Option Committee from time to time) duly completed as required therein accompanied by a payment to the Company of a nominal non-refundable consideration of Ringgit Malaysia One (RM1.00) only as consideration for the Option.
- 8.2 If an Offer is not accepted in the manner prescribed above, such Offer shall upon the expiry of the said thirty (30) days period, automatically lapse and shall be null and void and be of no further legal force and effect. 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 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 By-Laws 14.2 and 14.3, it is exercisable only by the Grantee personally during his lifetime whilst he is in the employment or appointment of any company in the Group.
- 9.2 An Option shall not be transferred, assigned, disposed of or subject to any encumbrances by the Grantee save and except in the event of the death of the Grantee as provided under By-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 By-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, **on the first working day of each calendar month** or such other period that may be stipulated by the Option Committee, during his lifetime whilst he is in the employment or appointment of the Group, and within the Option Period subject to the following limits:-

<b>Maximum Percentage of Options Exercisable in Each Year Commencing From Date of Offer (On a Per Offer Basis)</b>					
<b>Number of Options Accepted Per Offer</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Less than or equal to 10,000	50%	50%	-	-	-
10,001 to 50,000	30%	30%	40%	-	-
50,001 to 100,000	20%	20%	30%	30%	-
Above 100,000	20%	20%	20%	20%	20%

*Note: The above percentages of Options shall be rounded up to the nearest 100 Shares.*

- 10.2 Subject to the discretion of the Option Committee, where a Grantee is serving under an employment contract and the remaining duration of the contract is less than five (5) years from the Date of Offer, he may exercise any remaining unexercised Options upon the expiry of the contract but before the Date of Expiry of the Scheme.

**15 ESOS BYLAWS (Cont'd)**

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- 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 terminated without any claim against the Company. For the avoidance of doubt, it is hereby stated that the provisions of By-Laws 10.1 and 10.2 are subject to the provisions of this By-Law 10.3.
- 10.4 A Grantee shall exercise his Options on the first working day of each calendar 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 Penang, for the full amount of the subscription money in relation to the number of Shares in respect of which the notice is given.
- 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 Securities, and subject to the Articles of the Company, the Company shall allot the relevant number of Shares to the Grantee. The said Shares will be credited directly into the CDS Account of the Grantee (subject to the provisions of the Articles, the Central Depositories Act and Depository Rules) and a notice of allotment stating the number of Shares so credited will be issued to the Grantee. No physical certificates will be issued. An application will be made for the quotation of such Shares.
- 10.8 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 Securities 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 By-Law 15 hereof, be as follows:-

- (a) In respect of any Offer which is made in conjunction with the Company's listing on the MESDAQ Market of Bursa Securities, the initial public offer price; and
- (b) In respect of any Offer which is made subsequent to the Company's listing on the Bursa Securities, the weighted average market price of the Shares for the five (5) Market Days immediately preceding the Date of Offer with a discount of not more than ten per centum (10%).

**15 ESOS BYLAWS (Cont'd)**

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**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**

- 13.1 The Company encourages Grantees to hold the Shares subscribed for by them for as long as possible although a Grantee (save for Non-Executive Directors) or his financier, as the case may be, may 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.
- 13.2 A Grantee who is a Director in a non-executive capacity shall not sell, transfer or assign any Shares obtained through the exercise of Options offered to him pursuant to the Scheme within one (1) year from the Date of Offer of such Options.

**14. TERMINATION OF EMPLOYMENT**

- 14.1 Subject to By-Law 14.2 and 14.3, any Option which has not been exercised by a Grantee shall be automatically terminated in the following circumstances:-
- (a) 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; or
  - (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; or
  - (c) Upon the happening of any other event which results in the Grantee being deprived of the beneficial ownership of the Option.

