

10. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT

Infocredit



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Date: 10 JUL 2006

The Board of Directors
TechnoDex Bhd
1-1 1st Floor Jalan 3/116 D
Kuchai Entrepreneurs' Park
58200 Kuala Lumpur

**Re: Executive Summary of the Independent Market Research Report
("Executive Summary") for TechnoDex Bhd ("TechnoDex")**

Infocredit D&B (Malaysia) Sdn Bhd ("Infocredit D&B") has prepared an Independent Market Research Report ("Report") dated 1 July 2005, of which extracts from the said Report has been updated for inclusion in the Prospectus to be dated **31 JUL 2006** pursuant to the proposed listing of TechnoDex on the Mesdaq Market of the Bursa Malaysia Securities Berhad.

This research is undertaken to provide an analysis on the open source based business software industry in Malaysia and to identify the market position of TechnoDex within the focus industry. This Report also outlines the changing market context that includes developments within the open source based business software industry and examines the main drivers facilitating the shift. Potential structures and impediments to the growth of this sector are also assessed.

The research methodology for the study includes both primary research, involving in-depth trade interviews and telephone interviews with pertinent companies, as well as secondary research such as reviewing press articles, periodicals, trade/Government literatures, in-house databases, Internet research and online databases.

Infocredit D&B has prepared this Executive Summary in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the Executive Summary. We acknowledge that if there are significant changes affecting the content of Infocredit D&B's Executive Summary after the issue of the Prospectus and before the issue of securities, Infocredit D&B has an on-going obligation to either cause the Executive Summary to be updated for the changes and, where applicable, cause the Company to issue a Supplementary Prospectus, or withdraw our consent to the inclusion of the Executive Summary in the Prospectus.

An Executive Summary is highlighted in the following sections.

For and on behalf

INFOCREDIT D&B (MALAYSIA) SDN BHD

William Lim
Executive Director



Decide with Confidence



EXECUTIVE SUMMARY

1 INDUSTRY OVERVIEW

1.1 ICT INDUSTRY IN MALAYSIA

Malaysia's Information and Communications Technology ("ICT") industry is fuelled by the public and private sectors' commitment to develop the country's ICT infrastructure with the latest technology. The Government's efforts and support for the development of the ICT industry were evident with the successful establishment of the Multimedia Super Corridor ("MSC") in 1996. This was a distinct milestone in the Government's objective to provide world-class facilities to foster the development of high technology and innovation for both local and foreign companies. To spearhead the development of the MSC and give shape to its environment, seven (7) flagships for multimedia applications have been identified which comprise among others, Electronic Government, Research and Development ("R&D") Clusters, E-Business and Technopreneur Development. E-Perolehan is part of the initiative to move towards the concept of Electronic Government.

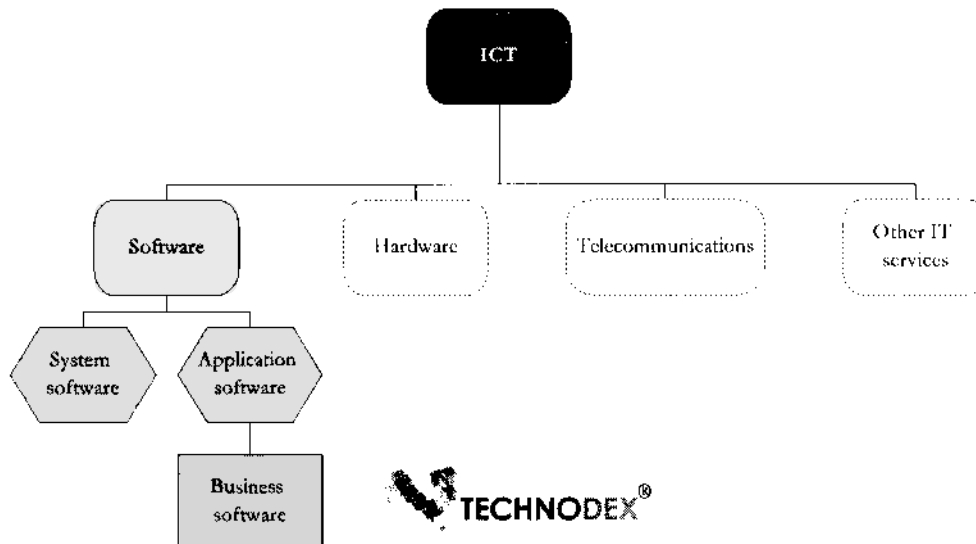
The Government's continuous efforts led to the rollout of the second phase of MSC in Kulim and Bayan Lepas, which serve as development hubs for the northern region in Peninsular Malaysia. The MSC was established for the sole purpose of moving Malaysia towards achieving the status of a fully developed nation with a knowledge-rich and technology-savvy society by 2020.

As part of the strategy to achieve this vision, Malaysia embarked on a plan to leapfrog into the information age by providing intellectual and strategic leadership. This meant investing in an environment that encourages creativity and innovation, thus helping companies, both local and international, to reach new technology frontiers, enabling strategic partnerships amongst global information technology ("IT") players and providing opportunities for mutual enrichment and success. In addition, special cyberlaws, policies and practices were set up to further facilitate the infrastructure.



The rapid growth of the ICT industry was stimulated by, amongst others, the proliferation of Internet usage and networking technologies, as well as the increasing demand for business software. These trends have increasingly led businesses to explore opportunities in providing Internet-based applications and services within their organisations and to customers and business partners. In Malaysia, ICT spending, which mainly consist of IT services, packaged software, hardware, storage, peripherals and networking, depicted a surge of over 200.0% over the past ten (10) years, from RM3.8 billion in 1995 to RM12.5 billion in 2005.

A segmental illustration of the ICT industry is as follows:-



Software is computer program, which provides the instructions that enable the computer hardware to work. Software can be broadly categorised into system software and application software.

System software is any software required to support the production or execution of application programs but which is not specific to any particular application. Examples of system software include the operating system, compilers, editors and sorting programs. Although operating systems are predominantly software, partial implementations in firmware or hardware are possible. System software is also known as management software, infrastructure software, systems level software and systems infrastructure software.



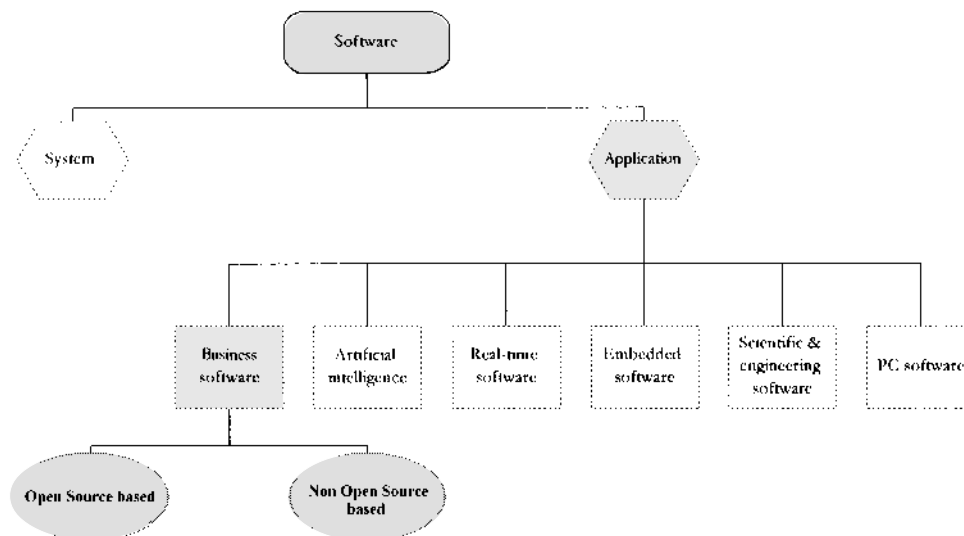
Meanwhile, application software relates to software that controls the execution of programs and may provide services such as resource allocation, scheduling, input/output control, and data management. Application software is also commonly known as application platforms, software platforms, operating environments, and platforms. This report emphasises on analysing the business software – a sub-segment of application software that TechnoDex Group is principally involved in.

1.2 BUSINESS SOFTWARE

Generally, business software is a software system that embodies business processes used in an enterprise to either execute or support their business mission. Generally, technology used in business software is proprietary and is protected from unauthorised use by copyrights. The source codes are closely guarded. Such applications are often sold or leased to others with strict restrictions regarding their usage, modification and further distribution.

In Malaysia, business software providers have predominantly used proprietary technologies, such as Microsoft technology, as their development platforms. However, in the 1990s, solutions providers in more developed countries have begun to recognise the potential of open source technology as an alternative to proprietary technologies, and have since widely embraced open source technology in their development processes.

