

## 13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



The Board of Directors  
Scicom (MSC) Berhad  
2 September 2005

## F(ii) Historical financial information on Scicom SB (continued)

## Notes to the financial statements (continued)

## (m) Borrowings (secured and interest-bearing) (continued)

Finance Lease Liabilities

Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The minimum lease payments to the Company at the balance sheet dates are as follows:

	<u>30.6.2005</u>	<u>30.6.2004</u>	<u>30.6.2003</u>	<u>30.6.2002</u>	<u>As at</u> <u>30.6.2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Minimum lease payments:					
- not later than 1 year	421	800	855	266	342
- later than 1 year and not later than 5 years	407	824	1,434	370	457
- later than 5 years	0	0	114	0	41
	<u>828</u>	<u>1,624</u>	<u>2,403</u>	<u>636</u>	<u>840</u>
Future finance charges on finance leases	(77)	(173)	(480)	(110)	(157)
Present value of finance lease liabilities	<u>751</u>	<u>1,451</u>	<u>1,923</u>	<u>526</u>	<u>683</u>

## (n) Amount due to ultimate holding company

The amount due to ultimate holding company is unsecured, interest free and has no fixed terms of repayment. The amount due to ultimate holding company is denominated in Ringgit Malaysia.

## 13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



The Board of Directors  
Scicom (MSC) Berhad  
2 September 2005

## F(ii) Historical financial information on Scicom SB (continued)

## Notes to the financial statements (continued)

## (o) Deferred taxation

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and when the deferred taxes relate to the same authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	As at				
	30.6.2005	30.6.2004	30.6.2003	30.6.2002	30.6.2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Deferred taxation liabilities	0	211	0	0	86
At start of financial year					
Charged/(credited) to income statement:	211	0	0	86	54
- plant and equipment	(637)	637	0	(94)	32
- provisions	426	(426)	0	8	0
At end of financial year	0	211	0	0	86
Deferred taxation assets (before offsetting)					
- provisions	0	426	0	0	8
Offsetting	0	(426)	0	0	(8)
Deferred taxation assets after offsetting)	0	0	0	0	0
Deferred taxation liabilities (before offsetting)					
- plant and equipment	0	637	0	0	94
Offsetting	0	(426)	0	0	(8)
Deferred taxation liabilities (after offsetting)	0	211	0	0	86

## (p) Share capital

	As at				
	30.6.2005	30.6.2004	30.6.2003	30.6.2002	30.6.2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Authorised ordinary shares of RM1 each:					
At start of financial year	1,000	1,000	1,000	500	500
Created during the financial year	0	0	0	500	0
At end of financial year	1,000	1,000	1,000	1,000	500
Issued and fully paid ordinary shares of RM1 each:					
At start of financial year	900	900	900	400	400
Issue of shares during the financial year through capitalisation of retained earnings	0	0	0	500	0
At end of financial year	900	900	900	900	400

## 13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



The Board of Directors  
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## F(ii) Historical financial information on Scicom SB (continued)

## Notes to the financial statements (continued)

## (q) Commitments

## (i) Capital commitments

Capital expenditure approved by the Directors not provided for in the financial statements are as follows:

	<u>30.6.2005</u>	<u>30.6.2004</u>	<u>30.6.2003</u>	<u>30.6.2002</u>	<u>As at 30.6.2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Authorised and contracted					
- Plant and equipment	0	103	351	455	16

## (ii) Non-cancellable operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

	<u>30.6.2005</u>	<u>30.6.2004</u>	<u>30.6.2003</u>	<u>30.6.2002</u>	<u>As at 30.6.2001</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
- not later than 1 year	84	792	1,479	1,969	561
- later than 1 year and not later than 5 years	0	84	5,854	1,818	569
	<u>84</u>	<u>876</u>	<u>7,333</u>	<u>3,787</u>	<u>1,130</u>

## (r) Fair value

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The carrying amount of finance lease liabilities with maturity of more than one year as at 30 June 2005 is set out below:

	<u>Carrying amount</u>	<u>Fair value</u>
	RM'000	RM'000
Finance lease liabilities	<u>367</u>	<u>370</u>

In assessing the fair values of finance lease liabilities, the discounted cash flow method was applied using current market interest rates available to the Company.