Upon the termination of Options pursuant to Bye Law 14.1(a), (b) or (c) 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 Notwithstanding By-Law 14.1 above, 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; or
  - (b) Retirement before attaining the normal retirement age and with the consent of the employer company within the Group; or
  - (c) Ill-health, injury, physical or mental disability; or
  - (d) Redundancy; or



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**15 ESOS BYLAWS (Cont'd)**

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- (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 exercise of Options in the proportions set out in By-Law 10.1 hereof shall not apply to an exercise of the Options of a deceased Grantee by his personal or legal representative. The proportion exercisable is at the discretion of the Option Committee.

**15. ALTERATION TO SHARE CAPITAL DURING THE OPTION PERIOD**

15.1 In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of a capitalisation issue, rights issue, bonus issue, consolidation or subdivision of Shares or capital reduction or any other variation of capital, the Company shall cause such adjustments to be made to:-

- (a) The number of new Shares which a Grantee shall be entitled to subscribe for upon the exercise of each Option (excluding the Options already exercised); and/or
- (b) The Subscription Price;

as shall be necessary to ensure that any adjustment made must be in compliance with the provisions for adjustment as provided in the By-Laws of the Scheme.

15.2 The following provisions shall apply in relation to an adjustment which is made pursuant to By-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; and
- (b) In determining a Grantee's entitlement to subscribe for new Shares, any fractional entitlements will be disregarded.

15.3 In addition to By-Law 15.1 and not in derogation thereof, the Subscription Price and the number of new Shares relating to the Option so far unexercised shall from time to time be adjusted in accordance with the following relevant provisions in consultation with the Auditor:-

- (a) If and whenever a Share by reason of any consolidation or subdivision or conversion shall have a different par value, the Subscription Price shall be adjusted by multiplying it by the revised par value and dividing the result by the former par value and the additional number of new Shares relating to the Option to be issued shall be calculated in accordance with the following formula:-

$$\text{Number of additional Shares} = T \times \left( \frac{\text{Former Par Value}}{\text{Revised Par Value}} \right) - T$$

Where T = existing number of Shares relating to the Option.

**15 ESOS BYLAWS (Cont'd)**

Such adjustment will be effective from the close of business on the Market Day immediately following the date on which the consolidation or subdivision or conversion becomes effective (being the date when the Shares are traded on Bursa Securities at the new par value), or such period as may be prescribed by Bursa Securities.

- (b) If and whenever the Company shall make any issue of Shares to shareholders credited as fully paid, by way of bonus issue or capitalisation issue of profits or reserves of the Company (whether of a capital or income nature and including any share premium account and capital redemption reserve fund), the Subscription Price shall be adjusted by multiplying it by the following fraction:-

$$\frac{A}{A+B}$$

and the additional number of new Shares relating to the Option to be issued shall be calculated as follows:-

$$\text{Number of additional Shares} = \left\{ T \times \left( \frac{A+B}{A} \right) \right\} - T$$

Where:

A = the aggregate number of issued and fully paid-up Shares immediately before such bonus issue or capitalisation issue; and

B = the aggregate number of Shares to be issued pursuant to any allotment to shareholders credited as fully paid by way of bonus issue or capitalisation issue of profits or reserves of the Company (whether of a capital or income nature and including any share premium account and capital redemption reserve fund); and

T = T as in By-Law 15.3(a) above.

Such adjustment will be effective (if appropriate retroactively) from the commencement of the Market Day immediately following the Entitlement Date for such issue.