An illustration of the various application software segments is as follows:-





2 OPEN SOURCE BASED BUSINESS SOFTWARE INDUSTRY

2.1 OPEN SOURCE TECHNOLOGY

Open source refers to a program in which the source code is available to the general public for use and/or modification from its original design without having to incur charges. An open source code is typically created as a collaborative effort in which programmers improve upon the code and share the changes within the community. Open source sprouted in the technological community as a response to proprietary software (herewith known as non open source software) owned by corporations.

“Open source software” is software which is distributed along with its source code to allow users to modify or further develop the software to suit their needs, and then to sell it or redistribute, along with its new, modified source code. Examples include various types of operating systems and applications such as the Unix-like Linux kernel and operating systems like FreeBSD and OpenBSD, the Apache webserver, the BIND (Berkeley Internet Name Domain) domain name server, Sun Microsystems Inc’s *OpenOffice.org* office suite, and many more. Contrary to popular misconception, open source software is not “licence-free” but instead has “open source licences”, which warrants:

- *The freedom to use;*
- *The freedom to read the source code;*
- *The freedom to modify and improve; and*
- *The freedom to redistribute originals or modifications.*

The “freedom” in open source licences translate into cost benefits, flexibility, mobility and scalability to the local software developers when developing business software based on open source technologies.



2.2 ADVANTAGES OF OPEN SOURCE BASED BUSINESS SOFTWARE TO SOFTWARE DEVELOPERS

The following table depicts the principal features and benefits of open source technology to software developers.

Principal Feature of Open Source Technology	Resulting Benefit for Leveraging on Open Source Technology
Availability of source codes, allowing modifications and derived works	Evolution of program is made easier. Solutions developers have increased freedom and time to create innovative solutions without having to "reinvent the wheel".
Distribution with no restriction	The royalty-free and unrestricted distribution of the open source technology as a component of an aggregate software distribution containing programs from several different sources results in solutions created using open source technology to be more cost-efficient to users.
No restrictions on other software that is distributed along with the open source technology	<p>Solutions developers have flexibility in selecting relevant tools for its products. Hence, solutions developers are not at the mercy of vendors of proprietary technologies which could dictate unnecessary upgrades at exorbitant charges.</p> <p>This feature also increases solution portability and creativity as software developed on a selected platform can be transferred easily to other platforms. This enables usage by a wider customer base.</p>

Solutions developers' accessibility to source codes that enable the accommodation of customers' requirements is a distinct advantage, as it provides flexibility to create fitted business software. In contrast, business software from other proprietary technologies are not easily adjustable or modifiable because the developer would have had to refer to the R&D centres of the originating companies.

After the utilisation and modification of these source codes, software developers may keep the proprietary portion of the source codes closed. The derived work or open source based business software may carry a different name or version number from the original open source technology. Such open source based business software are then protected from unauthorised use by patents, service marks and/or copyrights similar to other proprietary software.



2.3 ADVANTAGES OF OPEN SOURCE BASED BUSINESS SOFTWARE TO END USERS

Software developers leveraging on open source technology have been able to pass on the derived cost savings to their customers.

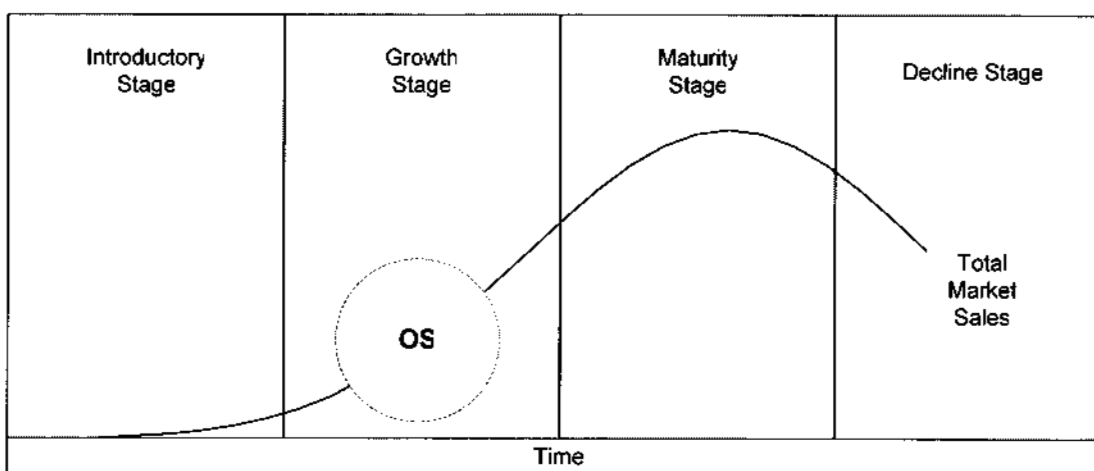
Other benefits to end users resulting from the adoption of open source technology by software developers include:-

- ease of modification to the business software and shorter time-to-market due to availability of source codes to the software developers; and
- ease of scalability as the source code can be optimised easily and supported by a wider range of hardware platforms.

3 INDUSTRY LIFE CYCLE OF OPEN SOURCE

In Malaysia, open source is in the growth stage with more aggressive promotion on the benefits of implementing open source. In 2004, the Government unveiled its Open Source Master Plan detailing a policy towards widespread adoption of open standards in the public sector. The rationale behind the move is that open source is comparatively cheaper to adopt and maintain than commercial software.

The following diagram illustrates the industry life cycle of open source in Malaysia.





4 LEGISLATIONS AND INCENTIVES

4.1 LEGISLATIONS

To encourage development of a knowledge (“K”)-based nation, the Government is committed to providing a comprehensive regulatory framework to protect intellectual property in facilitating an effective and efficient multimedia environment in Malaysia. With the implementation of MSC, the Government makes a commitment to MSC-Status companies in one of the 10-Point Bill of Guarantees to provide a comprehensive regulatory framework of intellectual property protection and cyberlaws.

In general, intellectual property rights on software are directly and indirectly protected by Copyright Act 1987, Digital Signature Act 1997, Communications and Multimedia Act 1998 and The Computer Crimes Act 1997.

4.2 INCENTIVES

“Software development and production” is one of the activities in the list of promoted activities that is eligible for consideration of Pioneer Status and Investment Tax Allowance (“ITA”) under the Promotion of Investment Act 1986. Depending on the nature and scale of the business operation, software development and production, companies also enjoy a wide range of incentives available for companies in Malaysia at large, albeit these might differ from one company to another.

The incentives available for companies in the software development and production category include, amongst others:

- Incentives for the MSC;
- Incentives for ICT;
- Incentives for a K-Based Economy; and
- Incentives for R&D.



5 ADOPTION OF OPEN SOURCE BASED BUSINESS

SOFTWARE

Globally, the adoption of open source technology is impressive with the list of companies comprising some of the largest net-economy and media businesses as well as some traditional old world economy companies. Examples of these companies are as follows:

World: Open Source Adoption amongst Corporations

Amazon.com	NTT Docomo	Cisco	Akamai	Dream Works	NASA JPL
RedHat	Yahoo	Apple Computer	Hotmail	Boeing	Etrade
CDROM.com	Pixar	Deutsche Telekom	7-Eleven	IBM	Sony

Many governments are also in various stages of leveraging on open source technology to reduce costs. Examples of governments currently promoting the adoption of open source based business software include China, Germany, United Kingdom and the United States.

In 2004, the Government unveiled the Open Source Software Master Plan which details a policy towards widespread adoption of open source technology in the public sector. The Malaysian Administrative Modernisation and Management Planning Unit (MAMPU), a planning unit of the Prime Minister's Department was given the responsibility to implement the Open Source Initiative in Malaysia. The Government's promotion of the benefits of open source based business software has instilled confidence in the technology amongst local enterprises, and is expected to contribute to increasing its levels of acceptance.



6 KEY DEMAND DRIVERS

Demand for business software is not generally cyclical in nature. Key demand drivers include:

6.1 POTENTIAL OF MOBILE COMMUNICATION

With the modern mobile/wireless data communication getting more profound, and with the availability of higher-speed networks such as the General Packet Radio Service ("GPRS" or "2.5G") and Third Generation services ("3G"), as well as the convergence of voice and data capability into a single device, businesses have continued to emphasise on and require access to corporate information, anytime and anywhere. This need serves as a lucrative opportunity for software developers to develop business software that incorporates wireless capability such as mobile computing.

6.2 HIGHLY DIVERSE CUSTOMER BASE

The potential customer base for open source based business software is highly diverse with almost every business, regardless of size, offering the potential for sales. Its potential demand can be correlated to the number of registered companies in Malaysia which stood at 692,470 as at end of May 2005 (2004: 670,969, 2003: 642,076). In Malaysia, the gross domestic product ("GDP") is forecast to increase by 6.0% in 2006, a favourable indication that the number of company registrations will continue to increase.