## 13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



The Board of Directors  
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## F(ii) Historical financial information on Scicom SB (continued)

## Notes to the financial statements (continued)

## (s) Non-cash transaction

The principal non-cash transaction of the Company is in respect of:

	Year ended 30 June				
	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000
Purchase of certain plant and equipment by means of hire purchase	0	84	2,138	4	549

## (t) Contingent liabilities (unsecured)

For the financial year ended 30 June 2005, the amounts of the contingent liabilities in relation to the following cases are not disclosed as it is still a subject to be determined by the Industrial and Sessions Courts and such disclosure may be prejudicial to the Company's dispute on the subject matter. In the event that the relevant Courts were to rule against the Company, such ruling is not expected to have a materially adverse effect on the Company's operations or financial condition.

- (a) An ex-employee had made a claim against the Company for wrongful dismissal. This case has been referred to the Industrial Court.
- (b) An ex-contractor had made a claim against the Company for payments of services rendered. This case is currently pending a hearing before the Session Court.

## F(iii) Statement of assets and liabilities of Scicom SB

The statement of assets and liabilities which are prepared based on the audited financial statements of the Company for the five financial years ended 30 June 2001 through 30 June 2005 have been included in the balance sheets of the Company as stated in Section F(ii).

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13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)

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The Board of Directors  
Scicom (MSC) Berhad  
2 September 2005

**G INFORMATION ON SCICOM CONTACT**

**G(i) General information on Scicom Contact**

**Background information**

Scicom Contact Centre Services Private Limited ("Scicom Contact" or the "Company") was incorporated on 29 October 2003 under the Indian Companies' Act 1956 as a private limited liability company. It commenced operations on 1 July 2004.

The address of the registered office and principal place of business of the Company is:

Unit 2, Level 10, Innovator Building  
International Tech Park  
Whitefield Road  
Bangalore 560066  
India

The Directors regard Scicom (MSC) Berhad, a company incorporated and domiciled in Malaysia, as the ultimate holding company.

**Principal activities**

The principal activities of the Company are the provision of end-to-end solutions for customer contact management and back office services to businesses and providing services in connection with training, quality management, human capital management, disaster recovery services, certification of call centres, business process solutions, software development, system integration, software re-engineering and migration as well as software maintenance that would help facilitate business transactions over all business contact channels.

**Share Capital**

As at 30 June 2005, the authorised and issued ordinary share capital of the Company are as follows:

	RM
Authorised share capital:	
50,000 ordinary shares of Indian Rupees (Rs) 10 per share	43,480
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Issued and fully paid-up share capital:	
10,000 ordinary shares of Rs10 per share	8,696
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13. **REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)**

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The Board of Directors  
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2 September 2005

**G(i) General information on Scicom Contact**

**Historical financial statements and auditors**

The financial statements are the responsibility of the Company's Directors.

The financial statements of the Company for the financial year ended 30 June 2004 and 2005 were audited in accordance with the approved auditing standards in Malaysia and reported by a firm of other auditors without any qualification.

No audited financial statements have been prepared in respect of any period subsequent to 30 June 2005.

**Dividends**

The Company did not pay any dividends during the financial year/period presented in this Report.

**Basis of preparation of historical financial information**

The financial information included in this Report is derived from the:

- Audited financial statements of Scicom Contact for the financial period from 29 October 2003 (date of incorporation) to 30 June 2004.
- Audited financial statements of Scicom Contact for the financial year ended 30 June 2005.

The accompanying financial statements are presented in Ringgit Malaysia. The income statements of Scicom Contact are translated into Ringgit Malaysia at average exchange rates for the financial year/period and the balance sheets are translated at exchange rates ruling at the balance sheet date. All exchange differences arising from translation are taken to 'Currency Translation Reserve' in shareholder's equity.

The accompanying financial statements have been prepared and presented on a basis consistent with the accounting policies adopted by the Group and the Company. The accompanying financial statements of the Company have been also prepared under the historical cost convention and comply with the MASB approved accounting standards in Malaysia.