- (c) If and whenever Company shall make:
- (1) a Capital Distribution (as defined below) to ordinary shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets); or
  - (2) any offer or invitation to ordinary shareholders whereunder they may acquire or subscribe Shares by way of rights; or
  - (3) any offer or invitation to ordinary shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into Shares or securities with rights to acquire or subscribe for Shares,

then and in respect of each such case, the Subscription Price shall be adjusted by multiplying it by the following fraction:-

$$\frac{C - D}{C}$$

**15 ESOS BYLAWS (Cont'd)**

and in respect of the case referred to in By-Law 15.3(c)(2) hereof, the number of additional new Shares comprised in the Option to be issued shall be calculated as follows:-

$$\text{Number of additional Shares} = \left\{ T \times \left( \frac{C}{C - D^*} \right) \right\} - T$$

Where:

T = T as in By-Law 15.3(a) above;

C = the current market price of each Share on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation; and

D = (aa) in the case of an offer or invitation to acquire or subscribe for Shares under By-Law 15.3(c)(2) above or for securities convertible into or with rights to acquire or subscribe for Shares under By-Law 15.3(c)(3) above, the value of rights attributable to one (1) Share (as defined below); or

(bb) in the case of any other transaction falling within By-Law 15.3(c) hereof, the fair market value as determined (with the concurrence of the Auditor) by the adviser of the Company (a merchant bank or universal broker) of that portion of the Capital Distribution to one (1) Share.

For the purpose of definition (aa) of "D" above, the "value of rights attributable to one (1) Share" shall be calculated in accordance with the formula:-

$$\frac{C - E}{F + 1}$$

Where:

C = C as in By-Law 15.3(c) above;

E = the subscription price for one (1) additional Share under the terms of offer or invitation or one (1) additional security convertible into Shares or one (1) additional security with rights to acquire or subscribe for Shares;

F = the number of Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Shares or security convertible into Shares or right to acquire or subscribe for Shares; and

D\* = The value of rights attributable to one (1) Shares (as defined below).

For the purpose of definition D\* above, the "value of the rights stributable to one (1) Share" shall be calculated in accordance with the formula:-

$$\frac{C - E^*}{F^* + 1}$$

15 ESOS BYLAWS (Cont'd)

Where:

- C = C as in By-Law 15.3(c) above;
- E = the subscription price for one (1) additional Share under the terms of offer or invitation; and
- F = the number of Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share.

For the purpose of By-Law 15.3(c) hereof, (“**Capital Distribution**”) shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of Shares (not falling under By-Law 15.3(b) hereof) or other securities credited as fully or partly paid-up by way of capitalisation of profits or reserves of the Company (whether of a capital or income nature and including any share premium account and capital redemption reserve fund).

Any dividend charged or provided for in the accounts of any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the shareholders as shown in the audited consolidation profit and loss accounts of the Company.

Such adjustment will be effective (if appropriate retroactively) from the commencement of the Market Day immediately following the Entitlement Date for such issue.

- (d) If and whenever the Company makes any allotment to its shareholders as provided in By-Law 15.3(b) above and also makes any offer or invitation to its shareholders as provided in By-Law 15.3(c)(2) or (3) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the Subscription Price shall be adjusted by multiplying it by the following fraction:-

$$\frac{(G \times C) + (H \times I)}{(G + H + B) \times C}$$

and where the Company makes any allotment to its shareholders as provided in By-Law 15.1(b) above and also makes any offer or invitation to its shareholders as provided in By-Law 15.3(c)(2) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the number of additional new Shares relating to the Option to be issued shall be calculated as follows:-

$$\text{Number of additional Shares} = \left[ T \times \frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

Where:

- G = the aggregate number of issued and fully paid-up Shares on the entitlement date;
- C = C as in By-Law 15.3(c) above;
- H = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into Shares or rights to acquire or subscribe for Shares as the case may be;

**15 ESOS BYLAWS (Cont'd)**

H\* = the aggregate number of Shares under an offer or invitation to acquire or subscribe for Shares by way of rights;

I = the subscribe price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share, as the case may be;

I\* = the subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares;

B = B as in By-Law 15.1(b) above; and

T = T as in By-Law 15.1(a) above.

Such adjustment will be effective (if appropriate retroactively) from the commencement of the Market Day immediately following the Entitlement Date for such issue.

