

13. ACCOUNTANTS' REPORT



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17 September 2005

Dear Sirs

Genetec Technology Berhad ("GT" or "Company") Accountants' Report

This report has been prepared by Messrs. KPMG, an approved company auditor, for inclusion in the Prospectus of Genetec Technology Berhad (hereinafter referred to as "GT") to be dated 29 September 2005 in connection with the restructuring exercise of GT as set out in Section 1.3 of this report, including the listing of and quotation for the entire issued and paid-up share capital of GT on the Malaysian Exchange of Securities Dealing & Automated Quotation ("MESDAQ") Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

1 General information

1.1 Background

GT was incorporated in Malaysia as a private limited company on 3 September 1997 under the name of Genetax Technology Sdn. Bhd. Its name was changed to Genetec Technology Sdn. Bhd. on 9 July 1998. Upon its conversion to a public limited company on 13 February 2004, the name was changed to Genetec Technology Berhad.

GT is principally engaged in investment holding and designing and building of customised factory automation equipment and integrated vision inspection systems, from conceptual design, development of prototype to mass replication of equipment.

1.2 Share capital

As at 31 March 2005, the authorised share capital of GT is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of GT is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each.

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Pursuant to the restructuring scheme including the listing of and quotation for the entire issued and paid-up share capital of GT on the MESDAQ Market of Bursa Securities as set out in Note 1.3 below, the changes in the issued and paid-up share capital of GT since its incorporation are as follows:

Date of allotment	No. of ordinary shares	Par value RM	Purpose	Cumulative issued and paid-up share capital RM
03.09.1997	2	1.00	Subscribers' shares	2
05.01.1998	99,998	1.00	Increase in paid-up share capital	100,000
08.09.2000	900,000	1.00	Bonus issue on the basis of 9 new ordinary shares of RM1.00 each for every 1 existing ordinary share of RM1.00 each held	1,000,000
16.09.2005	3,800,000	1.00	Bonus issue on the basis of 38 new ordinary shares of RM1.00 each for every 10 existing ordinary shares of RM1.00 held	4,800,000
17.09.2005	43,200,000	0.10	Share split into 10 new ordinary shares of RM0.10 each for every 1 existing ordinary share of RM1.00 each	4,800,000
To be allotted on 21.09.2005	42,000,000	0.10	Rights issue on the basis of 7 ordinary shares of RM0.10 each for every 8 existing ordinary shares of RM0.10 each held	9,000,000

Upon completion of the Public Issue, the enlarged issued and paid-up share capital of GT will be RM12,000,000 comprising 120,000,000 ordinary shares of RM0.10 each.

1.3 Restructuring and listing scheme

In conjunction with and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of GT on the MESDAQ Market, GT has undertaken the following restructuring and listing scheme as approved by the Securities Commission ("SC"), Foreign Investment Committee ("FIC") and Ministry of International Trade and Industry ("MITI") respectively. The restructuring and listing scheme involves the following:

1.3.1 Disposal of Genetec Plastic Technology (M) Sdn. Bhd. ("GPT")

The disposal by GT of its 51% equity interest in GPT to Wawasan Plastic Industry Sdn. Bhd. ("WPI"), a wholly owned subsidiary of ATIS Corporation Berhad ("ATIS"), for a cash consideration of RM1.00. ATIS is the holding company of GT. The disposal was completed on 20 September 2004.

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1.3.2 Acquisition of Genevision (M) Sdn. Bhd. ("Genevision")

The acquisition of the entire issued and paid-up share capital of Genevision for a cash consideration of RM1.00 which was completed on 25 June 2004.

1.3.3 Bonus issue

GT undertook a bonus issue via the allotment and issuance of 3,800,000 new ordinary shares of RM1.00 each in GT credited as fully paid-up to the existing shareholders of GT, on the basis of thirty eight (38) new ordinary shares of RM1.00 each in GT for every ten (10) existing ordinary shares of RM1.00 each held in GT as at the entitlement date.

1.3.4 Share split

GT undertook a share split which involves sub-dividing every one (1) ordinary share of RM1.00 each to ten (10) ordinary shares of RM0.10 each. Subsequently, the issued and paid-up share capital of GT is RM4,800,000 comprising 48,000,000 ordinary shares of RM0.10 each in GT.

1.3.5 Rights issue

GT undertook a rights issue of 42,000,000 new ordinary shares of RM0.10 each ("Rights Share") at an issue price of RM0.10 per Rights Share on the basis of seven (7) Rights Share for every eight (8) existing ordinary shares of RM0.10 each held in GT.

1.3.6 Public issue

GT will undertake a public issue of 30,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.30 each payable in full on application.

1.3.7 Listing and quotation

Listing of and quotation for the entire issued and paid-up share capital of GT on the MESDAQ Market of Bursa Securities.

1.3.8 Employees' Share Option Scheme ("ESOS")

Establishment of an ESOS of up to 10% of the issued and paid-up ordinary share capital of GT for the benefit of the Directors and employees of the GT and its subsidiaries. The ESOS was approved by SC on 24 August 2005.

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1.4 Information of subsidiaries and associate

The subsidiaries and associate, all of which are incorporated in Malaysia as private limited companies under the Companies Act, 1965, other than TGT Technology Limited ("TGT") which was incorporated in Thailand, are as follows:

Name	Date of incorporation	Ordinary shares of RM1.00 each as at 31 March 2005		Effective ownership interest %	Principal activities
		Authorised RM	Issued and paid-up RM		
<i>Subsidiaries</i>					
Genevision	20 April 1999	500,000	250,000	100	Design and development of vision inspection systems. Genevision has not commenced business operation since the date of incorporation.
FAS Technology Solution Sdn. Bhd. ("FAS Tech")	22 October 2004	100,000	10	60	Design and development of automated industrial equipment.
<i>Associate</i>					
TGT	4 September 2002	Thai Baht 1,000,000	Thai Baht 1,000,000	49	Provision of engineering and technical services including designing of machine, machinery equipment and accessories of industrial products.

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1.5 Financial statements and auditors

The financial year end of GT and its subsidiaries ("GT Group") is 31 March.

The financial statements of all companies within the GT Group were audited for the relevant financial years/period under review.

KPMG have been the auditors of the following companies:-

- (i) GT and FAS Tech since incorporation; and
- (ii) Genevision with effect from the financial period ended 31 March 2005.

The financial statements of Genevision for the financial period/years ended 31 December 2000 to 2003 were audited by another firm of chartered accountants.

The financial statements of TGT for the financial year ended 31 December 2002 were audited by a member firm of KPMG International and for the financial years ended 31 December 2003 and 2004 were audited by another firm of chartered accountants.

The auditors' report of GT, its subsidiaries and associate for all the relevant financial years/period under review were not subject to any audit qualification, except for an emphasis of matter on the going concern basis of preparing the financial statements of Genevision in view of the net current liabilities and deficit in shareholders' funds position for the financial period/years ended 31 December 2000 to 2003.

1.6 Dividends

Except as detailed below the GT Group has not paid or declared dividends in respect of the financial years under review:

Financial year ended	Ordinary shares of RM1.00 each	Type of dividend	Dividend rate %	Dividend amount RM
GT				
31 December 2001	1,000,000	Interim tax exempt	108%	1,080,000
31 December 2002	1,000,000	Interim tax exempt	180%	1,800,000

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2 Summarised income statements**2.1 Summarised proforma consolidated income statements**

We set out below the summarised proforma consolidated income statements of GT Group which comprises GT and its subsidiaries, Genevision and FAS Tech, and share of results of an associate, TGT, for the past three (3) financial years ended 31 December 2000 to 31 December 2002, fifteen (15) month period ended 31 March 2004 and financial year ended 31 March 2005. The proforma consolidated income statements exclude results of a former subsidiary, GPT as GT had disposed of GPT. The proforma consolidated income statements, provided for illustrative purposes, are therefore prepared based on the audited financial statements of GT and its subsidiaries and associate and on the assumption that the GT Group under the restructuring scheme as detailed in Note 1.3.1 and 1.3.2 had been in existence throughout the years/period under review. The following results are to be read in conjunction with the notes below:

	<---Year ended 31 December--->			15 months	Year
	2000	2001	2002	ended 31	ended 31
	RM'000	RM'000	RM'000	March	March
				2004	2005
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	14,310	15,112	22,531	28,420	28,259
	=====	=====	=====	=====	=====
Profit before depreciation and interest	2,209	2,120	3,295	3,187	2,604
Depreciation	(319)	(563)	(577)	(751)	(611)
Interest expense	(17)	(69)	(141)	(223)	(166)
Interest income	1	2	-	7	13
Amortisation of goodwill	-	-	-	-	(58)
Impairment loss on investment in a subsidiary	-	-	-	(51)	-
Share of loss of an associate	-	-	(49)	-	-
	-----	-----	-----	-----	-----
Profit before taxation	1,874	1,490	2,528	2,169	1,782
Tax expense	(365)	(217)	(338)	(703)	(575)
	-----	-----	-----	-----	-----
Profit after taxation	1,509	1,273	2,190	1,466	1,207
	=====	=====	=====	=====	=====
Number of ordinary shares of RM1.00 each in issue ('000)	1,000	1,000	1,000	1,000	1,000
Earnings per share (RM)					
- Gross	1.87	1.49	2.53	2.17	1.78
- Net	1.51	1.27	2.19	1.47	1.21
	=====	=====	=====	=====	=====

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2.1 Summarised proforma consolidated income statements (continued)

Notes:

- i) The basic gross and net earnings per ordinary share of GT Group for the respective financial years/period under review is calculated based on the proforma consolidated profit before taxation and consolidated profit after taxation respectively for the years/period over the issued and paid-up share capital of 1,000,000 ordinary shares of RM1.00 each.
- ii) There were no extraordinary or exceptional items during the years/period under review, except for an impairment loss on investment in a subsidiary of RM51,000 made in financial period ended 31 March 2004.
- iii) There were no changes in accounting policies or accounting estimates for the financial years/period under review.
- iv) The effective tax rate for 2000 to 2002 was lower than the statutory tax rate due to the availability of pioneer status tax incentives, which expired on 31 January 2003. The effective tax rate for the fifteen (15) month period ended 31 March 2004 and financial year ended 31 March 2005 was higher than the statutory tax rate mainly due to non-deductible expenses for tax purposes.