6.3 INCREASE IN EXPENDITURE FOR BUSINESS SOFTWARE

On a macro basis, the market size for the business software industry in Malaysia was estimated to be worth RM444 million in 2005. With the advent of higher-speed Internet and networking technologies, the market is expected to maintain a growth momentum of between 9.5% and 10.2% per annum between 2006 and 2008.

6.4 POTENTIAL OF SMALL AND MEDIUM ENTERPRISES ("SMES")

Whilst many large corporations have adopted business software in their operations, SMEs provide strong potential demand for the adoption of business software. Investments in software enable automation of business processes and offer operational



cost savings, while gradually providing them a smooth transition from a small organisation to a larger scale organisation.

The Government has taken several steps to encourage the use of IT amongst SMEs. Examples of such initiatives include tax incentives that are granted to companies for adoption of IT via the Small and Medium Industries Development Corporation (SMIDEC) and the Malaysia Technology Development Corporation (MTDC), and technology-related financial grants or assistance schemes.

7 COMPETITION/SUPPLY CONDITIONS

The Malaysian business software industry encompasses a wide range of market players and was worth approximately RM444 million in 2005. These players range from small, specialist consultancies that often service either a specific geographical area or specialise in a particular aspect (for example, database design), to large business management consultancies which use web-based solutions for a range of customised and semi-customised solutions. Among the companies awarded the MSC status as at 18 April 2006, 753 companies (51.3%) out of the total of 1,469 are within the cluster of software development.

Infocredit D&B has identified 24 players in Malaysia that are involved in the development of open source based business software and provision of services to companies in various vertical markets in Malaysia. Research findings suggest that TechnoDex Group is one of the pioneering local companies in introducing an innovative business model known as Utility Computing, namely the pay-as-you-use model; it is hence envisaged that TechnoDex Group will enjoy the "first mover" advantage in the commercialisation of the Utility Computing model in the local market. The technology platform developed by TechnoDex Group offers agility to adapt to the evolving technologies in the ICT industry and is embedded with technology components that allow all in-house applications to be delivered in a utility style manner as opposed to the conventional method via licensing fees.



8 BARRIERS TO ENTRY

8.1 SIGNIFICANT R&D INVESTMENT REQUIRED

The ICT industry operates within a rapidly evolving environment, within which products have a relatively short shelf life. Hence, survival is heavily dependant on shrewd business acumen in anticipating the needs of customers, as well as continuous and effective R&D activities that respond to the expected market demands. R&D costs could be high and even unrecoverable if the market does not respond to and accept the products.

8.2 ABSENCE OF ECONOMIES OF SCALE

Initial costs of developing a solution are typically quite substantial. By contrast, marginal costs are very low. Hence, new market entrants would require substantial working capital to sustain their operations as the established software developers would have already incurred the initial costs, and are in a more competitive position in terms of product pricing.

8.3 LACK OF EXPERIENCED KNOWLEDGE WORKERS

Whilst there is a proliferation of knowledge workers in the software development industry, there is generally a supply shortage of experienced programmers, software engineers, system architects and content developers.

Further to the general lack of experienced knowledge workers, new market entrants to the open source based business software industry need to manage the shortage of personnel skilled in open source technology. IT courses are generally skewed towards teaching programming using proprietary technologies, instead of teaching the principles of programming, algorithms and the multiple languages involved in solutions development. Hence, graduates generally have little analytical ability to leverage on open source technology for developing solutions.



8.4 BUSINESS CONTINUITY

The software development industry is characterised as competitive and rather fragmented, and comprises a broad base of individual developers, and small, medium and large-scale developers. The ability to assure its customers of its business continuity is important, as customers generally require on-going support and maintenance from the software developer. Such requirement is even more profound for customised business software. As such, players with established goodwill and reputation will have a critical competitive advantage over new players in the industry.

9 PROSPECTS AND OUTLOOK

The Government has been actively promoting the use of open source technology with the introduction of the Government's Open Source Software Master Plan. The plan aims to bring Malaysia to the forefront in the development, deployment and usage of open source technology amongst Government agencies. The opening of the Open Source Competency Centre (OSCC) on 16 July 2004 which is responsible for the Government's procurement, is operating with the principle that "in situations where the advantages and disadvantages of open source technology and non-open source technology are equal, preference shall be given to open source technology".

The prospects for the open source based business software industry are also optimistic in view of the increasing number of communities and advocates promoting its usage. Hence, based on the embracement of open source technology in the more developed countries, and the Government's promotion towards its adoption in the public sector, the prospects of the open source based business software industry in Malaysia is positive. In particular, open source will play an increasingly important role for companies looking to increase service level availability, accelerate application performance and automate common tasks at the lowest cost possible while taking a pragmatic approach toward utility computing. It is believed that business software that are embedded with utility computing features are expected to gain increasing acceptance as enterprises become more cost-conscious and more inclined towards IT models that demand lower maintenance costs.

11. DIRECTORS' REPORT



TechnoDex Bhd

Registered Office

1-1, 1st Floor Jalan 3/116 D, Kuchai Entrepreneurs' Park
58200 Kuala Lumpur, Malaysia
T: 603 7983 1088 F: 603 7984 9612

27 JUL 2006

The Shareholders of
TechnoDex Bhd ("TechnoDex")
1-1 1st Floor Jalan 3/116 D
Kuchai Entrepreneurs' Park
58200 Kuala Lumpur

Dear Sir/Madam

On behalf of the Board of Directors of TechnoDex, I wish to report after due enquiry by the Board of Directors of TechnoDex, that between the period from 31 January 2006 (being the date to which the last audited financial statements of TechnoDex and its subsidiaries ("Group") have been made up) to **27 JUL 2006**, being a date not earlier than 14 days before the date of issue of this Prospectus, that:-

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

Yours faithfully

For and on behalf of the Board of Directors
TECHNODEX BHD

Lee Siew Tat
Managing Director And Chief Executive Officer

12. BY-LAWS OF THE ESOS**TechnoDex Bhd ESOS By-Laws***Private & Confidential***1. DEFINITIONS****1.1 Definitions and Interpretations**

In these By-Laws for the Employees' Share Option Scheme, the following terms shall bear the following meanings, namely:

"Board"	:	The Board of Directors of TechnoDex;
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (Company No.: 635998-W);
"By-Laws"	:	The terms and conditions of the Scheme as amended from time to time;
"CDS"	:	The Central Depository System;
"Company" or "TechnoDex"	:	TechnoDex Bhd (Company No. 627634-A);
"Date of Offer"	:	The date of the written Offer (including any subsequent Offers) from the ESOS Committee to an Eligible Person to participate in the Scheme in accordance with the terms of the ESOS irrespective of the date of receipt of the offer and acceptance of the offer by the Eligible Person;
"Effective Date"	:	The date where full compliance of ESOS pursuant to the Listing Requirements has been met by the Company;
"Eligible Person(s)"	:	An Employee or a Director of the Group who meets the criteria of eligibility for participation in the Scheme as set out in Clause 3 hereof;
"Director(s)"	:	A Director of TechnoDex Group, in an executive or non-executive capacity;
"Employee(s)"	:	An employee who is confirmed (including employees on contract) and on the payroll of a company within the TechnoDex Group;
"ESOS Committee" or "Committee"	:	A committee duly authorised and appointed by the Board to administer the Scheme;
"Grantee(s)"	:	Any Eligible Person of the TechnoDex Group (including any Director whose participation in the Scheme is specifically approved by the Company in general meeting) who has accepted the Offer of an Option in accordance with the terms of the Scheme;
"Group" or "TechnoDex Group"	:	TechnoDex and its subsidiaries as defined in Section 5 of the Companies Act, 1965, excluding subsidiaries that are dormant;