## 13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



The Board of Directors  
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## G(ii) Historical financial information of Scicom Contact

## Income statements

	<u>Note</u>	Year ended <u>30.6.2005</u> RM'000	Period from 29.10.2003 (date of incorporation) to <u>30.6.2004</u> RM'000
Revenue	(a)	4,474	0
Other operating income		9	0
		<u>4,483</u>	<u>0</u>
Less: Operating expenditure			
Advertisement		92	9
Depreciation of plant and equipment		653	66
Maintenance expenses		332	70
Other operating expenses		194	193
Realised exchange (gain)/loss		(197)	70
Rental expenses		911	152
Staff cost	(b)	1,683	228
Travelling expenses		55	152
Telecommunication and utilities expenses		184	31
		<u>3,907</u>	<u>971</u>
Profit/(loss) from operations		576	(971)
Finance cost		(3)	(9)
Profit/(loss) before taxation	(c)	573	(980)
Taxation	(d)	(137)	0
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<u><u>436</u></u>	<u><u>(980)</u></u>

## 13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



The Board of Directors  
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## G(ii) Historical financial information of Scicom Contact (continued)

## Balance sheets

	Note	As at 30.6.2005 RM'000	As at 30.6.2004 RM'000
<b>NON-CURRENT ASSET</b>			
Plant and equipment	(e)	1,647	1,503
<b>CURRENT ASSETS</b>			
Deposits and prepayments	(f)	703	556
Deposits with a financial institution	(g)	165	157
Cash and cash equivalents		39	25
		<u>907</u>	<u>738</u>
<b>LESS: CURRENT LIABILITIES</b>			
Accruals	(h)	1,700	975
Amount due to ultimate holding company	(i)	828	2,237
		<u>2,528</u>	<u>3,212</u>
<b>NET CURRENT LIABILITIES</b>		<u>(1,621)</u>	<u>(2,474)</u>
<b>NON-CURRENT LIABILITIES</b>			
Accruals	(h)	468	0
Deferred taxation	(j)	137	0
		<u>605</u>	<u>0</u>
<b>NET LIABILITIES</b>		<u>(579)</u>	<u>(971)</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	(k)	9	9
Foreign currency translation reserve		(44)	0
Accumulated losses		(544)	(980)
		<u>(579)</u>	<u>(971)</u>



## 13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



The Board of Directors  
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## G(ii) Historical financial information of Scicom Contact (continued)

## Statements of changes in equity

	Issued and fully paid ordinary shares of Rs10 each		Non- distributable Currency translation reserve RM'000	Accumulated losses RM'000	Total RM'000
	Number of shares RM'000	Nominal value RM'000			
At 29 October 2003 (date of incorporation)	9	9	0	0	9
Loss after taxation	0	0	0	(980)	(980)
At 30 June 2004	9	9	0	(980)	(971)
At 1 July 2004	9	9	0	(980)	(972)
Currency translation differences	0	0	(44)	0	(44)
Profit after taxation	0	0	0	436	436
At 30 June 2005	9	9	(44)	(544)	(579)

## 13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



The Board of Directors  
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## G(ii) Historical financial information of Scicom Contact (continued)

## Cash flow statements

	Year ended 30.6.2005 RM'000
<b>OPERATING ACTIVITIES</b>	
Profit after taxation	436
Adjustments for:	
Depreciation of plant and equipment	653
Interest expense	3
Taxation	137
Operating profit before changes in working capital	1,229
Changes in working capital:	
Receivables	(116)
Payables	1,158
Intercompany balances	(1,504)
Net cash from operating activities	717
<b>INVESTING ACTIVITIES</b>	
Purchase of plant and equipment	(751)
Net cash flow used in investing activities	(751)
<b>FINANCING ACTIVITIES</b>	
Interest paid	(3)
Net cash flow used in financing activities	(3)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>15</b>
<b>EFFECT OF FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS</b>	<b>(1)</b>
<b>CASH AND CASH EQUIVALENTS AT START OF FINANCIAL YEAR</b>	<b>25</b>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<b>39</b>

## 13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



The Board of Directors  
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## G(ii) Historical financial information of Scicom Contact (continued)

## Notes to the financial statements

## (a) Revenue

Revenue represents amounts charged to the ultimate holding company in respect of services rendered.