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2.2 GT

The summarised income statements of GT based on the audited financial statements for the five (5) financial years/period under review are as follows:

	<----Year ended 31 December---->			15 months	Year
	2000	2001	2002	ended 31	ended 31
	RM'000	RM'000	RM'000	March	March
				2004	2005
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	14,310	15,112	22,531	28,420	27,995
Profit before depreciation and interest	2,396	2,313	3,297	3,189	2,767
Depreciation	(319)	(563)	(577)	(751)	(609)
Interest expense	(17)	(69)	(141)	(223)	(166)
Interest income	1	2	-	7	13
Impairment loss on investment in a subsidiary	-	-	-	(51)	-
Profit before taxation	2,061	1,683	2,579	2,171	2,005
Tax expense	(365)	(217)	(338)	(703)	(575)
Profit after taxation	1,696	1,466	2,241	1,468	1,430
Number of ordinary shares of RM1.00 each in issue ('000)	1,000	1,000	1,000	1,000	1,000
Earnings per share (RM)					
- Gross	2.06	1.68	2.58	2.17	2.01
- Net	1.70	1.47	2.24	1.47	1.43

Notes:

- i) The basic gross and net earnings per ordinary share of GT for the respective financial years/period under review is calculated based on the profit before taxation and profit after taxation respectively for the years/period over the issued and paid-up share capital of 1,000,000 ordinary shares of RM1.00 each.
- ii) There were no extraordinary or exceptional items during the years/period under review, except for an impairment loss on investment in a subsidiary of RM51,000 made in financial period ended 31 March 2004.
- iii) There were no changes in accounting policies or accounting estimates for the financial years/period under review.

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2.2 GT (continued)

- iv) The effective tax rate for 2000 to 2002 was lower than the statutory tax rate due to the availability of pioneer status tax incentives, which expired on 31 January 2003. The effective tax rate for the fifteen (15) month period ended 31 March 2004 and financial year ended 31 March 2005 was higher than the statutory tax rate mainly due to non-deductible expenses for tax purposes.

2.3 Genevision

The summarised income statements of Genevision based on the audited financial statements for the five (5) financial years/period under review are as follows:

	<----- Year ended 31 December ----->				15 months ended 31 March
	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2005 RM'000
Revenue	-	-	-	-	-
Loss before depreciation and interest	(187)	(193)	(2)	(2)	(11)
Depreciation	-	-	-	-	-
Interest expense	-	-	-	-	-
Interest income	-	-	-	-	-
Loss before taxation	(187)	(193)	(2)	(2)	(11)
Tax expense	-	-	-	-	-
Loss after taxation	(187)	(193)	(2)	(2)	(11)
Number of ordinary shares of RM1.00 each in issue ('000)	*	*	*	*	250
Net loss per share	(62)	(64)	(1)	(1)	#

* Issued and paid-up share capital of RM3.00 comprising 3 ordinary shares of RM1.00 each.

Net loss per share is RM0.04.

Notes:

- i) There were no extraordinary or exceptional items during the years/period under review.
- ii) There were no changes in accounting policies or accounting estimates for the financial years/period under review.

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2.4 FAS Tech

The summarised income statement of FAS Tech based on the audited financial statements for the financial period ended 31 March 2005 is as follows:

	Period from 22.10.2004 to 31.3.2005 RM'000
Revenue	314
	=====
Loss before depreciation and interest	(152)
Depreciation	(2)
Interest expense	-
Interest income	-

Loss before taxation	(154)
Tax expense	-

Loss after taxation	(154)
	=====
Number of ordinary shares of RM1.00 each in issue ('000)	*
Net loss per share	(15)
	=====

* *Issued and paid-up share capital of RM10 comprising 10 ordinary shares of RM1.00 each.*

Notes:

- i) FAS Tech was incorporated on 22 October 2004, hence the financial statements were drawn up for the period from 22 October 2004 to 31 March 2005.
- ii) There were no extraordinary or exceptional items during the period under review.
- iii) There were no changes in accounting policies or accounting estimates for the financial period under review.

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3 Balance sheets

3.1 Proforma consolidated balance sheets

The consolidated balance sheet of GT Group prepared using the acquisition method of accounting for the consolidation of Genevision and FAS Tech resulted in a goodwill of RM387,000 (see Note 4.3). The goodwill on consolidation would be different for each of the financial years/period covered in this report as the net liabilities of Genevision were different at each balance sheet date. In addition, FAS Tech was incorporated in October 2004 and prepared its first set of financial statements for the period ended 31 March 2005 since its date of incorporation. As such, the proforma consolidated balance sheets for GT Group for each financial years/period covered under this report were not presented as the information would not be comparable. Accordingly, audited consolidated balance sheet of GT Group has been presented in respect of 31 March 2005 as shown in Section 4 of this report.

3.2 GT

The summarised balance sheets of GT based on the audited financial statements for the five (5) financial years/period under review are as follows:

	<---- As at 31 December ---->			As at 31 March	
	2000	2001	2002	2004	2005
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	4,624	4,133	3,960	3,500	3,500
Investment in subsidiaries	5	51	51	-	250
Investment in an associate	-	-	49	49	49
Current assets					
Inventories	510	2,324	4,851	3,292	4,534
Trade and other receivables	3,314	4,960	10,263	8,058	12,166
Amounts due from subsidiaries	262	946	1,507	-	635
Amount due from an associate	-	-	512	1,453	1,093
Amounts due from related companies	-	-	-	161	-
Tax recoverable	-	-	-	110	295
Cash and cash equivalents	648	732	507	1,723	2,366
	4,734	8,962	17,640	14,797	21,089

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3.2 GT (continued)

	<----- As at 31 December ----->			As at 31 March	
	2000	2001	2002	2004	2005
	RM'000	RM'000	RM'000	RM'000	RM'000
Financed by:					
Share capital	1,000	1,000	1,000	1,000	1,000
Retained profits	3,448	3,834	4,275	5,743	7,173
Shareholders' funds	4,448	4,834	5,275	6,743	8,173
Long term and deferred liabilities					
Hire purchase liabilities	420	163	190	84	201
Deferred tax liabilities	266	316	373	367	542
	5,134	5,313	5,838	7,194	8,916
Number of ordinary shares of RM1.00 each in issue at year/period end ('000)	1,000	1,000	1,000	1,000	1,000
Net tangible assets ("NTA") per share (RM)	4.45	4.83	5.28	6.74	8.17

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3.3 Genevision

The summarised balance sheets of Genevision based on the audited financial statements for the five (5) financial years/period under review are as follows:

	<----- As at 31 December ----->				As at 31
	2000	2001	2002	2003	March
	RM'000	RM'000	RM'000	RM'000	RM'000
Current asset					
Cash and cash equivalents	*	*	*	*	247
Current liabilities					
Other payables and accruals	190	383	385	387	382
Amount due to holding company	-	-	-	-	13
	190	383	385	387	395
Net current liabilities	(190)	(383)	(385)	(387)	(148)
Represented by:					
Share capital	**	**	**	**	250
Accumulated losses	(190)	(383)	(385)	(387)	(398)
Deficit in shareholders' funds	(190)	(383)	(385)	(387)	(148)
Net liabilities per share	(63)	(128)	(128)	(129)	(1)

* RM3.00

** Issued and paid-up share capital of RM3.00 comprising 3 ordinary shares of RM1.00 each.

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3.4 FAS Tech

The summarised balance sheet of FAS Tech based on the audited financial statements as at 31 March 2005 is as follows:

	As at 31 March 2005 RM'000
Plant and equipment	16
Current assets	
Inventories	280
Trade and other receivables	87
Cash and cash equivalents	133
	500
Current liabilities	
Trade and other payables	48
Amount due to immediate holding company	622
	670
Net current liabilities	(170)
	(154)
Represented by:	
Share capital	*
Accumulated losses	(154)
Deficit in shareholders' funds	(154)
 Net liabilities per share	 (15)

* *Issued and paid-up share capital of RM10 comprising 10 ordinary shares of RM1.00 each.*

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4 Statement of assets and liabilities

The following statement of assets and liabilities of GT Group are prepared based on the audited financial statements of GT and its subsidiaries as at 31 March 2005. The statement of assets and liabilities of GT Group have been prepared using accounting policies and bases consistent with those normally adopted in the preparation of the audited financial statements. The statement of assets and liabilities should be read in conjunction with the notes thereon.