12. BY-LAWS OF THE ESOS (CONT'D)**TechnoDex Bhd ESOS By-Laws***Private & Confidential*

- "Last Transacted Price"** : Means in relation to a Share, means the last dealt price for each Share for one or more board lots of Shares quoted on Bursa Securities;
- "Listing Requirements"** : The Listing Requirements of Bursa Securities for MESDAQ Market;
- "Market Day"** : Any day between Monday and Friday (inclusive) which is not a public holiday and on which Bursa Securities is open for trading of securities;
- "Maximum Allowable Allotment"** : The maximum aggregate number of new TechnoDex Shares in respect of which Offers may be made to Eligible Person as provided in Clause 4;
- "MESDAQ Market"** : MESDAQ Market of Bursa Securities;
- "Offer(s)"** : A written offer made by the ESOS Committee to an Eligible Person for an Option to subscribe for new TechnoDex Shares in accordance with the terms of the ESOS;
- "Option(s)"** : The right of a Grantee to subscribe for a certain number of new Shares granted or to be granted and the contract constituted by an acceptance in the manner indicated in Clause 6 hereof pursuant to the Scheme;
- "Option Period"** : The period commencing from the Date of Offer and expiring on the date as provided in Clause 19;
- "Record Date"** : Means, in relation to any dividends, rights, allotment or other distributions, the date on which as at the close of business shareholders must be registered in order to participate in such dividends, rights, allotment or other distributions;
- "RM"** : Ringgit Malaysia;
- "Scheme" or "ESOS"** : The Scheme for the grant of Options to Eligible Persons to subscribe for new Shares on the terms as herein set out and such scheme to be known as the **"TechnoDex Employees' Share Option Scheme"**;
- "Senior Management"** : Executive Chairman, Managing Director, Executive Director, Non-Executive Director and Senior Manager, and / or other senior positions as may be determined by the ESOS Committee from time to time;
- "Share(s)"** or **"TechnoDex Share(s)"** : Ordinary shares of RM0.10 each in the Company;
- "Subscription Price"** : The price at which the Grantee shall be entitled to subscribe for new Shares as set out in Clause 8 hereof.

12. BY-LAWS OF THE ESOS (CONT'D)

TechnoDex Bhd ESOS By-Laws*Private & Confidential***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 of Bursa Securities for MESDAQ Market (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 are addressed to by Bursa Securities);
- (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 applying to any Options offered and accepted prior to the expiration of the Option Period 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 genders and all such words shall be construed interchangeably in that manner;
- (e) any liberty or power which may be exercised or any determination which may be made hereunder by the Committee may be exercised at the Committee's discretion;
- (f) the headings in these By-Laws are for convenience only and shall not be taken into account in the interpretation of these By-Laws; and
- (g) If an event is to occur on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day.

2. QUANTUM

- 2.1 The maximum number of new Shares which may be made available under the Scheme shall not exceed ten per cent (10%) of the total issued and paid-up share capital of the Company at any one point in time during the duration of the Scheme.
- 2.2 In the event the maximum number of new Shares to be issued pursuant to the exercise of Options exceeds the aggregate of ten per cent (10%) of the total issued and paid-up share capital of the Company as a result of the Company purchasing its own Shares in accordance with the provision of Section 67A of the Companies Act, 1965 ("**the Share Buy-Back**") and thereby reducing its issued and paid-up share capital, then all Offers and Options granted prior to the adjustment of the issued and paid-up share capital of the Company shall remain valid and exercisable in accordance with the provisions of this Scheme as if the reduction had not occurred. However, no additional Options shall be granted at any point after the Share Buy-Back unless the number of Options that have been granted under the scheme falls below ten per cent (10%) of the total issued and paid-up capital of the Company.
- 2.3 The Company will keep available sufficient unissued Shares in its authorised share capital to satisfy all outstanding Options throughout the duration of the Scheme.

12. BY-LAWS OF THE ESOS (CONT'D)

TechnoDex Bhd ESOS By-Laws*Private & Confidential***3. ELIGIBILITY OF PARTICIPANT TO THE SCHEME**

- 3.1 Any Employee of the Group shall be eligible to participate in the Scheme if, as at the Date of Offer, the Employee:-
- (a) has attained the age of eighteen (18) years;
 - (b) is confirmed and on the payroll of a company within the TechnoDex Group;
 - (c) has been employed by the Group for at least one (1) year;
 - (d) If any employee is employed by a company acquired by the Group during the duration of the Scheme and becomes a subsidiary of the Company upon such acquisition, the employee must have completed a continuous period of at least 1 year in the Group following the date such company becomes or is deemed to be a subsidiary.
- 3.2 Any Director of the Group shall also be eligible to participate in the Scheme if at the Date of Offer, such Director has attained the age of eighteen (18) years.
- 3.3 An Employee or Director who is not a Malaysian citizen, must in addition to the conditions stipulated in Clauses 3.1 and 3.2 above, also fulfill the following conditions:
- (a) the Employee must be serving the Group on a full time basis (with the exception of Non-Executive Directors who are eligible to participate in the ESOS); and
 - (b) in the event that the Employee is serving under an employment contract, the contract should be for a duration that the ESOS Committee may from time to time determine at its discretion.
- 3.4 Directors who represent the Government or Government institution/agencies and Government employees who are serving in the public service scheme as defined under Article 132 of the Federal Constitution are not eligible to participate in the Scheme.
- 3.5 Eligibility, however, does not confer on an Eligible Person a claim or right to participate in the Scheme unless an offer in writing has been made by the Committee to the Eligible Person and the Eligible Person has accepted the offer in accordance with the terms of the Offer and the Scheme.

4. BASIS OF ALLOTMENT AND MAXIMUM ALLOWABLE ALLOTMENT

- 4.1 The number of new Shares that may be offered and allotted to any one of the Eligible Person of the TechnoDex Group who are entitled to participate in the Scheme shall be at the discretion of the ESOS Committee and the Board after taking into consideration the performance, position held, length of service and seniority of the Eligible Person and such other factors that the ESOS Committee and the Board may deem relevant, subject always to the following:

12. BY-LAWS OF THE ESOS (CONT'D)**TechnoDex Bhd ESOS By-Laws***Private & Confidential*

- (a) the number of TechnoDex Shares allocated, in aggregate, to Directors and Senior Management shall not exceed fifty percent (50%) of the total TechnoDex Shares available under the Scheme;
 - (b) the number of TechnoDex Shares allocated to any individual Eligible Person who, either singly or collectively through persons connected with them (as defined in the Listing Requirements for the MESDAQ Market), holds twenty percent (20%) or more in the total issued and paid-up capital of the Company, shall not exceed ten percent (10%) of the total TechnoDex Shares available under the Scheme.
- 4.2 Nothing herein shall prevent the ESOS Committee from making more than one (1) offer to any Eligible Person holding an Option, provided that the total aggregate number of Shares to be offered to such Eligible Person shall not exceed the Maximum Allowable Allotment.
- 4.3 Eligible Persons who are promoted to a higher grade during the duration of the Scheme may be eligible for consideration for Offers of Options for additional Shares to be decided by the ESOS Committee at its discretion, provided that:
- (a) Eligible Person may be offered Options for, and be allotted additional Shares pursuant to such Options, only up to the Maximum Allowable Allotment for the grade to which he has been promoted, less the number of Options already then offered to him (exercised and unexercised);
 - (b) The additional Shares referred to in Clause 4.3 (a) shall be from the balance of new Shares available under the Scheme arising from:
 - (i) Options that have expired and not been exercised by Grantees; or
 - (ii) Options that have otherwise been terminated; or
 - (iii) Additional Options that may be available as a result of an increase to the issued and paid-up share capital of the Company.
 - (c) In the event that the balance of the new Shares referred to in Clause 4.3 (b) is insufficient for the grant of the full amount of additional Options for which may be offered pursuant to this Clause 4, this available balance may be distributed on a proportional basis according to the additional allocations of Shares to which such Eligible Person is so entitled; and
 - (d) The ESOS Committee has the discretion not to make further Offers for such additional Shares.

In this By-Law:

“persons connected with an employee” shall have the meaning given in relation to persons connected with a director or major shareholder as defined in Rule 1.01 of the Listing Requirements.

12. BY-LAWS OF THE ESOS (CONT'D)

TechnoDex Bhd ESOS By-Laws*Private & Confidential***5. OFFER BY THE COMMITTEE TO DIRECTOR AND EMPLOYEE**

- 5.1 Subject to Clause 2 and 4 hereof, the Committee may at its sole and absolute discretion at any time and from time to time within the duration of the Scheme as it shall deem fit make an Offer in writing to any Eligible Person of an Option to subscribe for new Shares during the duration of the scheme in accordance with the terms of the Scheme.
- 5.2 The actual number of new Shares pursuant to the Options which may be offered to an Eligible Person shall be at the sole and absolute discretion of the Committee, and subject to any adjustments that may be made under Clause 12 hereof shall not be less than one hundred (100) Shares and shall always be in multiples of one hundred (100) TechnoDex Shares but not more than the Maximum Allowable Allotment as set out in Clause 4 herein. The number of TechnoDex Shares so offered pursuant to the Scheme, shall be verified by the Company's audit committee as being in compliance with the criteria of allocation of options at the end of each financial year, and a statement by the audit committee verifying such allocation shall be disclosed in the Company's Annual Report.
- 5.3 Nothing herein will prevent the Committee from making more than one Offer during the duration of the Scheme to an Eligible Person after the first Offer was made subject to Clause 2 and 4 hereof.
- 5.4 No Options will be offered to a Director of the Company unless the specific allotment of Options to that Director to participate in the Scheme shall have previously been approved by the shareholders of the Company in a general meeting.
- 5.5 Each Offer shall be made in writing and is personal to the Eligible Person and is non-assignable, transferred, encumbered or otherwise disposed of in any manner whatsoever except where Clause 18 of the By-Laws may apply.
- 5.6 Without prejudice to the generality of Clause 5 herein and subject to Clause 9, any Offer made by the ESOS Committee that has not been accepted yet, shall become void, of no effect and incapable of acceptance upon any of the following events occurring:
- (a) the offeree's death;
 - (b) the offeree ceasing to be an employee of any corporation within the Group;
 - (c) the offeree giving notice of his resignation from employment;
 - (d) the offeree being adjudged a bankrupt; or
 - (e) the corporation which employs the offeree ceasing to be a subsidiary of the Company.