## (b) Staff cost

	Year ended <u>30.6.2005</u> RM'000	Period from 29.10.2003 (date of incorporation) to <u>30.6.2004</u> RM'000
Wages, salaries and bonus	1,259	170
Defined contribution plan	96	14
Other employee benefits	328	44
	<u>1,683</u>	<u>228</u>

The number of employees at the end of the financial year is 173 (2004: 41) employees.

## (c) Profit/(loss) before taxation

Profit/(loss) before taxation is arrived at after charging/(crediting):

	Year ended <u>30.6.2005</u> RM'000	Period from 29.10.2003 (date of incorporation) to <u>30.6.2004</u> RM'000
Auditors' remuneration	26	34
Brokerage and commission expenses	0	45
Printing and office supplies	92	8
Professional fees	18	4
Rates and taxes	8	14
Stamp duty on premises	0	30
Training expenses	10	53
	<u>164</u>	<u>188</u>

## 13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



The Board of Directors  
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## G(ii) Historical financial information of Scicom Contact (continued)

## Notes to the financial statements (continued)

## (d) Taxation

	Year ended 30.6.2005 RM'000	Period from 29.10.2003 (date of incorporation) to 30.6.2004 RM'000
<u>Current tax</u>		
Current period taxation	0	0
<u>Deferred taxation</u>		
Origination of temporary differences	(137)	0
	<u>(137)</u>	<u>0</u>

The explanation of the relationship between tax expense and profit before taxation is as follows:

	Year ended 30.6.2005 %	Period from 29.10.2003 (date of incorporation) to 30.6.2004 %
Numerical reconciliation between average effective tax rate and the foreign tax rate:		
Foreign tax rate	33	(33)
Tax effects of:		
Temporary differences not recognised	(9)	33
	<u>24</u>	<u>0</u>

## 13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



The Board of Directors  
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## G(ii) Historical financial information of Scicom Contact (continued)

## Notes to the financial statements (continued)

## (e) Plant and equipment

	Furniture and fittings RM'000	Office equipment RM'000	Software RM'000	Office renovations RM'000	Capital work-in- progress RM'000	Total RM'000
<u>Cost</u>						
As at 1 July 2004	451	46	0	196	876	1,569
Additions	36	330	345	1	39	751
Reclassification	0	876	0	0	(876)	0
Currency translation differences	24	21	5	10	0	60
As at 30 June 2005	511	1,273	350	207	39	2,380
<u>Accumulated depreciation</u>						
As at 1 July 2004	26	2	0	38	0	66
Charge for the period	98	346	105	104	0	653
Currency translation differences	3	5	2	4	0	14
As at 30 June 2005	127	353	107	146	0	733
Net book value as at 30 June 2005	384	920	243	61	39	1,647
Net book value as at 30 June 2004	425	44	0	158	876	1,503

For the financial year ended 30 June 2005, the cost of software amounting to RM349,688 were purchased under the terms of the deferred payment scheme as disclosed in Note (h).

## (f) Deposits and prepayments

	As at 30.6.2005 RM'000	As at 30.6.2004 RM'000
Deposits	529	548
Prepayments	174	8
	703	556

Deposits and prepayments are denominated in Indian Rupees.

## 13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



The Board of Directors  
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## G(ii) Historical financial information of Scicom Contact (continued)

## Notes to the financial statements (continued)

## (g) Deposits with a financial institutions

Deposits with a licensed bank of RM165,456 (2004: RM157,286) is pledged for banking facilities granted to the Company.

## (h) Accruals

Accruals are non-trade in nature and denominated in Indian Rupees.

For the financial year ended 30 June 2005, the current accruals represents a non-trade creditor under deferred payment scheme, which is repayable within the next 12 months, amounting to RM424,124. The non-current accrual is a creditor under deferred payment scheme, which is repayable between 13 to 25 months. The deferred payment scheme is not an interest-bearing scheme.

## (i) Amount due to ultimate holding company

The amount due to ultimate holding company is unsecured, interest free and has no fixed terms of repayment. The amount due to ultimate holding company is denominated in Indian Rupees.