	Note	Company RM'000	Group RM'000
Property, plant and equipment	4.2	3,500	3,515
Goodwill	4.3	-	329
Investment in subsidiaries	4.4	250	-
Investment in an associate	4.5	49	-
Current assets			
Inventories	4.6	4,534	4,815
Trade and other receivables	4.7	12,166	12,253
Amounts due from subsidiaries	4.8	635	-
Amount due from an associate	4.8	1,093	1,093
Tax recoverable		295	295
Cash and cash equivalents	4.9	2,366	2,745
		21,089	21,201
Current liabilities			
Trade and other payables	4.10	5,560	5,990
Amount due to holding company	4.11	4,456	4,456
Amounts due to related companies	4.11	1,870	1,870
Bank borrowings (secured)	4.12	3,937	3,937
Hire purchase liabilities	4.13	149	149
		15,972	16,402
Net current assets		5,117	4,799
		8,916	8,643

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4 Statement of assets and liabilities (continued)

	Note	Company RM'000	Group RM'000
Financed by:			
Share capital	4.14	1,000	1,000
Retained profits		7,173	6,900
Shareholders' funds		8,173	7,900
Long term and deferred liabilities			
Hire purchase liabilities	4.13	201	201
Deferred tax liabilities	4.15	542	542
		8,916	8,643
Number of ordinary shares in issue ('000)		1,000	1,000
NTA per share (RM)		8.17	7.57

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4.1 Notes to the statement of assets and liabilities**4.1.1 Basis of accounting**

The statement of assets and liabilities of the GT Group are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

4.1.2 Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group's financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

4.1.3 Investment in subsidiaries

Investment in subsidiaries, which is eliminated on consolidation, is stated at cost in the Company, less impairment loss where applicable.

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4.1.4 Associate

Associate is an enterprise in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the total recognised gains and losses of an associate on an equity accounted basis from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Unrealised profits arising on transactions between the Group and its associate which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associate. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

Investment in an associate is stated at cost in the Company, less impairment loss where applicable.

4.1.5 Goodwill

Goodwill represents the excess of the cost of acquisition over the fair values of the net identified assets acquired. Goodwill is stated at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised through the Group's income statement on a straight-line basis over a maximum of 5 years from the date of acquisition.

4.1.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

4.1.7 Depreciation

The straight-line method is used to write off the cost of the assets over the term of their estimated useful lives at the following principal annual rates:

Freehold building	2%
Electrical equipment, renovation, furniture and fittings	8% - 12%
Plant and machineries	10%
Motor vehicles	20%

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4.1.8 Inventories

Inventories are stated at the lower of cost and net realisable value and are determined on a weighted average basis.

The cost of work-in-progress includes cost of raw materials, consumables, indirect materials, direct labour and an appropriate allocation of manufacturing overheads. The cost of raw materials and indirect materials comprises the original purchase price plus incidentals in bringing these inventories to their present location and condition.

In arriving at net realisable value, a write down is made, where necessary, for obsolete and slow moving items.

4.1.9 Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

Known bad debts are written off and an allowance is made for all debts considered doubtful, based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

4.1.10 Amounts due from/(to) subsidiaries, associate, related companies and holding company

Amounts due from/(to) subsidiaries, associate, related companies and holding company are stated at cost less allowance for doubtful debts.

4.1.11 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

4.1.12 Liabilities

Borrowings and trade and other payables are stated at cost.

4.1.13 Hire purchase liabilities

Plant and equipment acquired under hire purchase arrangements are capitalised at their purchase cost and depreciated on the same basis as owned assets. The corresponding obligation relating to the remaining capital repayments is treated as a liability. The interest element of the hire purchase instalments is charged to the income statement over the period of the hire purchase plan and accounted for on the sum of digits method.

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4.1.14 Impairment

The carrying amount of assets, other than inventories, deferred tax assets and financial assets (other than investments in subsidiaries and an associate), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement.

4.1.15 Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

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4.2 Property, plant and equipment

Company	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Freehold building	210	29	181
Electrical equipment, renovation, furniture & fittings	2,233	839	1,394
Plant and machineries	2,701	1,148	1,553
Motor vehicles	694	322	372
	<u>5,838</u>	<u>2,338</u>	<u>3,500</u>
Group			
Freehold building	210	29	181
Electrical equipment, renovation, furniture & fittings	2,250	841	1,409
Plant and machineries	2,701	1,148	1,553
Motor vehicles	694	322	372
	<u>5,855</u>	<u>2,340</u>	<u>3,515</u>

4.2.1 The title for freehold building of the Group and of the Company costing RM210,000 is pending issuance by the relevant authorities.

4.2.2 The freehold building comprising a condominium of the Group and of the Company costing RM210,000 is pledged to a bank for credit facilities granted to the Group and the Company (Note 4.12.1).

4.2.3 Net book value of plant and equipment acquired under hire purchase arrangements is as follows:

	Company and Group RM'000
Plant and machineries	231
Motor vehicles	342
	<u>573</u>

4.3 Goodwill

	Group RM'000
Goodwill on consolidation	387
Accumulated amortisation	(58)
	<u>329</u>

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4.4 Investment in subsidiaries

	Company RM'000
Unquoted shares, at cost	250

The details of the subsidiaries are disclosed in Section 1.4 of this report.

4.5 Investment in an associate

	Company RM'000	Group RM'000
Unquoted shares, at cost	49	49
Share of post-acquisition losses	-	(49)
	49	-

The associate is TGT Thailand Limited, a company incorporated in Thailand in which GT holds 49% of the equity interest. The associate is principally engaged in the provision of engineering and technical services including designing of machine, machinery equipment and accessories of industrial products.

The Group's share of current year profit of RM207,000 and share of cumulative losses of associate of RM370,000 for the year subsequent to 31 October 2002 have not been recognised in the Group's income statements as equity accounting ceased with effect from 31 October 2002 when the Group's share of cumulative losses in the associate exceeded the carrying amount of its investment in the associate.

4.6 Inventories

	Company RM'000	Group RM'000
<i>At cost:</i>		
Raw materials	50	94
Consumables	1,298	1,298
Work-in-progress	3,008	3,245
<i>At net realisable value:</i>		
Work-in-progress	178	178
	4,534	4,815

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4.7 Trade and other receivables

	Company RM'000	Group RM'000
Trade receivables	11,421	11,501
Less: allowance for doubtful debts	(680)	(680)
	10,741	10,821
Other receivables, deposits and prepayments	1,425	1,432
	12,166	12,253

During the financial year, the Group and Company's bad debts amounting to RM4,000 were written off against allowance for doubtful debts.

Included in other receivables, deposits and prepayments of the Group and of the Company is share issue expenses amounting to RM994,000 which will be offset against share premium account when the share issue exercise is completed.

4.8 Amounts due from subsidiaries and associate

The amounts due from subsidiaries are non-trade in nature, unsecured, interest free and have no fixed terms of repayment, except for an amount of RM50,000 which is trade in nature.

Amount due from an associate is trade in nature.

4.9 Cash and cash equivalents

	Company RM'000	Group RM'000
Deposit placed with a licensed bank	1,640	1,640
Cash and bank balances	726	1,105
	2,366	2,745

4.10 Trade and other payables

	Company RM'000	Group RM'000
Trade payables	5,322	5,328
Other payables and accruals	238	662
	5,560	5,990

Included in other payables and accruals of the Group is an amount of RM380,000 due to a Director of a subsidiary. The amount due to the Director is non-trade in nature, unsecured, interest free and has no fixed terms of repayment.

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4.11 Amounts due to holding company and related companies

The holding company is ATIS Corporation Berhad which is incorporated in Malaysia.

Amount due to holding company is non-trade in nature, unsecured, interest free and has no fixed terms of repayment.

Amounts due to related companies are trade in nature.

4.12 Bank borrowings (secured)

	Company and Group RM'000
Current:	
Bankers' acceptances	<u>3,937</u>

4.12.1 The bankers' acceptances are secured by:

- i) Deed of assignment over the Company and Group's freehold condominium (Note 4.2.2);
- ii) A third party legal charge over a piece of vacant land belonging to a related company; and
- iii) Corporate guarantee from the holding company.

4.12.2 The bankers' acceptances bear interest at 1.00% per annum above the bank's cost of funds.

4.13 Hire purchase liabilities

	Payments RM'000	Interest RM'000	Principal RM'000
Company and Group			
Less than one year	167	(18)	149
Between one and five years	215	(14)	201
	<u>382</u>	<u>(32)</u>	<u>350</u>

The hire purchase liabilities are subject to a fixed interest rate from 3.10% to 4.25% per annum.

4.14 Share capital

	Company and Group RM'000
Ordinary shares of RM1.00 each:	
Authorised	<u>1,000</u>
Issued and fully paid	<u>1,000</u>

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4.15 Deferred tax liabilities

The recognised deferred tax assets and liabilities are as follows:

	Company and Group RM'000
Property, plant and equipment	666
Other temporary differences	(124)
	<u>542</u>

Deferred tax assets and liabilities are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

No deferred tax has been recognised for the following items:

	Group RM'000
Unabsorbed capital allowances	(9)
Unutilised tax losses	(151)
Other temporary differences	8
	<u>(152)</u>

The unutilised tax losses, unabsorbed capital allowances and other temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available in certain subsidiaries against which the Group can utilise the benefits.

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4.16 Financial instruments**Financial risk management objectives and policies**

The main risks arising from the Group and Company's financial instruments are liquidity risk, credit risk, foreign currency risk and interest rate risk. The Group and Company's normal practice for managing each of these risks are summarised below:

Liquidity risk

In the management of liquidity risk, the Group and Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group and Company's operations and mitigate the effects of fluctuations in cash flows.

Credit risk

The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount. The maximum exposure to credit risk is represented by the carrying amount of each financial asset presented in the balance sheet.

At balance sheet date, a significant concentration of credit risk arises in respect of debts owing from 4 major customers who are operating in hard disk drive industry amounting to RM8.8 million of the total trade receivables of the Group and Company. The Directors are closely monitoring the Group's credit risk exposure to these major customers and are confident in recovering this amount.