6. ACCEPTANCE OF OFFER BY THE DIRECTOR AND EMPLOYEE

An Offer made by the Committee to an Eligible Person shall be accepted within thirty (30) days from the Date of Offer by the person to whom the same is made by the issue from such person of a written notice to the Committee of such acceptance accompanied by a

12. BY-LAWS OF THE ESOS (CONT'D)

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non-refundable payment to the Company of the sum of Ringgit Malaysia One (RM1.00). The date of receipt by the Committee of such written notice shall constitute the date of acceptance. If the Offer is not accepted in the manner aforesaid, such Offer shall, upon the expiry of the aforesaid thirty (30) days, be deemed rejected by the Eligible Person and shall be null and void and of no effect and the Shares in respect of such Offer deemed rejected may be re-offered to other Eligible Person at the discretion of the Committee.

7. NON-TRANSFERABILITY OF THE OPTION

Neither the Offer nor the Option can be assigned, encumbered, transferred or otherwise disposed of in any manner whatsoever except where Clause 18 of the By-Laws may apply. Any such transfer, assignment, disposal or charge shall result in the automatic cancellation of the Option.

8. SUBSCRIPTION PRICE

The Subscription Price shall be determined by the ESOS Committee in accordance with the Listing Requirements (including any amendments and modification made thereof from time to time) based on the 5-market days weighted average market price of TechnoDex Shares immediately prior to the Date of Offer with a discount of not more than 10% (or such other discount as may be allowed under the Listing Requirements from time to time) if deemed appropriate, subject to the minimum price of RM0.10 being the par value of the Shares and subject to adjustments in accordance with Clause 12 hereof. However, for any Option granted as part of the listing exercise of TechnoDex on the MESDAQ Market of Bursa Securities, the Subscription Price shall not be lower than the initial public offer price.

9. EXERCISE OF OPTION

- 9.1 The Option granted to an Eligible Person is exercisable only by the Eligible Person during his/her tenure of service whilst he/she is employed/appointed/retained for services by the TechnoDex Group except for the provisions of Clauses 15, 17 and 18 hereof (where applicable). No Option shall be exercised after the expiry of the Option Period.
- 9.2 The Committee may, at any time and from time to time before or after an Option is deemed to have been granted pursuant to Clause 6, limit the exercise of the Option to a maximum number of new Shares and/or such percentage of the total new Shares relevant to the Option during such periods (as determined by the Board or the Committee) within the Option Period and impose any other terms and/or conditions deemed appropriate by the Board or the Committee at its sole discretion including amending/varying any terms and conditions imposed earlier.
- 9.3 An Option granted under the Scheme shall be capable of being exercised by notice in writing to the Company during the normal business hours on the first five (5) Market days of any month during the Option Period or as may be amended from time to time by the ESOS Committee. The procedure for the exercise of the Options to be complied with by a Grantee shall be determined by the ESOS Committee from time to time. The Option may be exercised in respect of all or part of the new Shares which are the subject of the Option, such part being in multiples of 100 Shares and not less than 100 Shares. Such partial

12. BY-LAWS OF THE ESOS (CONT'D)

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exercise of an Option shall not preclude the Grantee from exercising the Option as to the balance Shares.

- 9.4 Every such notice must be in the form prescribed by the Company from time to time and shall be accompanied by a remittance for the full amount of the subscription monies in relation to the number of new Shares being subscribed for. The Company shall, within ten (10) Market Days of receiving such notice, or such other case as may be prescribed by the relevant authority from time to time, allot and issue the relevant number of new Shares and dispatch notices of allotments to the Grantee accordingly, and make an application for the quotation of such new Shares on the MESDAQ Market of Bursa Securities, subject to the provisions of the Articles of Association of the Company. The new Shares will be credited directly into the CDS account of the Grantees and no physical share certificate will be issued.
- 9.5 All Options to the extent that they have not been exercised upon the expiry of the Option Period shall lapse and have no further effect.
- 9.6 Subject to the provisions of any applicable statutes, rules, regulations and/or conditions issued by the relevant regulatory authorities, in the event of a take-over offer being made for the Company through a take-over offer or otherwise and such offer becoming or being declared unconditional, the Grantee shall 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 provided that if during such period of three (3) months from the date on which such offer becomes or is declared unconditional, the company making the offer becomes entitled or bound to exercise rights of compulsory acquisition of the Shares under the provisions of the Securities Commission Act, 1993 or the Companies Act, 1965, and gives notice to the Grantee that it intends to exercise such rights on a specific date, the Option shall remain exercisable by the Grantee until the expiry of such specified date. In the foregoing circumstances if the Grantee elects to exercise the Option only in respect of a portion of such Shares, then the Option in relation to the balance thereof shall automatically lapse and shall thereafter be null and void.
- 9.7 In the event that a Grantee is subject to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service) the Committee shall have the right, at its discretion, to suspend the Option pending the outcome of such disciplinary proceedings. The Committee may impose such terms and conditions as the Committee shall deem appropriate having regard to the nature of the charges made or brought against the Grantee PROVIDED ALWAYS THAT:
- (i) in the event that such Grantee shall subsequently be found to be not guilty of the charges which give rise to such disciplinary proceedings, the Committee shall reinstate the rights of such Grantee to exercise his Option as if such disciplinary proceeding had not been instituted in the first place;
 - (ii) in the event the disciplinary proceeding results in a recommendation for the dismissal or termination of service of such Grantee, the Option shall immediately lapse and be null and void and of no further force and effect upon pronouncement of the dismissal or termination of service of such Grantee notwithstanding that such recommendation may be subsequently challenged by the Grantee in any other forum; and

12. BY-LAWS OF THE ESOS (CONT'D)

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- (iii) in the event such Grantee is found guilty but no dismissal or termination of service is recommended, the 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 limits, terms and conditions as it deems appropriate, on such exercise.

10. RIGHTS ATTACHING TO SHARES/OPTIONS

- 10.1 The new Shares to be allotted upon any exercise of Options shall, upon allotment and issue, rank *pari passu* in all respects with the then existing issued and paid-up Shares for any dividends, rights, allotments or other distributions (including those arising on a liquidation of the Company or its subsidiary, as the case may be), if the date of allotment is on or before the Entitlement Date and subject to all the provisions of the Articles of Association of the Company, and they shall not entitle the holders thereof to receive any dividend, right, allotment and any other distribution the Entitlement Date of which is prior to the allotment date of the new Shares. "**Entitlement Date**" means the date as at the close of business on which shareholders must be registered in the Record of Depositors with the Bursa Malaysia Depository Sdn. Bhd. in order to participate in any dividends or other distributions.
- 10.2 The Options shall not carry any right to vote at a general meeting of the Company. The Grantee shall not in any event be entitled to any dividends, rights, allotments or other distributions on his unexercised Options.

11. QUOTATION OF SHARES

The new Shares referred to in Clause 2 hereof shall not be allotted to the Grantee until the Option is exercised in accordance with Clause 9 hereof and upon the exercise of the Options the Company shall apply to Bursa Securities for the listing of and quotation for such new Shares and shall use its best endeavour to obtain such approval.

12. ADJUSTMENT TO SUBSCRIPTION PRICE AND NUMBER OF SHARES

- 12.1 In the event of any alteration in the capital structure of the Company during the Option Period by way of the following events:-
 - (a) capitalisation issue;
 - (b) rights issue;
 - (c) bonus issue;
 - (d) consolidation or subdivision of capital;
 - (e) capital reduction; and/or
 - (f) any other variation of capital

the directors in consultation with the external auditors of TechnoDex (save for adjustments arising from bonus issue, which need not be confirmed in writing by the auditors) to be in accordance with the provisions as contained in the **First Schedule** to

12. BY-LAWS OF THE ESOS (CONT'D)

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these By-Laws which is deemed to form part of the By-Laws, shall have the absolute discretion to cause adjustments to be made to:-

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

Adjustments other than on a bonus issue must be confirmed in writing by the external auditors of TechnoDex.