- (e) If and whenever the Company makes any offer or invitation to its shareholders to acquire or subscribe for Shares as provided in By-Law 15.3(c)(2) above together with an offer or invitation to acquire or subscribe for securities convertible into or rights to acquire or subscribe for shareholders as provided in By-Law 15.3(c)(3) above, the Subscription Price shall be adjusted by multiplying it by the following fraction:-

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J) \times C}$$

and the number of additional new Shares relating to the Option to be issued shall be calculated as follows:-

$$\text{Number of additional Shares} = \left( T \times \frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*)} \right) - T$$

Where:

G = G as in By-Law 15.3(d) above;

C = C as in By-Law 15.3(c) above;

H = H as in By-Law 15.3(d) above;

H\* = H\* as in By-Law 15.3(d) above;

I = I as in By-Law 15.3(d) above;

I\* = I\* as in By-Law 15.3(d) above;

J = the aggregate number of Shares to be issued to its shareholders upon conversion of such securities or exercise of such rights to subscribe for Shares by the shareholders;

K = the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Shares; and

T = T as in By-Law 15.3(a) above.

**15 ESOS BYLAWS (Cont'd)**

Such adjustment will be effective (if appropriate retroactively) from the commencement of the Market Day immediately following the Entitlement Date for the above transactions.

- (f) If and whenever the Company makes an allotment to its shareholders as provided in By-Law 15.3(b) above and also makes an offer or invitation to acquire or subscribe for Shares to its shareholders as provided in By-Law 15.3(c)(ii) above, together with rights to acquire or subscribe for securities convertible into or with rights to acquire or subscribe for Shares as provided in By-Law 15.3(c)(iii) above, and the Entitlement Date for the purpose of allotment is also the Entitlement Date for the purpose of the offer or invitation, the Subscription Price shall be adjusted by multiplying it by the following fraction:-

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J + B) \times C}$$

and the number of additional new Shares relating to the Option to be issued shall be calculated as follows:-

$$\text{Number of additional Shares} = \left( T \times \frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right) - T$$

Where:

- G = G as in By-Law 15.3(d) above;  
 C = C as in By-Law 15.3(c) above;  
 H = H as in By-Law 15.3(d) above;  
 H\* = H\* as in By-Law 15.3(d) above  
 I = I as in By-Law 15.3(d) above;  
 I\* = I\* as in By-Law 15.3(d) above  
 J = J as in By-Law 15.3(d) above;  
 T = T as in By-Law 15.3(a) above;  
 K = K as in By-Law 15.3(e) above;  
 B = B as in By-Law 15.3(b) above;

Such adjustment will be effective (if appropriate retroactively) from the commencement of the Market Day immediately following the Entitlement Date for the above transactions.

- (g) If and whenever (otherwise than pursuant to a rights issue available to all shareholders and requiring an adjustment under By-Laws 15.3(c)(2), (c)(3), (d), (e) or (f) above), the Company shall issue either any Share or any security convertible into Shares or any rights to acquire or subscribe for Shares, and in any such case, the Total Effective Consideration per Share (as defined below) is less than ninety percent (90%) of the Average Price for one (1) Share (as defined below) or, as the case may be, the price at which the Shares will be issued upon conversion of such securities or exercise of such rights is determined, the Subscription Price shall be adjusted by multiplying it by the following fraction:

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15 ESOS BYLAWS (Cont'd)

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$$\frac{L + M}{L + N}$$

Where:

- L = the number of Shares in issue at the close of business on the Market Day immediately preceding the date on which the relevant adjustment becomes effective;
- M = the number of Shares which the Total Effective Consideration (as defined below) would have purchased at the Average Price (as defined below) (exclusive of expenses); and
- N = the aggregate number of Shares so issued or, in the case of securities convertible into Shares or rights to acquire or subscribe for Shares, the maximum number (assuming no adjustment of such rights) of Shares issuable upon full conversion of such securities or the exercise in full of such rights.