Foreign currency risk

The Group and Company incur foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. In the management of foreign currency risk, the Group and Company enter into foreign currency forward contracts in the normal course of business to manage its exposure against foreign currency fluctuations on sales and purchases transactions denominated in foreign currencies other than the US Dollar. Since the Malaysian Government has pegged Ringgit Malaysia against the US Dollar at RM3.80 : USD1.00, the Group and Company's direct exposure to foreign currency risk with regards to US Dollar is minimal. However, the Board keeps this policy under review.

There are no foreign currency forward contracts outstanding as at 31 March 2005.

Interest rate risk

The Group and Company place cash balances with reputable banks to generate interest income for the Group and Company. The Group and Company manage its interest rate risk by placing such balances on varying maturities and interest rate terms.

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4.16 Financial instruments (continued)

Effective interest rates and repricing analysis

Company and Group	Effective interest rates per annum %	Total RM'000	Within 1 year RM'000
<i>Financial asset</i>			
Deposit placed with a licensed bank	2.0	1,640	1,640
<i>Financial liability</i>			
Bankers' acceptances	4.2	3,937	3,937

Fair values

In the opinion of the Directors, there is no significant difference between the fair values and the book values of financial assets and financial liabilities due to the relatively short term nature of these financial instruments.

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5 Consolidated cash flow

The summarised consolidated cash flow of the GT Group based on the audited financial statements of GT, Genevision and FAS Tech for the year/period ended 31 March 2005. The consolidated cash flow is to be read in conjunction with the notes below:

	Year ended 31 March 2005 RM'000
Cash flows from operating activities	
Profit before taxation	1,781
Adjustments for:	
Allowance for doubtful debts	127
Amortisation of goodwill	58
Depreciation	610
Interest expense	168
Interest income	(13)
Gain on disposal of property, plant and equipment	(54)
Reversal of allowance for doubtful debts	(33)
Reversal of inventories written down to net realisable value	(8)
Operating profit before working capital changes	2,636
Changes in working capital:	
Inventories	(1,516)
Trade and other receivables	(4,321)
Trade and other payables	2,112
Holding company	578
Related companies	1,315
Associate	360
Cash generated from operations	1,164
Income tax paid	(585)
Interest paid	(7)
Net cash generated from operating activities	572

13. ACCOUNTANTS' REPORT



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5 Consolidated cash flow (continued)

	Year ended 31 March 2005 RM'000
Cash flows from investing activities	
Interest received	13
Purchase of property, plant and equipment (ii)	(389)
Proceeds from disposal of property, plant and equipment	128
Net cash used in investing activities	<u>(248)</u>
Cash flows from financing activities	
Repayment of hire purchase liabilities	(131)
Interest paid	(161)
Proceeds from borrowings	1,761
Net cash generated from financing activities	<u>1,469</u>
Net increase in cash and cash equivalents	1,793
Cash and cash equivalents at beginning of year	<u>952</u>
Cash and cash equivalents at end of year (i)	<u><u>2,745</u></u>

*Notes to consolidated cash flow**i) Cash and cash equivalents*

Cash and cash equivalents included in the consolidated cash flow comprise the following balance sheet amounts:

	2005 RM'000
Cash and bank balances	1,105
Deposit with a licensed bank	1,640
	<u>2,745</u>

ii) Purchase of property, plant and equipment

The Group acquired property, plant and equipment with an aggregate cost of RM700,000 of which RM311,000 were acquired by means of hire purchase arrangements.

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6 Proforma net tangible assets cover

Based on the statement of assets and liabilities of GT Group as at 31 March 2005, and after adjusting for the rights issue, public issue and estimated shares issue expenses, the net tangible assets cover per ordinary share is calculated as follows:

	RM'000
Net tangible assets as at 31 March 2005	7,571
Add : Proceeds from rights issue	4,200
Add : Proceeds from public issue	9,000
Less : Estimated shares issue expenses	(1,200)
Adjusted balance as at 31 March 2005	<u>19,571</u>
Number of ordinary shares of RM0.10 each in issue after completion of share split	48,000
Add : Rights issue	42,000
Add : Public issue	30,000
Adjusted number of ordinary shares of RM0.10 each in issue	<u>120,000</u>
Proforma net tangible assets per ordinary share (RM)	<u>0.16</u>

7 Events subsequent to balance sheet date as at 31 March 2005

There were no events that have arisen subsequent to the balance sheet date which would require any amounts stated to be adjusted or any further disclosures to be made in this report.

8 Audited financial statements

No audited financial statements have been prepared in respect of any period subsequent to 31 March 2005.

Yours faithfully

KPMG
Firm Number: AF 0758
Chartered Accountants

Chan Kam Chiew
Partner
Approval Number: 2055/06/06(J)

Signed copies of this document have been prepared in English and Bahasa Malaysia versions. In the event of any inconsistency between these, the English version shall prevail.

14. DIRECTORS' REPORT

(Prepared for inclusion in this Prospectus)



Genetec Technology Berhad

(Co. No: 445537-W)

Lot 1, Jalan P10/12, Kawasan Perusahaan Bangi,
43650 Bandar Baru Bangi, Selangor Darul Ehsan, Malaysia.

Tel : 603-8926 6388 Fax : 603-8926 6689 E-mail : genetec@genetec.net



Registered Office:

Wisma KVC, Lot 3, Jalan P10/12
Kawasan Perusahaan Bangi
43650 Bandar Baru Bangi
Selangor Darul Ehsan

Date: 23 SEP 2005

The Shareholders of Genetec Technology Berhad

Dear Sir/Madam,

On behalf of the Board of Directors of Genetec Technology Berhad (GT), I report after due inquiry that during the period from 31 March 2005 (being the date to which the last audited financial statements of GT and its subsidiaries and associated company (GT Group) have been made up) to **23 SEP 2005** (being a date not earlier than fourteen (14) days before the date of issue of this Prospectus), that:

- (a) the business of the GT Group has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen since the last audited financial statements of the GT Group which have adversely affected the trading or the value of the assets of the GT Group;
- (c) the current assets of the GT Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) save as disclosed in this Prospectus, there are no contingent liabilities by reason of any guarantees or indemnities given by the GT Group;
- (e) since the last audited financial statements of the GT Group, there have been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principals sums in relation to any borrowings in which they are aware of; and
- (f) save as disclosed in the Accountants' Report and Proforma Consolidated Balance Sheets in this Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of the GT Group since the last audited financial statements of the GT Group.

Yours faithfully

For and on behalf of the Board of Directors of
Genetec Technology Berhad

Chin Kem Weng
Managing Director

15. ESOS BY-LAWS

BY-LAWS OF GENETEC TECHNOLOGY BERHAD EMPLOYEES' SHARE OPTION SCHEME

1. DEFINITIONS AND INTERPRETATIONS

1.1 In these By-Laws, unless otherwise specified, the following definitions shall, where the context so admits, be deemed to have the following meanings:

Articles	Articles of Association of the Company
GT or Company	Genetec Technology Berhad
GT Group or Group	The Company and its subsidiaries incorporated in Malaysia as defined in Section 5 of the Companies Act, 1965 (save for any subsidiaries which are dormant) and where the context so requires, any one of them
Board	Board of Directors of the Company
Bursa Depository	Bursa Malaysia Depository Sdn Bhd
Bursa Securities	Bursa Malaysia Securities Berhad
By-Laws	The terms and conditions of the Scheme (as may be amended varied or supplemented from time to time in accordance with By-Law 17)
CDS	Central Depository System
CDS Account	An account established by Bursa Depository for the recording of dealing in securities by a depositor
Date of Commencement	The date of commencement of the Scheme, being the effective date of implementation of the Scheme as stated in By-Law 20
Date of Expiry	The last day of an Option Period
Date of Offer	The date of the offer letter, as described in By-Law 5.4, being the date on which an Offer is made by the Option Committee to a Selected Employee in the manner provided in By-Law 5
Director	A natural person who holds a directorship whether in an executive or non-executive capacity in any company in the Group
Duration of the Scheme	The duration of the Scheme as defined in By-Law 20
Eligible Employee	Any employee or Director of the GT Group satisfying the conditions stipulated in By-Law 3
Grantee	A Selected Employee who has accepted the Offer in accordance with the provisions of By-Law 6

15. ESOS BY-LAWS

Listing Requirements	The Listing Requirements of Bursa Securities for the MESDAQ Market including any amendments thereto that may be made from time to time
Market Day	Any day between Monday and Friday, both days inclusive, which is a trading day on Bursa Securities
MESDAQ Market	The MESDAQ Market of Bursa Securities
Offer	An offer in writing made by the Option Committee in accordance with the provisions or in the manner indicated in By-Law 5 to a Selected Employee to participate in the Scheme
Option(s)	The right of a Grantee to subscribe for Shares pursuant to the contract constituted by acceptance by a Selected Employee in the manner indicated in By-Law 6 of any Offer made in accordance with the terms of the Scheme
Option Committee	The committee comprising such persons as may be appointed by the Board, in accordance with the provisions of By-Law 16 to administer the Scheme
Option Period	A period commencing on the Date of Offer, or such later date as determined by the Option Committee, and expiring on a date which the Option Committee may in its discretion decide PROVIDED THAT the option period shall not extend beyond the Duration of the Scheme
Option Price	The price at which the Grantee shall be entitled to subscribe for a new Share as set out in By-Law 7
SC	Securities Commission of Malaysia
Scheme	The employees' share option scheme for the granting of Options to Selected Employees which will, upon their acceptance thereof, entitle them to subscribe for new Shares in the Company in accordance with the provisions of these By-Laws and such employees' share option scheme to be known as the "Genetec Technology Berhad Group Employees' Share Option Scheme"
Selected Employee	An Eligible Employee who has been selected by the Option Committee for the purpose of making an Offer in accordance with By-Law 5
Share(s)	Ordinary share(s) of RM0.10 each in the Company

15. ESOS BY-LAWS

1.2 In these By-Laws:

- (a) any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision and any listing requirements, policies and/or guidelines of Bursa Securities and/or the SC respectively (in each case, whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies and/or guidelines are addressed to by Bursa Securities and/or the SC);
- (b) any reference to a statutory provision shall include that provision as from time to time modified or re-enacted whether before or after the date of these By-Laws so far as such modification or re-enactment applies or is capable of being applied to any Options offered and accepted prior to the Date of Expiry and shall include also any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced;
- (c) words importing the singular meaning where the context so admits include the plural meaning and vice versa;
- (d) words of the masculine gender include the feminine gender and all such words shall be construed interchangeably in that manner; and
- (e) any liberty or power which may be exercised or any determination which may be made hereunder by the Board or the Option Committee may be exercised at the Board's or Option Committee's discretion.