12.2 No adjustment shall be required where an alteration in the capital structure of the Company arises from any of the following: -

- (a) an issue of Shares pursuant to the exercise of Options under the Scheme;
- (b) an issue of warrants, convertible loan stocks or other instruments by the Company which give a right of conversion into Shares and an issue of Shares arising from the conversion of such securities with a right of conversion into Shares including warrants and convertible loan stocks;
- (c) an issue of securities as consideration or part consideration for an acquisition of any securities, assets or business;
- (d) an issue of securities by way of a private placement;
- (e) an issue of securities as a special issue approved by the relevant governmental authorities to comply with the Government policy on Bumiputera capital participation;
- (f) a purchase by the Company of its own Shares pursuant to Section 67A of the Companies Act, 1965; or
- (g) such other event that in the opinion of the Directors an adjustment to the number of Options held by a Grantee and/or the Subscription Price is not appropriate.

12.3 Notwithstanding the provisions referred to in Clause 12.1 and 12.2 above, in any circumstances where the directors consider that the adjustments provided under the said provisions should not be made or should be calculated on a different basis or that an adjustment should be made notwithstanding that no such adjustment is required under the said provisions, the Company may appoint an auditor to consider whether for any reason whatsoever the adjustment to be made (or the absence of an adjustment) is inequitable and, if such auditor shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made (instead of no adjustment) in such manner as shall be considered by such auditor to be, in its opinion, appropriate.

12.4 In any circumstances where the directors, and the auditors are unable to agree upon any adjustment required by Clause 12.1, the directors shall refer the adjustment to the decision of another auditor acting as expert and not as arbitrator and whose decision as to such adjustment as shall be appropriate in terms of this Clause 12 shall be final and conclusive.

12. BY-LAWS OF THE ESOS (CONT'D)

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- 12.5 Whenever there is an adjustment as herein provided, the Company shall as soon as practicable give notice to the Grantees of:-
- (a) the Subscription Price and/or the number of Shares having been adjusted;
 - (b) brief particulars of the event giving rise to the adjustment;
 - (c) the Subscription Price and/or the number of Shares held by the Grantee prior to such adjustment;
 - (d) the adjusted Subscription Price and/or the number of Shares held by the Grantee after such adjustment; and
 - (e) the effective date of such adjustment.
- 12.6 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to Part VII of the Companies Act, 1965, Clause 12.1 shall be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which Clause 12.1 applies, but Clause 12.1 shall not be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which Clause 12.2 applies.
- 12.7 Notwithstanding the provisions referred to in this Clause, in any circumstances where the directors decide that no adjustments are to be made, such a decision must be known to all the Grantees by a notice in writing.
- 12.8 At all times thereafter so long as any of the Options remain exercisable, the Company shall make available for inspection at its registered office a signed copy of the certificate of the auditors certifying the adjustment to the Subscription Price and/or the number of Shares and a certificate signed by a director of the Company setting forth the brief particulars as stated in Clause 12.5 hereof. Upon request, the Company shall send a copy of such certificate to any Grantee.
- 12.9 If the Company shall in any way modify the rights attached to any Share or loan capital so as to convert or make convertible such Share or loan capital into or attach thereto any rights to acquire or subscribe for Shares, the Company shall appoint an auditor to consider whether any adjustment is appropriate and if such auditor and the directors of the Company shall determine that any adjustment is appropriate, the Subscription Price and/or the number of Shares shall be adjusted accordingly. If required, any such modification shall be subject to the approval of Bursa Securities and other relevant authorities.
- 12.10 In giving any certificate or making any adjustment hereunder, the auditors shall be deemed to be acting as experts and not as arbitrators and in the absence of manifest error their decision shall be conclusive and binding on all persons having an interest in the Options.
- 12.11 Notwithstanding anything herein contained, any adjustment to the Subscription Price and/or any adjustment to the number of Shares otherwise than in accordance with the **First Schedule**, shall be agreed to by the directors, and the auditors, and shall be permitted by or otherwise approved by the relevant authorities.

12. BY-LAWS OF THE ESOS (CONT'D)**TechnoDex Bhd ESOS By-Laws***Private & Confidential***13. ADMINISTRATION**

The Scheme shall be administered by the ESOS Committee appointed by the Board at its discretion with such powers and duties as are conferred upon it. The Board shall have the power from time to time to rescind the appointment of any person to the ESOS Committee as it deems fit. The ESOS Committee shall be vested with such powers and duties as are conferred upon it by the Board to administer the Scheme in such manner it shall in its discretion deem fit. The ESOS Committee, for the purpose of administering the Scheme and administering possible arising matters outside the Scheme and the By-laws, have the right to do all acts and things, make decisions, amend decisions and enter into any transactions, agreements, deeds, documents or arrangements and make rules, regulations or impose terms and conditions or delegate part of its power relating to the Scheme which the ESOS Committee may in its discretion consider to be necessary or desirable for giving full effect to the Scheme.

14. AMENDMENT AND/OR MODIFICATION TO THE SCHEME

Subject to the approvals of the relevant authorities (where applicable), the Board shall have the power at any time and from time to time by resolution to amend, at the recommendation of the ESOS Committee, all or any of the provisions of the Scheme provided that such amendments must be made in accordance with the provisions of the Listing Requirements and no such amendment shall be made which would either materially prejudice the rights then accrued to any Grantee without his prior consent or, without the prior approval of shareholders of the Company in general meeting, alter to the advantage of any Grantee the provisions of the Scheme in respect of the following items:-

- (i) the persons to whom Options may be issued under the Scheme and the basis of determining the eligibility of Eligible Person;
- (ii) the maximum number of options to be offered under the Scheme;
- (iii) the maximum entitlement for each class or category of Eligible Persons (where applicable) and the maximum entitlement for any one Eligible Person;
- (iv) the amount payable on application or acceptance and the basis for determining the subscription or sale, or option price, the period in or after which payments or calls, or loans to provide the same, may be paid or called upon;
- (v) the time limit for the Scheme;
- (vi) the period during which the Eligible Persons are debarred from disposing the Shares so allotted, if applicable;
- (vii) the voting, dividend, transfer and other rights, including those arising on liquidation of the Company or its subsidiary, as the case may be, attaching to the Shares; and
- (viii) formulas for adjustments to the subscription or option price or the number of shares (excluding Options already exercised) under the Scheme, in the event of a capitalisation issue, rights issue, bonus issue, consolidation or subdivision of shares, capital reduction and/or any other variation of capital.

The Company shall submit to Bursa Securities (each time an amendment and/or modification is made), a confirmation letter that such amendments and/or modifications does not contravene the provisions of Listing Requirements in respect of ESOS.

12. BY-LAWS OF THE ESOS (CONT'D)

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15. DIVESTMENT FROM THE GROUP

15.1 If a company in the Group is subsequently divested and ceases to be a subsidiary of the Company, then an Eligible Person who is in the employment of the company so divested:

- (i) will, notwithstanding such divestment and subject to the provisions of Clause 9 hereof, be entitled to continue to exercise all such unexercised Option(s) granted to him under the Scheme within a period of three (3) months from the date of such divestment, failing which the right of such Eligible Person to exercise all or part of the Options granted to him shall automatically lapse and be null and void and of no further force and effect except that any Shares in respect of unexercised options hereof may be offered to other Eligible Person at the discretion of the Committee; and
- (ii) shall not be eligible to participate in further Options under the Scheme from the date of completion of such divestment.

15.2 For the purposes of Clause 15.1, a company shall be deemed to be divested from the Group in the event that the effective interest of the Company in such company is reduced from above 50% to 50% or below so that such company would no longer be a subsidiary of the Company pursuant to Section 5 of the Companies Act, 1965.

16. LIQUIDATION OF THE COMPANY

In the event of the liquidation of the Company, all unexercised or partially exercised Options shall automatically lapse and be null and void and shall be of no further force and effect.