For the purpose of By-Laws 15.3(g), (“Total Effective Consideration”) shall be determined by the Board with the concurrence of the Auditor and shall be:-

- (i) In case of the issue of Shares, the aggregate consideration receivable by the Company on payment in full for such Shares; or
- (ii) In the case of the issue by the Company of securities wholly or partly convertible into Shares, the aggregate consideration receivable by the Company on payment in full for such securities or such part of the securities as is convertible together with the total amount receivable by the Company upon full conversion of such securities (if any); or
- (iii) In the case of the issue by the Company of securities with rights to acquire or subscribe for Shares, the aggregate consideration attributable to the issue of such rights together with the total amount receivable by the Company upon full exercise of such rights;

in each case without any deduction of any commission, discount or expense paid, allowed or incurred in connection with the issue thereof, and the “Total Effective Consideration per Share” shall be the Total Effective Consideration divided by the number of Shares issued as aforesaid or, in the case of securities convertible into Shares or securities with rights to acquire or subscribe for Shares, by the maximum number of Shares issuable on full conversion of such securities or on exercise in full of such rights.

For the purpose of By-Law 15.3(g), (“Average Price”) of a Share shall be the average price of one (1) Share as derived from the last dealt prices for one or more board lots of Shares as quoted on Bursa Securities on the Market Days comprised in the period used as a basis upon which the issue price of such Shares is determined.

Such adjustment will be calculated (if appropriate retroactively) from the close of business on Bursa Securities on the Market Day immediately following the date on which the issue is announced, or (failing any such announcement) on the Market Day immediately following the date on which the Company determines the offering price of such Shares. Such adjustment will be effective (If appropriate retroactively) from the commencement of the Market Day immediately following the completion of the above transaction.

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**15 ESOS BYLAWS (Cont'd)**

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- (h) For the purpose of By-Law 15.1(c),(d),(e) and (f), the "Current Market Price" in relation to one (1) Share for any relevant day shall be the average of the last dealt prices for the five (5) consecutive Market Days before such date or during such other period as may be determined in accordance with any guidelines issued, from time to time, by the relevant authorities.

Such adjustments must be confirmed in writing by the Auditors of the Company for the time being (acting as experts and not as arbitrators), upon reference to them by the Option Committee, to be in their opinion, fair and reasonable, PROVIDED ALWAYS THAT:

- (a) no adjustment to the Subscription Price shall be made which would result in the new 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 Subscription Price payable shall be the par value of the new Shares;
- (b) upon any adjustment being made pursuant to this By-Law, the ESOS 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 legal representatives where applicable) in writing informing him of the adjusted Subscription Price thereafter in effect and/or the revised number of new Shares thereafter to be issued on the exercise of the Option; and
- (c) any adjustments made must be in compliance with the provisions for adjustment as provided in these By-Laws .

Nevertheless, any adjustments to the Subscription Price and /or the number of new Shares comprise in the Option so far as unexercised arising from bonus issues, need not be confirmed in writing by the Auditors of the Company.

- 15.4 The adjustment pursuant to this By-Law shall be made on the day immediately following the books closure date for the event giving rise to the adjustment.
- 15.5 The Company's Auditors must confirm in writing that the adjustments (other than on a capitalisation issue) are in their opinion fair and reasonable.
- 15.6 The provisions of this By-Law shall not apply where the alteration in the capital structure of the Company arises from:
- (i) an issue of new Shares as consideration or part consideration for an acquisition of any other securities, assets or business;
- (ii) a special issue of new Shares to Bumiputera parties nominated by the Ministry of International Trade and Industry, Malaysia and/or other government authorities to comply with the Government policy on Bumiputera capital participation;
- (iii) a private placement of new Shares by the Company;
- (iv) an issue of new Shares arising from the exercise of any conversion rights attached to securities convertible to Shares or upon exercise of any other rights including warrants (if any) issued by the Company; and
- (v) an issue of new Shares upon the exercise of Options pursuant to the Scheme.