## (j) Deferred taxation

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and when the deferred taxes relate to the same authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	As at 30.6.2005 RM'000	As at 30.6.2004 RM'000
Deferred taxation liabilities	137	0
At start of financial year/period	0	0
Charged/(credited) to income statement:		
- plant and equipment	(10)	0
- provisions	147	0
At end of financial year/period	137	0

## 13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)



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## G(ii) Historical financial information of Scicom Contact (continued)

## Notes to the financial statements (continued)

## (j) Deferred taxation (continued)

	As at <u>30.6.2005</u> RM'000	As at <u>30.6.2004</u> RM'000
Deferred taxation assets (before offsetting)		
- provisions	10	0
Offsetting	(10)	0
	<u>0</u>	<u>0</u>
Deferred taxation assets (after offsetting)		
Deferred taxation liabilities (before offsetting)		
- plant and equipment	147	0
Offsetting	(10)	0
	<u>137</u>	<u>0</u>
Deferred taxation liabilities (after offsetting)		

## (k) Share capital

	As at <u>30.6.2005</u> RM	As at <u>30.6.2004</u> RM
Authorised ordinary shares of Rs10 each:		
At start/end of financial year/period	43,480	43,480
Issued and fully paid ordinary shares of Rs 10 each:		
At start/end of financial year/period	8,696	8,696

## (l) Commitments

## (i) Non-cancellable operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

	As at <u>30.6.2005</u> RM'000	As at <u>30.6.2004</u> RM'000
- not later than 1 year	392	0
- later than 1 year and not later than 5 years	425	0
	<u>817</u>	<u>0</u>

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The Board of Directors  
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G(ii) Historical financial information of Scicom Contact (continued)

Notes to the financial statements (continued)

(m) Fair value

The carrying amounts of financial assets and liabilities with maturity of less than one year are assumed to approximate their fair values.

The carrying amount of financial liability with maturity of more than one year as at 30 June 2005 is set out below:

	Carrying amount RM'000	Fair value RM'000
Non-trade accrual	468	433

In assessing the fair values of financial liability, the discounted cash flow method was applied using current market interest rates available to the Company.

G(iii) Statement of assets and liabilities of Scicom Contact

The statement of assets and liabilities which are prepared based on the audited financial statements of the Company for the financial period from date of incorporation (29 October 2003) to 30 June 2004 and financial year ended 30 June 2005 have been included in the balance sheets of the Company as stated in Section G(ii).

H Significant post balance sheet date event

The following events took place subsequent to the date of the last audited financial statements of Scicom MSC and its subsidiaries, which were made up to 30 June 2005:

- (a) A tax exempt dividend of approximately RM0.027 per ordinary share, amounting to RM2,040,000, was declared and paid on 17 and 18 August 2005 respectively.
- (b) A rights issue of 20,400,000 new ordinary shares of RM0.10 each at an issue price of RM0.10 per ordinary share to the existing shareholders raising proceeds of RM2,040,000 on the basis of approximately 0.27 new ordinary share for every one (1) existing ordinary share held was completed on 18 August 2005.



13. REPORTING ACCOUNTANTS' LETTERS AND REPORT (Cont'd)

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**H Significant post balance sheet date event (continued)**

- (c) On 23 August 2005, the pledge against deposits of RM1,600,000 for banking facilities granted to a subsidiary has been withdrawn and as such, the corresponding banking facilities were cancelled.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers'.

PRICEWATERHOUSECOOPERS

(No. AF: 1146)

Chartered Accountants

A handwritten signature in black ink, appearing to read 'Eric Ooi Lip Aun'.