2. MAXIMUM NUMBER OF NEW SHARES AVAILABLE UNDER THE SCHEME

- 2.1 The maximum number of new Shares which may be allotted under the Scheme shall not be more than ten per cent (10%) of the issued and paid-up share capital of the Company at any point in time during the Duration of the Scheme.
- 2.2 By-Law 2.1 shall not apply where the total number of new Shares which may be made available under the Scheme exceeds ten per cent (10%) of the issued and paid-up share capital of the Company during the Duration of the Scheme resulting from the cancellation of the Company's own shares purchased by the Company in accordance with the provisions of Section 67A of the Companies Act, 1965. In such event, provisions of By-Law 14.9 shall apply.
- 2.3 The Company will, for the Duration of the Scheme, make available sufficient number of new Shares in the unissued share capital of the Company to satisfy all outstanding Options, which may be exercisable from time to time.

3. ELIGIBILITY

- 3.1 To qualify for participation in the Scheme, any person must as at the Date of Offer:
 - (a) be at least eighteen (18) years of age;
 - (b) be employed on a full time basis by any company in the Group;
 - (c) be in the employment of the Group and must have been confirmed in service on the Date of Offer; and

15. ESOS BY-LAWS

- (d) be under such categories and of such criteria that the Option Committee may from time to time decide,

PROVIDED ALWAYS that the eligibility criteria set out in By-Laws 3.1(b) and 3.1(c) above shall not apply to Non-Executive Directors.

- 3.2 Only Eligible Employees are eligible to participate in the Scheme. The selection of any Eligible Employee to participate in the Scheme shall be at the discretion of the Option Committee and the decision of the Option Committee shall be binding and final.
- 3.3 Eligibility however does not confer on an Eligible Employee a claim or right to participate in the Scheme unless the Option Committee has made an Offer to the Eligible Employee.
- 3.4 The Option Committee shall have the discretion to determine whether a Director or employee participating in the Scheme shall at any one point in time participate or be eligible to participate in any other employees' share option scheme implemented by any other company within the Group. Such participation shall be subject to the rules and regulations governing employees' share option schemes as promulgated by Bursa Securities or any other relevant authorities.

4. BASIS OF ALLOTMENT AND MAXIMUM ALLOWABLE ALLOTMENT OF SHARES

Subject to any adjustments which may be made under By-Law 14, the aggregate number of Shares comprised in the Options to be offered to a Selected Employee in accordance with the Scheme shall be determined at the discretion of the Option Committee after taking into consideration the Selected Employee's performance, position, seniority and the number of years in service subject to the following:

- (a) that the aggregate number of Shares comprised in the Options made available under the Scheme shall not exceed the amount stipulated in By-Law 2.1;
- (b) that not more than fifty percent (50%) of the Shares available under the Scheme at the point in time when an Offer is made shall be allocated, in aggregate, to Directors and senior management; and
- (c) that not more than ten percent (10%) of the Shares available under the Scheme at the point in time when an Offer is made shall be granted to any individual Selected Employee who, either singly or collectively through persons connected (as defined in Rule 1.1 of the Listing Requirements) to him/her, holds twenty per cent (20%) or more in the paid-up capital of the Company.

The criteria for allocation of the Options pursuant to the Scheme shall be disclosed to the Grantee.

5. OFFER

- 5.1 Upon implementation of the Scheme, the Option Committee may at its discretion at any time and from time to time as it shall deem fit during the Duration of the Scheme make one or more Offers to any Selected Employee, based on the criteria of allotment set out in By-Law 4, to subscribe for new Shares in accordance with the terms of the Scheme.

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- 5.2 The actual number of new Shares which may be offered to a Selected Employee shall be at the discretion of the Option Committee and subject to any adjustments under By-Law 14. The Offer shall be made in multiples of 100 Shares, the minimum being 100 Shares but subject to the maximum allowable allotment as set out in By-Law 4.
- 5.3 No Options will be granted to any Director of the Company unless the shareholders of the Company in a general meeting shall have previously approved specific grant of Options to that Director.
- 5.4 The Option Committee will in its offer document ("Offer Letter") to a Selected Employee state, inter alia, the number of Options that are being offered to the Eligible Employee, the number of Shares that can be subscribed under the Offer, the Option Period, the Option Price determined in accordance with the provisions of By-Law 7, the closing date for acceptance of the Offer and the manner and conditions of exercise of the Options.
- 5.5 The Offer shall automatically lapse and be null and void in the event of death of the Selected Employee prior to the acceptance of the Offer.
- 5.6 The Company shall keep and maintain at its expense a register of Grantees.

6. ACCEPTANCE OF OFFER

- 6.1 An Offer made by the Option Committee under By-Law 5 shall be valid for a period of fourteen (14) calendar days from the Date of Offer and may be accepted within the prescribed period by a Selected Employee to whom the Offer is made by a written notice (in a format to be prescribed by the Option Committee) to the Option Committee of such acceptance, accompanied by a payment to the Company of a nominal non-refundable sum of Ringgit Malaysia One (RM1.00) as consideration for the grant of the Option.
- 6.2 If the Offer is not accepted in the manner aforesaid within the prescribed period of fourteen (14) calendar days from the Date of Offer, such Offer shall upon the expiry of the said prescribed period, automatically lapse and be null and void and be of no further force and effect.

7. OPTION PRICE

- 7.1 The price at which the Grantee is entitled to subscribe for each new Share shall be:
 - (a) in respect of any Offer which is made in conjunction with the listing of the Company on the MESDAQ Market, the initial public offer price of the Shares in the Company; and
 - (b) in respect of any Offer which is made subsequent to the listing of the Company on the MESDAQ Market, the five (5) days weighted average market price of the Shares in the Company preceding the Date of Offer, with a discount that does not exceed ten percent (10%), at the Option Committee's discretion (or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the period of the Scheme) or at the par value of the Shares, whichever is higher.

15. ESOS BY-LAWS

- 7.2 The Option Price shall be subject to any amendments and modifications to the Listing Requirements (or any other relevant authorities) made thereof from time to time and any adjustments in accordance with By-Law 14.

8. NON-ASSIGNABLE

An Option is personal to the Grantee. Save and except as provided in By-Law 18.4, an Option shall be non-assignable and non-transferable.

9. EXERCISE OF OPTION

- 9.1 An Option to be granted to a Grantee under the Scheme, subject to the provisions of By-Laws 12, 18.1 and 18.4, is exercisable only by the Grantee during his lifetime and whilst he is in the employment of the Group and within the Option Period. All unexercised or partially exercised Options shall become null and void after the Date of Expiry.
- 9.2 Upon acceptance of an Offer, the Grantee may during the Option Period exercise his Options at such time and in such manner and subject to conditions as stipulated in the Offer Letter.
- Subject to By-Laws 18, 19, 25 and 26, an Option granted under the Scheme shall be capable of being exercised at any time during the Option Period in the manner which the Option Committee shall decide at its discretion and which shall be specified in the Offer Letter.
- 9.3 The Grantee shall notify the Company of his intention to exercise an Option in such form and manner as the Option Committee may prescribe or approve ("Notice of Exercise"). The Grantee shall, simultaneously with his exercise of the Option (or within such period as the Option Committee may prescribe), forward to the Company a remittance for the full amount of the subscription monies for the new Shares in respect of which the Notice of Exercise is given. An Option may be exercised in such manner and subject to such conditions as stipulated in the Offer Letter in respect of such lesser number of new Shares as the Grantee may decide to exercise. Such partial exercise of an Option shall not preclude the Grantee from exercising the Option as to the balance of any new Shares, if any, which he is entitled to subscribe under the Scheme.
- 9.4 The Grantee shall provide all information as required in the Notice of Exercise and the Company shall within ten (10) Market Days (or such period as Bursa Securities may prescribe) after the receipt of a valid Notice of Exercise and remittance from the Grantee, allot and despatch the notice of allotment for the relevant number of new Shares to the Grantee upon and subject to the provisions of the Articles and make an application for the quotation of such new Shares. The said Shares will be credited directly into the CDS account of the Grantee. No physical share certificates will be issued.
- 9.5 Any failure to comply with the foregoing provisions and/or to provide all information as required in the Notice of Exercise or inaccuracy in the information provided shall result in the Notice of Exercise being rejected.