**15 ESOS BYLAWS (Cont'd)**

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- 15.7 Should there be other circumstances which give rise to a consideration for adjustments to the Subscription Price or the number of new Shares in favour of all the Grantees, but it is decided that no adjustments will be made, such decision must be made known to all the Grantees via a timely notice, subject to compliance with the Listing Requirements and/or relevant guidelines.
- 15.8 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to Part VII of the Act, By-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 By-Law 15.1 is applicable, but By-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 By-Law 15.1 is not applicable as described in By-Law 15.4.
- 15.9 An adjustment pursuant to By-Law 15.1 shall be made at the following times:-
- (a) In the case of a capitalisation issue, rights issue or bonus issue, on the Market Day immediately following the Entitlement Date for such issue; and
  - (b) In the case of a consolidation or subdivision of Shares or capital reduction, on the Market Day immediately following the date on which the consolidation or subdivision or capital reduction becomes effective (being the date when the Shares are traded on Bursa Securities at the new par value), or such period as may be prescribed by Bursa Securities.

Upon any adjustment being made, the ESOS Committee shall give notice in writing within thirty (30) days from the date of adjustment to the Grantee, or his representative where the Grantee is deceased, to inform him of the adjustment and the event giving rise thereto.

- 15.10 All adjustments (other than on a bonus issue) must be confirmed in writing by an Auditor of the Company, acting as an expert and not as an arbitrator to be in his opinion fair and reasonable. In addition, the Company shall, at the request of any Grantee, furnish such Grantee with a certificate from an Auditor confirming the adjustments (other than on a bonus issue) to be made either generally or as regards to such Grantee, such certification shall be final and binding on all parties

**16. TAKE-OVERS AND MERGERS, SCHEMES OF ARRAGEMENT, ANALGAMATIONS, RECONSTRUCTIONS, ETC**

- 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 By-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; and
  - (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 By-Law 10.4. In the event that the Grantee elects not to so exercise some or all of the

**15 ESOS BYLAWS (Cont'd)**

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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 By-Law 10.1 shall not apply in respect of By-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 shall be divested from the Group, a Grantee who is employed by 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 By-Law 10.4. In this instance, the limits on the exercise of Options stipulated in By-Law 10.1 shall not apply. In the event that 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
  - (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 By-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 Scheme shall come into force on the Effective Date. The Scheme shall be in force for a duration of five (5) years from the Effective Date subject however to any extension of the Scheme as provided under By-Law 19.3 below. The date of expiry of the Scheme shall be at the end of the five (5) years from the Effective Date or, if the Scheme shall be extended, shall be the date of expiry as so extended ("**Date of Expiry**").
- 19.2 Offers can only be made during the duration of the Scheme before the Date of Expiry.
- 19.3 The Scheme may be extended for a further period of up to five (5) 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 By-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

**15 ESOS BYLAWS (Cont'd)**

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required for the extension of the Scheme PROVIDED THAT the Company shall serve appropriate notices on each Grantee and make any announcements to the Bursa Securities (if required) within thirty (30) days prior to the expiry of the original Scheme.

- 19.4 Notwithstanding anything to the contrary, all unexercised Options shall lapse on the Date of Expiry.
- 19.5 Subject to the written consent of the Grantees who have yet to exercise their Options, either in part or in whole, the Company in general meeting may, at any time, by ordinary resolution terminate the Scheme. In this event, the following provisions shall apply:-
- (a) No further Offers shall be made by the Option Committee from the date of such resolution;
  - (b) All Offers which have yet to be accepted by Eligible Persons shall automatically lapse on the date of such resolution; and
  - (c) All outstanding Options which have yet to be exercised by Grantees shall be automatically terminated on the date of such resolution.