17. ADDITION TO THE GROUP

- (a) In the event that:
 - (i) an employee or an Executive Director who was employed in a company which is not within the TechnoDex Group and is subsequently transferred from such company to any company within the TechnoDex Group; or
 - (ii) an employee or an Executive Director who was in the employment of a company which subsequently becomes a member of the TechnoDex Group as result of a restructuring exercise or otherwise involving TechnoDex and/or any company within the TechnoDex Group with any of the first mentioned company stated in (i) above;

(the first mentioned company in (i) and (ii) above are hereinafter referred to as the "**Previous Company**"), such an employee or Director of the Previous Company (the "**Affected Person**"), will, if the Affected Person satisfies all conditions under Clause 3 hereof;

12. BY-LAWS OF THE ESOS (CONT'D)**TechnoDex Bhd ESOS By-Laws***Private & Confidential*

Company's employee share option scheme but he shall not, upon such transfer or restructuring or divestment as the case may be, be eligible to participate for further options of such Previous Company's employee share option scheme;

- (ii) be eligible to participate in the Scheme only for the remaining duration of the Scheme, subject to the ESOS Committee's approval;
 - (iii) if the Affected Person had participated in the Previous Company's employee share option scheme, the number of new TechnoDex Shares to be offered to such Affected Person under the Scheme shall be subject to the discretion of the ESOS Committee after taking into consideration, amongst others, the number of shares comprised in the option that were offered or exercised under the Previous Company's employee share option scheme, and the Maximum Allowable Allotment under the Scheme;
- (b) Notwithstanding anything herein contained:
- (i) The ESOS Committee may administer the Scheme at any time and from time to time to extend the benefit of the Scheme to any New Employee who is not Eligible Person and deem such New Employee to be Eligible Person for the purposes of the Scheme;
 - (ii) where the New Employee has participated in an employees' share option scheme in Company, the ESOS Committee may administer the Scheme in offering the Options under the Scheme.
- (c) Where a Grantee is transferred from TechnoDex to a company related to the Group as defined in Section 6 of the Companies Act, 1965 (a company which does not fall within the definition of "**TechnoDex Group**" as defined in Clause 1 hereof) or an associated company (hereinafter referred to as "**Subsequent Company**"), that Grantee shall be entitled to continue to exercise his remaining Options subject to the approval by the Committee and provisions of Clause 9 hereof.

18. TERMINATION OF THE OPTION

- 18.1 In the event of the death or resignation/cessation as a Director and/or termination of employment or appointment of a Grantee with the TechnoDex Group for whatever reason prior to the full exercise of the Option, such Option shall forthwith cease without any claim against the Company and such Option may be re-offered to other Eligible Person at the discretion of the Committee, provided always that subject to the written approval of the ESOS Committee in its discretion:
- (a) where the Grantee dies before the expiry of the Option Period and at the date of his/her death held an Option unexercised, such Option may be exercised by the personal representative(s) of the Grantee within eighteen (18) months after the Grantee's death, or within the Option Period, whichever expires first; or
 - (b) where the Grantee ceases his/her employment or appointment with the TechnoDex Group by reason of:

12. BY-LAWS OF THE ESOS (CONT'D)

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- (i) his/her retirement at or after attaining normal retirement age; or
- (ii) retirement before that age with the consent of the Committee; or
- (iii) ill-health or accident; or
- (iv) other circumstances which are acceptable to the ESOS Committee;

he/she may exercise his/her unexercised Option within the Option Period or within a period as prescribed by the Committee on a case to case basis.

- 18.2 The Option shall immediately become void and of no effect on the bankruptcy of the Grantee or if disciplinary action is taken on the Grantee subject to Clause 9.7.
- 18.3 In the event of the liquidation of the Company, all unexercised or partially exercised Options shall automatically lapse and be null and void and shall be of no further force and effect.
- 18.4 Any Options which have been offered by the Committee but have not been accepted in the manner prescribed in Clause 6 arising from the Grantee's death or cessation or termination of employment with the Group, as the case may be, shall become void and of no effect.

19. DURATION OF THE SCHEME

- 19.1 The Scheme shall be in force for a period of five (5) years commencing from the effective date for the implementation of the Scheme, which shall be the date of full compliance with all relevant requirements of the Listing Requirements including the following:
 - (i) the submission of the final copy of the Bylaws together with a letter of compliance and a checklist showing the compliance, in accordance to the Listing Requirements;
 - (ii) receipt of approval-in-principle for the listing of the Shares to be issued under the Scheme from Bursa Securities;
 - (iii) procurement of shareholders' approval for the Scheme;
 - (iv) receipt of approval of any other relevant authorities, where applicable;
 - (v) fulfilment of all conditions attached to the above approvals, if any; and

a letter of confirmation is required to be issued by the adviser of the Company to Bursa Securities confirming the compliance of the above requirements, stating the effective date of implementation of the Scheme together with a certified true copy of the relevant resolution passed by the shareholders in general meeting no later than five (5) Market Days after the effective date of implementation.

12. BY-LAWS OF THE ESOS (CONT'D)

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Upon the expiry of the Scheme, the Board shall have the discretion to extend the duration of the Scheme PROVIDED THAT any such extension of the Scheme shall be for a maximum duration of up to five (5) years.

- 19.2 Subject to approval of the relevant authorities (where applicable) and compliance with the requirements of the relevant authorities and receipt of the written consent of all the Grantees, who have yet to exercise their Options, either in part or in whole, and the shareholders of the Company in general meeting may, by ordinary resolution passed by the shareholders of the Company, as required by the relevant authorities, terminate the continuation of this Scheme at any time and in such an event no further Offers shall be made by the ESOS Committee from the date of such resolution and all Offers outstanding but not accepted by the Eligible Person at the date of the said resolution and the Options as yet unexercised or partially exercised shall be deemed to be terminated at the date of such resolution.

20. SUBSEQUENT ESOS

The Company shall not establish a new ESOS unless this Scheme has expired if it is not renewed or this Scheme has been terminated in accordance to Clause 19.

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

Notwithstanding Clause 9 hereof and subject to the discretion of the Committee, in the event of the court sanctioning a compromise or arrangement between the Company and its members proposed for the purpose of, or in connection with, a scheme of arrangement and reconstruction of the Company under Section 176 of the Companies Act, 1965, or its amalgamation with any other company or companies under Section 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 with 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 unexercised Options shall automatically lapse and shall become null and void and of no further force and effect.

22. DISPUTES

Any dispute or differences of any nature arising hereunder shall be referred to the decision of the external auditors of the Company, acting as experts and not as arbitrators and whose decision shall be final and binding in all respects. In the event that the auditors are unable to reach a decision in respect of a dispute or difference, it shall be referred to another firm of auditors, whose decision shall be final and binding in all respects.

23. COMPENSATION

The Scheme shall afford a Grantee no additional right to compensation or damages in consequence of the termination of his/her employment or appointment for any reason whatsoever. No Eligible Person or Grantee or legal/personal representatives shall bring any claim, action or proceeding against the Company or the ESOS Committee or any party for compensation, loss or damages whatsoever and howsoever arising from the

12. BY-LAWS OF THE ESOS (CONT'D)

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suspension of his rights to exercise his Option or his Option ceasing to be valid pursuant to the provisions of these Clauses, as may be amended from time to time in accordance with Clause 14 hereof.

24. TAXES

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

25. COSTS AND EXPENSES

All costs and expenses incurred in relation to the ESOS including but not limited to 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.

26. RETENTION PERIOD

A Grantee may deal with the new Shares allotted and issued to him in any way he pleases Provided Always that a Grantee who is a Non-Executive Director must not sell, transfer or assign Shares obtained through the exercise of Options offered to him pursuant to this Scheme within one (1) year from the Date of Offer of such Options. However, the Company encourages the Grantees to hold the new Shares subscribed by them for as long as possible.

27. SCHEME NOT A TERM OF EMPLOYMENT OR APPOINTMENT

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

28. ARTICLES

Notwithstanding the terms and conditions contained herein, if a situation of conflict should arise between the Scheme and the Articles of Association of the Company, the provisions of the Articles of Association of the Company shall at all times prevail, unless the provisions of the Articles contradicts the Listing Requirements, then the Listing Requirements shall prevail.

29. DISCLAIMER OF LIABILITY

Notwithstanding any provisions contained herein and subject to the Companies Act, 1965, the Committee and the Company shall not under any circumstances be held liable for any cost, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's delay in allotting, crediting to the CDS accounts of the Grantees and issuing the Shares or in applying for or procuring the listing of the Shares on Bursa Securities.

12. BY-LAWS OF THE ESOS (CONT'D)

TechnoDex Bhd ESOS By-Laws

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30. GENERAL

The Company shall use its best endeavors to comply with all the requirements that may be imposed on it by Bursa Securities, from time to time.