15. ESOS BY-LAWS

- 9.6 Notwithstanding anything to the contrary herein contained in these By-Laws, the Option Committee shall have the right at its discretion by notice to that effect:
- (a) to suspend the right of any Grantee who is found to have contravened the policies and guidelines of the Group and/or the terms and conditions of the Grantee's employment (whether or not such contravention may give rise to a disciplinary proceeding being instituted) to exercise his Option. In addition to this right of suspension, the Option Committee may impose such terms and conditions as the Option Committee shall deem appropriate in its discretion, on the right of exercise of the Grantee's Option having regard to the nature of contravention PROVIDED ALWAYS that in the event such contravention results in the dismissal or termination of service of such Grantee, the Option shall immediately cease and become null and void without notice, upon pronouncement of the dismissal or termination of service of such Grantee;
- OR
- (b) to suspend the right of any Grantee who is being subject to disciplinary proceedings (whether or not such disciplinary proceedings may give rise to a dismissal or termination of service of such Grantee) to exercise his Option pending the outcome of such disciplinary proceedings. In addition to this right of suspension, the Option Committee may impose such terms and conditions as the Option Committee shall deem appropriate in its discretion, on the right of exercise of his Option having regard to the nature of the charges made or brought against such Grantee, PROVIDED ALWAYS that:
 - (i) in the event such Grantee is found not guilty of the charges which gave rise to such disciplinary proceedings, the Option Committee shall reinstate the right of such Grantee to exercise his Option; or
 - (ii) in the event such Grantee is found guilty resulting in the dismissal or termination of service of such Grantee, the Option shall immediately cease and become null and void without notice, upon pronouncement of the dismissal or termination of service of such Grantee; or
 - (iii) in the event such Grantee is found guilty but no dismissal or termination of service is recommended, the Option Committee shall have the right to determine at its discretion whether or not the Grantee may continue to exercise his Option and if so, to impose such terms and conditions as it deems appropriate, on such exercise.

10. RIGHTS OF A GRANTEE

- 10.1 The Options shall not carry any rights to vote at any general meeting of the Company.
- 10.2 A Grantee shall not be entitled to any dividends, right or other entitlement on his unexercised Options.

15. ESOS BY-LAWS

11. RIGHTS ATTACHING TO NEW SHARES

The new Shares to be allotted and issued upon the exercise of the Options will upon such allotment and issuance, rank *pari passu* in all respects with the then issued and fully paid-up Shares (including in respect of voting, dividend, transfer and other rights arising on a liquidation of GT) except that the Shares so allotted will not be entitled to any dividends, rights, allotments or other distributions, the entitlement date (namely the date as at the close of business on which shareholders must be registered in order to be entitled to any dividends, rights, allotments or other distributions) of which is prior to the date of allotment of the new Shares and will be subject to all the provisions of the Articles relating to the transfer, transmission and otherwise of the Shares.

12. RETENTION PERIOD

- 12.1 Any Options granted during the period of one (1) year commencing from the date the Company was listed on the MESDAQ Market shall only be exercisable by the Grantee one (1) year after the Company was listed on the MESDAQ Market.
- 12.2 Save and except for the new Shares allotted to a Non-Executive Director in GT Group which is subject to the restrictions more particularly set out in By-Law 12.3, the new Shares to be issued and allotted to a Grantee pursuant to the exercise of an Option under the Scheme will not be subject to any retention period or restriction on transfer. However, the Grantees are encouraged to hold the Shares as a long-term investment and not for any speculative and/or realisation of immediate gain.
- 12.3 A Non-Executive Director in GT Group shall not sell, transfer or assign the new Shares obtained through the exercise of the Options offered to him pursuant to the Scheme within one (1) year from the Date of Offer.

13. TAKEOVER AND COMPULSORY ACQUISITION

- 13.1 In the event of a takeover offer being made for the Company by a general offer or otherwise and such offer becoming or being declared unconditional, notwithstanding By-Law 9.2, the Grantee shall also be entitled within three (3) months of the date on which such offer becomes or is declared unconditional to exercise in full or in part any Option as yet unexercised within the Option Period. After the expiry of the said three (3) months period, the Grantee may, subject to the provisions of these By-Laws, exercise his unexercised or partially exercised Option or Options within the Option Period.
- 13.2 In the event a person becomes entitled or bound to exercise rights of compulsory acquisition of the Shares under the provisions of the Companies Act, 1965 or the Securities Commission Act, 1993 and gives notice to the Grantee that it intends to exercise such rights on a specific date ("Specific Date"), notwithstanding By-Law 9.2, the Option shall remain exercisable by the Grantee in full or in part until the expiry of the Specific Date, but within the Option Period. In the foregoing circumstances if the Grantee fails to exercise his Option or elects to exercise only in respect of a portion of such Shares by the Specific Date, then the Option, or as the case may be the Option in relation to the balance thereof, shall automatically lapse after the Specific Date and be null and void.

15. ESOS BY-LAWS

14. ALTERATION OF SHARE CAPITAL AND ADJUSTMENT

14.1 Subject to By-Law 14.5, in the event of any alteration in the capital structure of the Company during the Option Period, or during the period that an Offer is open for acceptance, whether by way of capitalisation issue, rights issue, bonus issue, consolidation or subdivision of shares or capital reduction or any other variation of capital howsoever being effected, the Option Committee shall have the discretion to determine if any adjustment is to be made to the Option Price and/or the number of new Shares comprised in an Option which may be exercised. Such adjustments should ensure that the capital outlay to be incurred by the Grantee in exercising his Options remains unaffected.

14.2 Subject to By-Law 14.4, if it is decided by the Option Committee pursuant to By-Law 14.1 that an adjustment will be made, the necessary adjustment will be made to:

- (i) the Option Price; and/or
- (ii) the number of new Shares comprised in an Option which may be exercised,

such that the adjustment, where it relates to capitalisation issue, rights issue, bonus issue, consolidation or subdivision of shares or capital reduction or any other variation of capital, made must be consistent with the provisions for adjustment as provided in these By-Laws; and

where such adjustment relates to capitalisation issue, rights issue, bonus issue, consolidation or subdivision of shares, capital reduction and/or any other variation of capital, the Option Price and/or the number of new Shares comprised in an Option which may be exercised shall be adjusted in accordance with the following formulas:

- (a) If and whenever a Share by reason of any consolidation or subdivision or conversion shall have a different par value, the Option Price shall be adjusted by multiplying it by the revised par value and dividing the result by the former par value and the number of Options shall be adjusted by multiplying the existing number of Options held by the former par value and dividing the result by the revised par value.

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

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

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

and the number of Options shall be adjusted by multiplying the existing number of Options held by the following fraction:

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

15. ESOS BY-LAWS

where:

- A = The aggregate number of issued and fully paid-up Shares immediately before such capitalisation issue; and
- B = The aggregate number of new Shares to be issued pursuant to any allotment credited as fully paid by way of capitalisation of profits or reserves (whether of a capital or income nature and including any share premium account and capital redemption reserve fund).

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the day next following the date on which ordinary shareholders must be registered in the Record of Depositors for such issue (Record Date).

- (c) If and whenever the Company shall make:
- (i) 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
 - (ii) Any offer or invitation to ordinary shareholders whereunder they may acquire or subscribe Shares by way of rights; or
 - (iii) 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 any such case, the Option Price shall be adjusted by multiplying it by the following fraction:

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

And in respect of the case referred to in By-Law 14.2 (c)(ii) hereof, the number of Options shall be adjusted by multiplying the existing number of Options held by the following fraction:

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

where:

- C = The Current Market Price (as defined in By-Law 14.2(h) below) of one (1) 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 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

15. ESOS BY-LAWS

- D = (aa) In the case of an offer or invitation to acquire or subscribe for Shares under By-Law 14.2(c)(ii) above or for securities convertible into Shares or securities with rights to acquire or subscribe for Shares under By-Law 14.2(c)(iii) above, the value of rights attributable to one (1) Share (as defined below); or
- (bb) In the case of any other transaction falling within this By-Law 14.2(c), the fair market value, as determined (with the concurrence of the external auditors of the Company) by a licensed merchant bank or universal broker, of that portion of the Capital Distribution attributable 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 stated in this By-Law 14.2(c);
- E = The subscription price of one (1) additional Share under the terms of such offer or invitation or one (1) additional security convertible into Shares or one (1) additional security with rights to acquire or subscribe for Shares; and
- F = The number of Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or security convertible into Shares or right to acquire or subscribe for Shares
- 1 = One (1)

For the purpose of this By-Law 14.2(c), "Capital Distribution" shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of Shares (other than an issue falling within By-Law 14.2(b)) credited as fully or partly paid-up by way of capitalisation of profits or reserves (whether of a capital or income nature and including any share premium account or 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 ordinary shareholders as shown in the audited consolidated profit and loss accounts of the Company.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the day next following the Record Date for the above transaction.

- (d) If and whenever the Company makes any allotment to its ordinary shareholders as provided in By-Law 14.2(b) above and also makes any offer or invitation to its ordinary shareholders as provided in By-Law 14.2(c)(ii) or By-Law 14.2(c)(iii) above and the Record Date for the purpose of the allotment is also the Record Date for the purpose for the offer or invitation, the Option Price shall be adjusted by multiplying it by the following fraction:

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

15. ESOS BY-LAWS

And in respect of each case referred to in these By-law 14.2(b) and By-law 14.2(c)(ii), the number of Options held by each Grantee shall be adjusted by multiplying the existing number of Options held by the following fraction:

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

where:

- G = The aggregate number of issued and fully paid-up Shares on the Record Date;
- C = C as stated in By-Law 14.2(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 with rights to acquire or subscribe for Shares as the case may be;
- I = The subscription price of one (1) additional Share under an offer or invitation to acquire or subscribe for Shares or the exercise price on conversion of securities or exercise of such rights to acquire or subscribe for one (1) additional Share as the case may be;
- B = B as stated in By-Law 14.2(b) above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the day next following the Record Date for such issues.