ERIC OOI LIP AUN

(No. 1517/06/06 (J))

Partner of the firm

## 14. ESOS BY-LAWS

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### 1. NAME OF SCHEME

This Scheme shall be called the “Scicom (MSC) Berhad 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 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   |
| “Auditor”             | - External auditors of Scicom 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 |
| “Board”               | - The Board of Directors of the Company   |
| “Bursa Securities”    | - Bursa Malaysia Securities Berhad  |
| “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                                    |
| “Company” or “Scicom” | - Scicom (MSC) Berhad   |
| “Date of Expiry”      | - The last day of the duration of the Scheme as defined in By-Law 19.1  |
| “Date of Offer”       | - The date on which an Offer is made by the Option Committee to an Eligible Employee in the manner provided in By-Law 7   |

**14. ESOS BY-LAWS (Cont'd)**

“Effective Date”	- The date of full compliance with all relevant regulatory requirements in respect of the Scheme as stipulated by Bursa Securities, which date of full compliance shall be as confirmed in writing by the Company’s Adviser (as defined in the Listing Requirements) to the Company
“Eligible Employee”	- An Employee (including Executive Director) who is designated in writing by the Option Committee to be an Eligible Employee described in By-Law 5, and falling within any of the categories of Employees 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 Scicom’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 involved in the day to day management and on the payroll of such company or any other company in the Group
“Foreign Employee”	: An employee or Executive Director of the Group who is not a Malaysian citizen
“Grantee”	- An Eligible Employee 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 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 Bursa Securities is open for the trading of securities
“Maximum Entitlement”	- The maximum number of Options that can be offered to an Eligible Employee as stipulated in By-Law 6.1
“Offer”	- A written offer made by the Option Committee to an Eligible Employee in the manner provided in By-Law 7
“Option”	- The right of a Grantee to subscribe for one (1) new Scicom Share 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

**14. ESOS BY-LAWS (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.   |
| “SC”                        | - Securities Commission   |
| “Scheme”                    | - The scheme for the granting of Options to Eligible Employees to subscribe for new Scicom Shares upon the terms as herein set out, such scheme to be known as the “Scicom (MSC) Berhad Employee Share Option Scheme” |
| “Scicom Shares” or “Shares” | - Ordinary shares of RM0.10 each in the Company   |
| Senior Management           | - Any employee of the Group who falls within the grading as determined by the Option Committee from time to time  |
| “Subscription Price”        | - The price at which a Grantee shall be entitled to subscribe for each Scicom Share as calculated in accordance with the provisions of By-Law 11  |

- 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 Scicom Share in accordance with the provisions of these By-Laws.
- 4.2 The aggregate number of Options exercised and Options offered and 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 Scicom 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 total number of Scicom Shares to be issued under the Scheme shall be allocated to any Eligible Employee of the Group who either singly or collectively through persons connected with the Executive Director or Employee concerned holds twenty per centum (20%) or more of the issued and paid-up share capital of the Company.

For this purpose, the phrase “persons connected with the Executive Director or Employee” shall have the same meaning as that assigned to “persons connected with a director” as set out under Section 122A of the Act.

**14. ESOS BY-LAWS (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 Scicom Shares comprised in the Options already 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 Scicom Shares pursuant to Section 67A of the Act or undertaking any other corporate proposal resulting in the diminution of the issued and paid-up capital of the Company, the Options already 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 up-till such time, if any (occurring during the remainder of the Option Period), as the provisions of By-Law 4.2 above are once again satisfied.
- 4.4 The Company will keep available sufficient unissued Scicom Shares in its authorised share capital to satisfy all outstanding Options throughout the duration of the Scheme.

**5. ELIGIBILITY**

- 5.1 Only 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 listed in By-Law 6.1;
  - (c) An Employee must have been confirmed in service on the Date of Offer;
  - (d) If an Employee is not a Malaysian citizen, he must, in addition to the conditions stipulated in paragraphs (a) to (c) above, also fulfil the following conditions:-
    - (i) The Employee's contribution must be deemed by the Option Committee to be vital to the Group;
    - (ii) the Employee has served the Group on a full time basis for at least one (1) year as at the Date of Offer; and
    - (iii) Such other categories and or criteria that the Option Committee may from time to time decide.

Subject Always to the provisions herein contained, the selection of any Employee 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 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 Employees 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 Executive 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.

**14. ESOS BY-LAWS (Cont'd)**

- 5.6 In addition to the above criteria of eligibility as set out in this By-Law, any Foreign Employee of the Group who is serving on a full-time capacity and whose contribution is vital to the Group may be considered for participation in the Scheme, provided that no Foreign Employee who is serving under an employment contract may be considered for participation in the Scheme unless the employment contract is for a duration of at least two (2) years or such other period as may be required by the relevant authorities.
- 5.7 Allocation for any Eligible Employee who is serving under an employment contract may only be considered where, the contract is for a duration of at least two (2) years.