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12. BY-LAWS OF THE ESOS (CONT'D)

TechnoDex Bhd ESOS By-Laws

*Private & Confidential***FIRST SCHEDULE****PROVISIONS FOR ADJUSTMENTS OF SUBSCRIPTION PRICE AND NUMBER OF SHARES REFERRED TO IN CLAUSE 12**

1. Subject to the By-Laws and as hereinafter provided the Subscription Price, the number of new Shares which a Grantee shall be entitled to subscribe for upon the exercise of each Option (excluding the Options already exercised and where applicable, other relevant Options), and the par value of the Shares which a Grantee is entitled to subscribe for shall from time to time be adjusted by the directors in consultation with the auditors (where applicable) to be in accordance with the following relevant provisions: -

- (i) If and whenever a Share by reason of any consolidation or subdivision or conversion shall have a different par value, then: -
- (a) the Subscription Price shall be adjusted by multiplying it by the revised par value and dividing the result by the former par value; and
- (b) the number of Shares shall be adjusted by multiplying the existing number of Shares 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 Bursa Securities on the Market Day immediately preceding the date on which the consolidation or subdivision or conversion becomes effective.

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

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

and the number of Shares shall be adjusted by multiplying the existing number of Shares, by the following fraction:-

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

Where: -

- A - the aggregate number of issued and fully paid up Shares immediately before such capitalisation issue; and
- B - the aggregate number of Shares to be issued pursuant to any allotment to shareholders credited as fully paid by way of capitalisation of profits or reserves (including 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 Record Date for such issue.

12. BY-LAWS OF THE ESOS (CONT'D)**TechnoDex Bhd ESOS By-Laws***Private & Confidential*

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

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

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

and in respect of each case referred to in this paragraph (iii)(b), the number of Shares shall be adjusted by multiplying the existing number of Shares, by the following fraction: -

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

Where: -

- C - the current market price (as defined in paragraph 2 below) of each Share on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement), immediately preceding the Record Date for the Capital Distribution or, as the case may be, of the offer or invitation; and
- D - (aa) in the case of an offer or invitation to acquire or subscribe for Shares by way of rights under sub-paragraph (iii)(b) of paragraph 1 above, or for securities convertible into or with rights to acquire or subscribe for Shares under sub-paragraph (iii)(c) of paragraph 1 above, the value of rights attributable to one Share (as defined below); or
 - (bb) in the case of any other transaction falling within this sub-paragraph (iii) of paragraph 1 in this Schedule, the fair market value, as determined (with the concurrence of the auditors), of that portion of the Capital Distribution attributable to one (1) Share.

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

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

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Where: -

- C - as C above;
- E - the Subscription Price for 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 Share under the invitation, as the case may be;
- 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 rights to acquire or subscribe for Share, as the case may be; and
- D* - the value of rights attributable to one (1) Share (as defined below);

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

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

Where: -

- C - as C above;
- E* - the Subscription Price for one (1) additional Share under the terms of offer or invitation;
- 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.

For the purpose of this sub-paragraph (iii) of paragraph 1 in this Schedule **"Capital Distribution"** shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue (not falling under sub-paragraph (ii) of paragraph 1 in this Schedule) of shares or other securities credited as fully or partly paid up by way of capitalisation of profits or reserves (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 shareholders for any period 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 such issue.

- (iv) If and whenever the Company makes any allotment to its shareholders as provided in paragraph 1(ii) above and also makes any offer or invitation to its shareholders as provided in sub-paragraph (b) or (c) of paragraph 1(iii) and the Record Date for the purposes of the allotment is also the Record Date for the purpose of the offer or invitation, the Subscription Price shall be adjusted by multiplying it by the following fraction:-

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

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and in respect of each case referred to in these paragraph 1(ii) and 1(iii)(b), the number of Shares shall be adjusted by multiplying the existing number of Shares, 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 - as 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;
- H* - the aggregate number of Shares under an offer or invitation to acquire or subscribe for Shares by way of rights;
- I - the Subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share, as the case may be;
- I* - the Subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares; and
- B - as B above.

Each such adjustment will be effective (if appropriate retroactively) from the commencement of the date next following the Record Date for such issue.

- (v) If and whenever the Company makes any offer or invitation to its shareholders to acquire or subscribe for Shares as provided in paragraph 1(iii)(b) above together with an offer or invitation to acquire or subscribe for securities convertible into or with rights to acquire or subscribe for Shares as provided in paragraph 1(iii)(c) and the Record Date for the offer or invitation under paragraph 1(iii)(b) is also the Record Date for the offer and the invitation under paragraph 1(iii)(c), the Subscription Price shall be adjusted by multiplying it by the following fraction:

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

and the number of Shares shall be adjusted by multiplying the existing number of Shares, by the following fraction: -

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

Where: -

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- G - as G above;
- C - as C above;
- H - as H above;
- H* - as H* above;
- I - as I above;
- I* - as I* above;
- J - the aggregate number of Shares to be issued to its shareholders upon conversion of such securities or exercise of such rights to acquire or subscribe for Shares under the offer or invitation by the shareholders; and
- K - the Subscription Price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share.

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

- (vi) If and whenever the Company makes an allotment to its shareholders as provided in paragraph 1(ii) above and also makes an offer or invitation to acquire or subscribe for Shares to its shareholders as provided in paragraph 1(iii)(b) together with rights to acquire or subscribe for securities convertible into or with rights to acquire or subscribe for Shares as provided in paragraph 1(iii)(c), and the Record Date for the purpose of the allotment is also the Record Date for the purpose of the offer or invitation, the Subscription Price shall be adjusted by multiplying it by the following fraction: -

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

and the number of Shares shall be adjusted by multiplying the existing number of Shares, by the following fraction:-

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

Where: -

- G - as G above;
- C - as C above;
- H - as H above;
- H* - as H* above;
- I - as I above;
- I* - as I* above;
- J - as J above;

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K - as K above; and

B - as B above.

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

- (vii) If and whenever (otherwise than pursuant to an offer or invitation by way of rights issue available to all shareholders and requiring an adjustment under sub-paragraphs (iii)(b), (iii)(c), (iv), (v) or (vi) of paragraph 1) 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 centum (90%) of the average of the Last Transacted Prices on the Market Days comprised in the period used as a basis upon which the issue price of such shares is determined (hereinafter referred to as "**the Average Price**") or, as the case may be, the price at which the Shares shall be issued upon conversion of such securities or exercise of such rights is determined, the Subscription Price shall be adjusted by multiplying it by the following fraction:-

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

Where: -

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

For the purposes of this sub-paragraph (vii) of paragraph 1 in this Schedule the "**Total Effective Consideration**" shall be as determined by the Directors of the Company with the concurrence of the auditors and shall be: -

- (a) in the case of the issue of Shares, the aggregate consideration receivable by the Company on payment in full for such Shares; or
- (b) 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
- (c) in the case of the issue by the Company of securities with rights to acquire or subscribe for Shares, the aggregate consideration attributable

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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 or rights to acquire or subscribe for Shares, by the maximum number of Shares issuable on full conversion of such securities or exercise in full of such rights.

Each such adjustment will be effective (if appropriate retroactively) from the close of business on the Market Day next preceding the date on which the issue is announced, or (failing any such announcement) immediately proceeding the date on which the Company determines the offering price of such Shares, securities or rights.

2. For the purpose of paragraphs 1(iii), (iv) and (v), the "**current market price**" in relation to each Share for any relevant day shall be the weighted average price for each Share on Bursa Securities for the five (5) consecutive Market Days before such date for one (1) or more board lots of Shares on Bursa Securities.
3. The foregoing provisions on adjustment to the Subscription Price shall be subject to the following: -
 - (a) On any such adjustment the resultant Subscription Price shall be rounded down to the nearest one (1) Sen and in no event shall any adjustment (otherwise than upon the consolidation of Shares into Shares of a larger par value) involve an increase in the Subscription Price or reduce the number of Shares that a Grantee is already entitled to;
 - (b) No adjustment shall be made to the Subscription Price in any case in which the amount by which the same would be reduced in accordance with the foregoing provisions of this paragraph 2 would be less than one (1) Sen and any adjustment that would otherwise be required then to be made will not be carried forward nor would it be taken into account in any subsequent adjustment;
 - (c) No adjustment shall be made in any event whereby the Subscription Price would be reduced to below the par value of a Share, and in the event that any adjustment shall result in the Subscription Price being reduced to below the par value of a Share then the adjustment shall be made to the par value of the Share only; and
 - (d) No adjustment in the Subscription Price shall be made unless it has been certified by the auditors.
4. Any adjustments to the number of Shares held by each Grantee will be rounded to the nearest whole Share. No adjustment to the number of Shares shall be made unless it has been certified by the auditors and approval-in-principle has been granted by Bursa Securities for the listing and quotation of such additional New Shares.
5. If for any reason an event giving rise to an adjustment to the Subscription Price and/or the number of Shares pursuant to the forgoing provisions of this paragraph 1 is cancelled, revoked or not completed, the adjustment shall not be required to be made and shall be reversed with effect from such date and in such manner as the Directors and the auditors may agree.