**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 By-Law 19.5 herein.

**21. ADMINISTRATION**

- 21.1 The Scheme shall be administered by the Option Committee. The Option Committee shall, subject to these By-Laws, administer the Scheme in such manner as it shall think fit.
- 21.2 Without limiting the generality of By-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 By-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 By-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 By-Laws upon such recommendation PROVIDED THAT no additions or amendments to or deletions of these By-Laws to the following shall be made which will alter to the advantage of any Eligible Person to whom the Option Committee has made an Offer, any provisions of the Scheme without the prior approval of the Company's shareholders in general meeting:-
- (a) the Eligible Persons to the Scheme and the basis of eligibility;
  - (b) the maximum number of Options to be offered under the Scheme;
  - (c) the Maximum Entitlement for each category of Eligible Persons as defined in By-Law 6.1;

**15 ESOS BYLAWS (Cont'd)**

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- (d) the non-refundable consideration payable on acceptance of the Options and the basis for determining the Subscription Price;
- (e) the time limit of the Scheme;
- (f) the time period to which any Eligible Person is debarred, pursuant to the provisions of the Scheme, from disposing any Shares allotted pursuant to the exercise of Options;
- (g) the rights attaching to the new Shares to be allotted upon the exercise of any Options; and
- (h) the formulas for adjustments to the Subscription Price or number of shares comprised in the Options (so far as unexercised) as set out in By-Law 15 hereto.

22.2 Any such modification/change shall be in compliance with the requirements of Bursa Securities or any other relevant authorities. If required, the Company is to submit to Bursa Securities, each time a modification/change is made, a confirmation letter that the modification/change does not contravene any provisions of the guidelines on an employee share option scheme as stipulated under the Listing Requirements.

**23. INSPECTION OF ACCOUNTS**

All Grantees are entitled to inspect the latest annual report of the Company at the registered office of the Company for the time being.

**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 or appointment in the Group under which the Eligible Person is employed or appointed 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 appointment. The Scheme shall not form part of or constitute or be in any way construed as a term or condition of employment or appointment of any Eligible Person.

**25. NO COMPENSATION FOR TERMINATION**

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

**26. 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 By-Laws.

**27. 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.

**15 ESOS BYLAWS (Cont'd)**

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**28. ARTICLES**

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

**29. TAXES**

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

**30. DISCLAIMER OF LIABILITY**

Notwithstanding any provisions contained herein and subject to the Act, the Option Committee and the Company shall not under any circumstances be held liable for any cost, loss, expense and/or damage whatsoever arising in any event, including but not limited to the Company's delay in issuing the new Shares or applying for or procuring the listing of the new Shares on the Bursa Securities in accordance with By-Law 21 hereof (and any other stock exchange on which the new Shares are quoted or listed).

**31. CONDITION OF OPTION**

Every Option shall be subject to the condition that no new Shares shall be issued pursuant to the exercise of an Option if such issue would be contrary to any law or enactment, or any rules or regulations of any legislative governing body for the time being in force in Malaysia or any other relevant country.

**32. NOTICES**

32.1 Any notice which under the Scheme is required to be given to or served upon the Option Committee by an Eligible Person or Grantee or any correspondence to be made between an Eligible Person or Grantee and the Option Committee shall be given or served in writing and either delivered by hand or sent to the Registered Office of the Company by telex, facsimile, registered letter or electronic mail.

32.2 Any notice which under the Scheme is required to be given or served upon an Eligible Person or Grantee or any correspondence to be made between an Eligible Person or Grantee shall be deemed sufficiently given or served in writing and either delivered by hand or sent to the Eligible Person or Grantee at the place of employment or at the last address known to the Company as being his/her address. Any notice served by post as aforesaid shall be deemed to have been received at the time when such registered letter would in the ordinary course of post be delivered.

**33. GOVERNING LAW**

The Scheme shall be governed by and construed in accordance with the laws of Malaysia. The Grantee, by accepting the Options in accordance with the By-Laws and terms of the Scheme and the Articles of the Company, irrevocably submits to the exclusive jurisdiction of the courts of Malaysia.