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

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

Category of Employee	Maximum Entitlement (No. of Options)
Executive Director	1,000,000
Senior Vice President	500,000
Vice President	400,000
Senior Manager	150,000
Manager	50,000
Assistant Manager	36,000
Specialist	20,000
Executive	5,000
General administration	4,000
General Support	2,500

- 6.2 At the time the Offer is made in accordance with By-Law 7, the Option Committee shall set out the basis of allotment, identifying the ranking of the Eligible Employee and the Maximum Entitlement for the Eligible Employee.
- 6.3 The Option Committee shall not be obliged in any way to offer to an Eligible Employee all of the specified Maximum Entitlement. The decision of the Option Committee shall be final and binding.
- 6.4 The Company shall from time to time disclose to its Eligible Employees the criteria for allocation of Options as determined based upon the provisions herein contained. The allocation of Options granted pursuant to the Scheme shall be verified by the Company's audit committee at the end of each financial year as being in compliance with the criteria for allocation of Options as determined based upon the provisions herein contained and a statement by the audit committee verifying such allocation of Options granted shall be included in the Company's annual report.

**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 Employee, subject to the Eligible Employee's Maximum Entitlement under By-Law 6.1 hereof.

#### **14. ESOS BY-LAWS (Cont'd)**

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- 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 Employee;
  - (b) The number of Scicom Shares which the Eligible Employee 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 7.3.
- 7.3 An Offer shall be valid for a period of fourteen (14) days from the Date of Offer (“**Offer Period**”).
- 7.4 No Offer shall be made to any Executive Director of Scicom or to any person connected with such Executive Director (as defined under Section 122A of the Act) unless such Offer and the related allotment of Scicom Shares have previously been approved by the shareholders of the Company in general meeting and the relevant Executive Director or such connected person(s) (if applicable) have abstained from voting on the relevant resolutions.
- 7.5 After each adjustment following an alteration of the share capital of the Company as stipulated in By-Law 15, 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 shall be accepted by an Eligible Employee 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 aforesaid, 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 Employee, and the Eligible Employee 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 14.1, 14.2 and 14.3, it is exercisable only by the Grantee personally during his lifetime whilst he is in the employment 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 14.1, 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, during his lifetime whilst he is in the employment or appointment of the Group, and within the Option Period.

**14. ESOS BY-LAWS (Cont'd)**

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- Notwithstanding the above, a Grantee may, in any year, exercise his Option in relation to such maximum number of shares comprised in the Option as may be determined by the Option Committee.
- 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.
- 10.3 Options which are exercisable in a particular year but are not exercised may be carried forward to subsequent years within 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 last 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 Scicom 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) Options. 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 Scicom 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 Bursa Securities, and subject to the Articles of Association of the Company, the Company shall allot the relevant number of Scicom Shares to the Grantee. The said Scicom Shares will be credited directly into the CDS Account of the Grantee or his financier, as the case may be, and a notice of allotment stating the number of Scicom Shares so credited will be issued to the Grantee. No physical certificates will be issued. An application will be made by the Company for the listing and quotation of such Scicom Shares on Bursa Securities.
- 10.8 None of the Company, the Board and or the Option Committee shall 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 Scicom Shares or in procuring Bursa Securities to list and quote the Scicom 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.



#### **14. ESOS BY-LAWS (Cont'd)**

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#### **11. SUBSCRIPTION PRICE**

The Subscription Price of each Scicom 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 MESDAQ Market of Bursa Securities:-
  - (i) at a discount of not more than ten per centum (10%) to the weighted average market price of the Scicom Shares for the five (5) Market Days immediately preceding the Date of Offer; and
  - (ii) the price so determined shall not be less than the par value of the Scicom Shares;or at a subscription price in accordance with any guidelines, rules and regulations of the relevant authorities governing the Scheme at the time of the Offer.

#### **12. RIGHTS ATTACHING TO SHARES**

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

#### **14. TERMINATION OF EMPLOYMENT**

- 14.1 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.