- (e) If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for Shares as provided in By-Law 14.2(c)(ii) above together with an offer or invitation to acquire or subscribe securities convertible into Shares or securities with rights to acquire or subscribe for Shares as provided in By-Law 14.2(c)(iii) above, the Option 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 Options held by each Grantee shall be adjusted by multiplying the existing number of Options by the following fraction:

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

where:

- G = G as stated in By-Law 14.2(d) above;
- C = C as stated in By-Law 14.2(c) above;
- H = H as stated in By-Law 14.2(d) above;

15. ESOS BY-LAWS

- I = I as stated in By-Law 14.2(d) above;
- J = The aggregate number of Shares to be issued to its ordinary shareholders upon conversion of such securities or exercise of such rights to subscribe for Shares by the ordinary shareholders; and
- K = The exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the day next following the Record Date for the above transactions.

- (f) If and whenever the Company makes an allotment to its ordinary shareholders as provided in By-Law 14.2(b) above and also makes an offer or invitation to acquire or subscribe for Shares to its ordinary shareholders as provided in By-Law 14.2(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 14.2(c)(iii) above and the Record Date for the purpose of the allotment is also the Record Date for the purpose of offer or invitation, the Option 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 Options held by each Grantee shall be adjusted by multiplying the existing number of Options held by the following fraction:

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

where:

- G = G as stated in By-Law 14.2(d) above;
- C = C as stated in By-Law 14.2(c) above;
- H = H as stated in By-Law 14.2(d) above;
- I = I as stated in By-Law 14.2(d) above;
- J = J as stated in By-Law 14.2(e) above;
- K = K as stated in By-Law 14.2(e) above;
- B = B as stated in By-Law 14.2(b) above;

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the day next following the Record Date for the above transactions.

15. ESOS BY-LAWS

- (g) If and whenever (otherwise than pursuant to a rights issue available to all ordinary shareholders alike and requiring an adjustment under By-Law 14.2(c)(ii), 14.2(c)(iii), 14.2(d), 14.2(e) or 14.2(f) above), the Company shall issue either any Shares or any securities convertible into Shares or with 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 per cent (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 Option Price shall be adjusted by multiplying it by the following fraction:

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

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 (exclusive of expenses); and
- N = The aggregate number of Shares which so issued or in the case of securities convertible into Shares or with 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 purposes of this By-Law 14.2(g) the "Total Effective Consideration" shall be as determined by the Directors of the Company with the concurrence of a licensed merchant banker or universal broker and shall be:

- (i) In the 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 commissions, discounts or expenses 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 by the maximum number of Shares issuable on full conversion of such securities or on exercise in full of such rights.

15. ESOS BY-LAWS

For the purpose of this By-Law 14.2(g), the "Average Price" of a Share shall be the average price of one (1) Share as derived from the last dealt prices for one (1) or more board lots of the 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.

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

- (h) For the purpose of By-Law 14.2(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 SC.

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

- (a) no adjustment to the Option 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 Option Price payable shall be the par value of the new Shares;
- (b) upon any adjustment being made pursuant to this By-Law, the Option Committee shall, within thirty (30) days of the effective date of the alteration in the capital structure of the Company, notify the Grantee (or his legal representatives where applicable) in writing informing him of the adjusted Option 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 Option 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 external auditors of the Company.

- 14.3 Upon any adjustment being made pursuant to By-Law 14.2, the Option Committee shall within thirty (30) days of the effective date of the alteration in the capital structure of the Company notify the Grantee (or his legal or personal representatives where applicable) in writing of the new Option Price in effect and/or the new number of Shares in respect of which his Option may be exercised. Upon such notice being given to the Grantee (or his legal or personal representatives where applicable), the Option Certificate granted prior to the adjustment shall be deemed amended accordingly.
- 14.4 If it is decided by the Option Committee pursuant to By-law 14.1 that no adjustment will be made, such decision must be made known to all Grantees (or his legal or personal representatives where applicable) by a notice in writing.

15. ESOS BY-LAWS

- 14.5 If it is decided by the Option Committee pursuant to By-law 14.1 that an adjustment will be made, but the Option Committee is of the view that it is not practicable to ensure that all Grantees (if and when they accept an Offer) become entitled to the same proportion of the issued and paid-up share capital of the Company as that to which they were entitled prior to the alteration, the Company may in such circumstances apply to Bursa Securities (if necessary) for a waiver from having to comply with this provision stating the relevant justifications for such a waiver.
- 14.6 Adjustments other than on a bonus issue must be confirmed in writing by the auditors of the Company.
- 14.7 The adjustment pursuant to this By-Laws shall be effective on the day immediately following the book closure date for the event giving rise to the adjustment.
- 14.8 No adjustment as provided in By-Law 14.1 or otherwise shall apply where the alteration in the capital structure of the Company arises from:
- (a) an issue of new Shares in consideration or part consideration for an acquisition;
 - (b) a special issue of new Shares to Bumiputera investors nominated by the Ministry of International Trade and Industry, Malaysia and/or any other relevant authority to comply with the Government's policy on Bumiputera capital participation;
 - (c) a private placement of new Shares by the Company;
 - (d) a special issue of new Shares by the Company;
 - (e) implementation of a share buy-back arrangement by the Company under Section 67A of the Companies Act, 1965;
 - (f) any issue of warrants, convertible loan stocks or other instruments by the Company that gives a right of conversion into Shares, and any issue of new Shares arising from the exercise of any conversion rights attached to such convertible securities; or
 - (g) an issue of new Shares upon the exercise of Options granted under the Scheme.
- 14.9 Where an alteration in the capital structure of the Company arises from a purchase by the Company of its own shares pursuant to Section 67A of the Companies Act, 1965:
- (a) if the number of new Shares comprised in the Options to be granted under the Scheme as at the date of cancellation of Shares so purchased is greater than 10% of the issued capital of the Company after such cancellation, the Option Committee shall not make any further Offer; and
 - (b) if the number of new Shares comprised in the Options to be granted under the Scheme as at the date of cancellation of Shares so purchased is less than 10% of the issued capital of the Company after such cancellation, the Option Committee may make further Offers until the total number of new Shares offered is equivalent to 10% (or such other number as may be permitted by Bursa Securities from time to time) of the issued capital of the Company after such cancellation.

15. LISTING AND QUOTATION OF SHARES

- 15.1 Upon any new Shares (if any) being allotted to the Grantee pursuant to an exercise of the Option, the Company will apply to Bursa Securities for the listing of and quotation for such new Shares and will use its best endeavours to obtain permission for such listing and quotation.

15. ESOS BY-LAWS

- 15.2 The Company and the Option Committee shall not under any circumstances be held liable for any costs, losses and damages whatsoever and however relating to the delay on the part of the Company in allotting and issuing the new Shares or in procuring Bursa Securities to list the new Shares for which the Grantee is entitled to subscribe.

16. ADMINISTRATION OF THE SCHEME

- 16.1 The Option Committee shall administer the Scheme in such a manner as it shall in its discretion deem fit and within such powers and duties as are conferred upon it by the Board including but not limited to the powers to:
- (a) subject to the provisions of the Scheme, construe and interpret the Scheme and Options to be granted under it, to define the terms therein and to recommend to the Board to establish, amend and revoke rules and regulations relating to the Scheme and its administration. The Option Committee in the exercise of this power may correct any defect, supply any omission, or reconcile any inconsistency in the Scheme or in any agreement providing for an Option in a manner and to the extent it shall deem necessary to expedite and make the Scheme fully effective; and
 - (b) determine all questions of policy and expediency that may arise in the administration of the Scheme and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interests of the Company.
- 16.2 The Board shall have power from time to time to rescind the appointment of any person in the Option Committee and appoint his replacement where the Board deems fit.

17. AMENDMENT AND/OR MODIFICATION TO THE BY-LAWS

- 17.1 Subject to compliance with the requirements of Bursa Securities and any other relevant authorities, 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. However, no such amendment and/or modification shall be made which would alter to the advantage of any Grantee in respect of the matters prescribed under the Listing Requirements, without the prior approval of the Company's shareholders in general meeting where such approval is required by applicable laws.
- 17.2 Upon amending and/or modifying all or any of the provisions of the Scheme, the Company shall submit to Bursa Securities not later than five (5) Market Days after the amendments and/or modifications to the By-Laws, a confirmation letter that the said amendment and/or modification does not contravene any of the provisions of the Listing Requirements and the Rules of the Bursa Depository governing employees' share option scheme.
- 17.3 The Grantees (or his legal or personal representatives where applicable) shall be given written notice of any additions or amendments to or deletions of these By-Laws within fourteen (14) calendar days of any of the foregoing taking effect.

15. ESOS BY-LAWS

18. TERMINATION OF OPTIONS

- 18.1 In the event of cessation or termination of employment or appointment of a Grantee with the Group for whatever reason prior to the exercise of his Options or prior to full exercise of his Options, such Options shall cease immediately and become null and void on the date of such cessation or termination without any claim against the Company PROVIDED ALWAYS THAT, subject to the approval of the Option Committee in its discretion, where the Grantee ceases his employment or appointment with the Group by reason of:
- (a) his retirement at or after attaining normal retirement age; or
 - (b) retirement before attaining the normal retirement age with the consent of his employer; or
 - (c) ill-health, injury or disability; or
 - (d) redundancy; or
 - (e) any other reasons which are acceptable to the Option Committee,
- a Grantee may exercise his unexercised Options no later than twelve (12) months from the date of the cessation or termination of employment or appointment thereafter unless otherwise approved by the Option Committee PROVIDED ALWAYS that such exercise shall always be subject to any restriction in the Offer Letter and PROVIDED FURTHER THAT no Option shall be exercised after the expiry of the Option Period. All unexercised or partially exercised Options of such Grantee shall become null and void after the expiry of the twelve (12) month period (or such other period as may be otherwise approved by the Option Committee) or upon the expiry of the Option Period, whichever is earlier.
- 18.2 In the event a Grantee ceases his employment or appointment with the Group by reason of his resignation (other than those stated in By-Law 18.1), his remaining unexercised Options shall cease with immediate effect and become null and void on the date of such cessation. For the avoidance of any doubt, the date of acceptance of a Grantee's resignation by the Group shall be deemed to be the date when a Grantee ceases his employment or appointment with the Group.
- 18.3 An Option shall immediately become void and be of no further force and effect upon the Grantee being adjudicated a bankrupt.
- 18.4 In the event where a Grantee dies before the expiration of the Option Period and at the time of his death held unexercised Options, such unexercised Options may be exercised by the legal or personal representative(s) of the Grantee after the date of his death provided that such exercise shall be no later than twelve (12) months thereafter unless otherwise approved by the Option Committee PROVIDED ALWAYS that such exercise shall always be subject to any restriction in the Offer Letter and PROVIDED FURTHER THAT no Option shall be exercised after the expiry of the Option Period. All unexercised or partially exercised Options of such Grantee shall become null and void after the expiry of the twelve (12) month period (or such other period as may be otherwise approved by the Option Committee) or upon the expiry of the Option Period, whichever is earlier.
- 18.5 Any Options which have been offered by the Option Committee but have not been accepted in the manner prescribed in By-Law 6.1 arising from a Selected Employee's death or the cessation or termination of his employment with the Group, as the case may be, shall become null and void and of no further force and effect.

15. ESOS BY-LAWS

- 18.6 Any Option that has lapsed and become null and void pursuant to this By-Law 18, to the extent that it is then unexercised shall, at the discretion of the Option Committee, be re-allocated to other Eligible Employees.

19. LIQUIDATION OF THE COMPANY

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

20. DURATION OF THE SCHEME

20.1 The Scheme shall come into effect at the date of full compliance with all the relevant requirements relating to employees' share option scheme in the Listing Requirements (Date of Commencement) including the following:

- (a) submission of the final copy of the By-Laws to the Bursa Securities;
- (b) receipt of approval-in-principle from Bursa Securities for the listing and quotation for the new Shares in the Company to be issued pursuant to the exercise of Options granted under the Scheme;
- (c) procurement of shareholders' approval in a general meeting;
- (d) receipt of approval of any other relevant regulatory authority, where applicable; and
- (e) fulfillment of all conditions attached to the above approvals, if any.

The adviser to the Company for the Scheme must submit a confirmation to Bursa Securities of full compliance pursuant to the above, stating the Date of Commencement together with a certified true copy of the relevant resolution passed by the shareholders in general meeting. The submission of the confirmation must be made not later than five (5) Market Days after the Date of Commencement.

The Scheme shall be in force for a period of five (5) years from the Date of Commencement. However, an extension to the Scheme may be effected by the Company upon the recommendation of the Option Committee, subject to an aggregate duration of ten (10) years from the Date of Commencement (or any other duration that is allowed by the relevant authorities). In the event the Scheme is extended and implemented in accordance with the terms of these By-Laws, the Option Committee shall inform the relevant parties of such extension, prior to the proposed extension of the Scheme.

21. TERMINATION OF THE SCHEME

21.1 Notwithstanding the provisions of By-Law 20 and subject to the rules and regulations governing employees' share option schemes as promulgated by Bursa Securities from time to time, the Company may at any time terminate the Scheme provided always that:

- (a) the approval of its shareholders at a general meeting; and
- (b) the written consent all Grantees who have not exercised their Options (either in part or in whole) is obtained.

15. ESOS BY-LAWS

In such an event, all Offers outstanding but not accepted by the Selected Employees shall lapse, all unexercised Options shall automatically lapse and shall become null and void and no further Offers shall be made by the Option Committee.

22. DISPUTES/DIFFERENCES

In case any dispute or difference shall arise between the Option Committee and an Eligible Employee and/or Selected Employee and/or Grantee as to any provisions contained in these By-Laws, the Option Committee shall determine such dispute or difference by a written decision given to the Eligible Employee and/or Selected Employee and/or Grantee. The said decision shall be final and binding on the parties in all respect unless the Eligible Employee and/or Selected Employee and/or Grantee, as the case may be, shall dispute the same by written notice the Option Committee within fourteen (14) calendar days of the receipt of the written notice, in which case such dispute or difference shall be referred to the decision of the approved external auditors of the Company for the time being, acting as experts and not as arbitrators, whose decision shall be final and binding in all respects.

23. COSTS AND EXPENSES

All fees, costs and expenses incurred in relation to the preparation and/or operation of the Scheme including but not limited to the fees, costs and expenses relating to the allotment and issue of new Shares pursuant to the exercise of any Option shall be borne by the Company.

24. TRANSFER FROM OTHER COMPANIES TO THE GROUP

24.1 In the event that:

- (a) an employee or a director who was employed in a company related to GT pursuant to Section 6 of the Companies Act, 1965 (being a company that is not a subsidiary of the Company) and is subsequently transferred from such company to any company within the Group; or
- (b) an employee or a director who was in the employment of a company which subsequently becomes a subsidiary of the Company as a result of a restructuring or acquisition or otherwise involving the Company and/or any company within the Group;

(the first mentioned company in each of By-Laws 24.1(a) and 24.1(b) is hereinafter referred to as the "Previous Company"), such an employee of the Previous Company (the "Affected Employee") will, if the Affected Employee satisfies all the conditions of these By-Laws, be eligible to be considered for the offer of Options under the Scheme for the remaining Duration of the Scheme and subject to all the terms and conditions of these By-Laws. The Affected Employee shall also be entitled to continue to exercise all such unexercised option(s) which were granted to him under the employees' share option scheme (if any) in which he was participating (the "Previous ESOS") whilst the Affected Employee was in the employment of the Previous Company in accordance with the By-Laws of such Previous ESOS. However, he shall not, upon such transfer or restructuring or acquisition as the case may be, be eligible to participate for further options of such Previous ESOS. Where the Affected Employee accepts further options under the Previous ESOS after the transfer or restructuring or acquisition as the case may be of the Affected Employee and/or Previous Company to the Group, such Affected Employee shall not be considered for the offer of Options under the Scheme.

15. ESOS BY-LAWS

25. DIVESTMENT FROM THE GROUP

If a Grantee who was in the employment of a company in the Group which was subsequently divested wholly, or in part, from the Group which resulted in a subsequent holding of 50% or less by the Group, then such Grantee:

- (a) will be entitled to continue to exercise all such unexercised Option(s) which were granted to him under the Scheme within a particular time frame determined within the Option Period at the discretion of the Option Committee, failing which the right of such Grantee to subscribe for that number of new Shares or any part thereof granted under such unexercised Options shall automatically lapse and be null and void and of no further force and effect; and
- (b) shall not be eligible to participate for further Options under the Scheme.

26. SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION, ETC.

Notwithstanding the provisions of By-Law 9 and subject to the discretion of the Option Committee, in the event of the court sanctioning a compromise or arrangement between GT and its members proposed for the purpose of, or in connection with, a scheme of arrangement and reconstruction of GT under Section 176 of the Companies Act, 1965 or its amalgamation with any other company or companies under Section 178 of the Companies Act, 1965, a Grantee may be entitled to exercise all or any part of his Option at any time commencing from the date upon which the compromise or arrangement is sanctioned by the court and ending on the date upon which it becomes effective PROVIDED ALWAYS THAT no Option shall be exercised after the expiry of the Option Period.

Upon the compromise or arrangement becoming effective, all Options, to the extent unexercised, shall automatically lapse and shall become null and void.

27. SCHEME NOT A TERM OF EMPLOYMENT

This Scheme does not form part of or constitute or shall in any way to be construed as a term or condition of employment of an Eligible Employee.

28. COMPENSATION

28.1 Notwithstanding any provisions of these By-Laws:

- (a) this Scheme shall not form part of any contract of employment between any company of the Group and any Eligible Employee and the rights of any Grantee under the terms of his office and employment with the Company or any company of the Group shall not be affected by his participation in the Scheme or afford such Grantee any additional rights to compensation or damages in consequence of the termination of such office or employment for any reason; and
- (b) this Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Option themselves) against the Company or any company of the Group directly or indirectly or give rise to any cause of action at law or in equity against the Company or the Group.

15. ESOS BY-LAWS

28.2 No Grantee or his legal or personal representative shall bring any claim, action or proceedings against the Company or the Option Committee or any party for compensation, loss or damages whatsoever and howsoever arising from the suspension of his rights to exercise his Options or his Options ceasing to be valid pursuant to the provisions of these By-Laws as may be amended from time to time in accordance with By-Law 17.

29. ARTICLES OF ASSOCIATION OF THE COMPANY

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

30. SUBSEQUENT EMPLOYEES' SHARE OPTION SCHEME

Subject to the approval of the relevant authorities and the shareholders, the Company may establish a new employees' share option scheme after the expiry of the current Scheme or if the current Scheme has been terminated during the Duration of the Scheme. A Selected Employee who has been granted Options under the earlier Scheme may be allowed to participate in this new scheme, subject to the then by-laws of the new scheme.

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