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The Board of Directors
Tek Seng Holdings Berhad
51-21-A Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang

21 September 2004

Dear Sirs,

TEK SENG HOLDINGS BERHAD
ACCOUNTANTS' REPORT

This report has been prepared by UHY Diong, an approved company auditor, for inclusion in the Prospectus of Tek Seng Holdings Berhad (hereinafter referred to as "TSHB" or "the Company") to be dated 28 September 2004 in connection the public issue of 42,124,000 new ordinary shares of RM0.25 each at an issue price of RM0.50 per ordinary share to eligible Directors and employees of TSHB and its subsidiary companies and the Malaysian public of which at least 30% is to be set aside strictly for Bumiputra individuals, companies, societies, co-operatives and institutions pursuant to the listing of and quotation for TSHB's entire enlarged issued and fully paid-up share capital on the Second Board of the Bursa Malaysia Securities Berhad ("Bursa Securities").

1.0 GENERAL INFORMATION

1.1 Incorporation

(a) The Company was incorporated on 10 May 2002 in Malaysia under the Companies Act, 1965 as a private limited liability company. It was subsequently converted to a public limited company on 16 May 2003, under the name of Tek Seng Holdings Berhad.

(b) At the date of incorporation, TSHB's authorised share capital was RM100,000 consisting of 100,000 ordinary shares of RM1.00 each. Subsequently, on 4 April 2003, the authorised share capital was increased to RM100,000,000 consisting of 100,000,000 ordinary shares of RM1.00 each. In conjunction with the listing exercise, the authorised share capital was split into 200,000,000 ordinary shares of RM0.50 each on 10 May 2004. The authorised share capital was subsequently further split into 400,000,000 ordinary shares of RM0.25 each on 14 August 2004.

1.2 Principal activity

The Company was dormant from 10 May 2002 (date of incorporation) until it became an investment holding company pursuant to the proposed acquisitions of Wangsaga Industries Sdn. Bhd. ("WISB"), Tek Seng Sdn. Bhd. ("TSSB"), Double Grade Sdn. Bhd. ("DGSB") and Pelangi Segi Sdn. Bhd. ("PSSB"), in conjunction with the listing of TSHB's shares on the Second Board of Bursa Securities.

A member of UHY, an international association of independent accounting and consulting firms

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1.0 GENERAL INFORMATION (CONTINUED)

1.3 Flotation Scheme

In conjunction with the listing of TSHB's shares on the Second Board of Bursa Securities, TSHB is proposing to undergo the flotation scheme as set out below, which involves the following exercises:

(i) Acquisitions

In conjunction with, and as in integral part of the listing of and quotation for the entire enlarged issued and fully paid-up ordinary shares of TSHB on the Second Board of Bursa Securities, the Company acquired the entire issued and fully paid-up share capital of WISB, TSSB, DGSB and PSSB as stated below for a purchase consideration of RM37,969,093 satisfied through an issue of 74,937,996 new ordinary shares of RM0.50 each in TSHB and cash consideration as set out below:

Company	Par value RM	No. of ordinary shares acquired	Issued and fully paid-up share capital acquired %	Purchase consideration RM	No. of new ordinary shares of RM0.50 each to be issued	Cash consideration RM
WISB	1.00	10,000,000	100	14,300,802	27,601,414	500,095
TSSB	1.00	450,005	100	18,517,131	37,034,262	-
DGSB	1.00	100,000	100	2,790,392	5,580,784	-
PSSB	1.00	150,000	100	2,360,768	4,721,536	-
Total		10,700,005		37,969,093	74,937,996	500,095

The purchase consideration was based on the adjusted audited net tangible assets of WISB, audited net tangible assets of TSSB, DGSB and PSSB as at 31 December 2002. The adjusted audited net tangible assets of WISB is computed based on the audited net tangible assets of the company as at 31 December 2002 plus the additional issued and paid-up share capital of RM500,000 in WISB on 16 October 2003 and no other operating results for the financial period of 2003 is included.

The acquisitions of WISB, TSSB, DGSB and PSSB were deemed completed on 1 June 2004.

1.0 GENERAL INFORMATION (CONTINUED)

1.3 Flotation Scheme (Continued)

(i) Acquisitions (Continued)

Upon completion of the above flotation scheme exercise, TSHB has interest in the following subsidiaries:

Name	Date of incorporation	Country	Effective interest	Issued and fully paid-up share capital RM	Business activities
WISB	21 June 1995	Malaysia	100%	10,000,000	Manufacture of PVC related products.
TSSB	31 October 1978	Malaysia	100%	450,005	Trading in plastic related products.
DGSB	29 January 1992	Malaysia	100%	100,000	Trading in plastic related products and letting of properties.
PSSB	10 May 1991	Malaysia	100%	150,000	Trading in plastic related products.

(ii) Public Issue

Public issue of 42,124,000 new ordinary shares of RM0.25 each at an indicative issue price of RM0.50 per ordinary share to the Malaysian public of which at least 30% is to be set aside strictly for Bumiputra individuals, companies, societies, co-operatives and institutions.

(iii) Listing

Listing and quotation of the enlarged issued and fully paid-up share capital of TSHB on the Second Board of Bursa Securities.

(iv) Employees' Share Option Scheme ("ESOS")

Subsequent to the listing of TSHB, the Company will implement ESOS for up to a maximum of 28,800,000 ordinary shares of RM0.25 each, being 15% of the enlarged share capital, at an assumed exercise price of RM0.50 per ordinary share.

The above scheme was approved by the Securities Commission ("SC") on 6 May 2004 and 2 August 2004.

2.0 AUDITORS AND AUDITED FINANCIAL STATEMENTS

The financial statements of WISB and TSSB for the financial years ended 31 December 1999 and 31 December 2000 was audited by another firm of accountants. We have been the auditors of WISB and TSSB for the financial years ended 31 December 2001 to 31 December 2003 and for the financial period from 1 January 2004 to 31 May 2004.

The financial statements of DGSB for the financial years ended 31 March 2000 and 31 March 2001 was audited by another firm of accountants. We have been the auditors of DGSB for the financial period from 1 April 2001 to 31 December 2001, for the financial years ended 31 December 2002 and 31 December 2003 and for the financial period from 1 January 2004 to 31 May 2004. DGSB changed its financial year end from 31 March to 31 December on 1 April 2001. Accordingly, the financial statements for the following financial years will be ended on 31 December.

The financial statements of PSSB for the financial years ended 30 April 2000 and 30 April 2001 was audited by another firm of accountants. We have been the auditors of PSSB for the financial period from 1 May 2001 to 31 December 2001, for the financial years ended 31 December 2002 and 31 December 2003 and for the financial period from 1 January 2004 to 31 May 2004. The Company changed its financial year end from 30 April to 31 December on 1 May 2001. Accordingly, the financial statements for the following financial years will be ended on 31 December.

All the audited financial statements mentioned above for the relevant financial years/periods were reported without any audit qualifications.

3.0 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This report is based on audited financial statements which have been prepared in accordance with the applicable Approved Accounting Standards issued by the Malaysian Accounting Standards Board ("MASB") as well as generally accepted accounting principles in Malaysia and is presented on a basis consistent with the accounting policies normally adopted by the Group.

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4.0 PROFORMA HISTORICAL CONSOLIDATED FINANCIAL RESULTS AND PROFORMA CONSOLIDATED BALANCE SHEETS

4.1 TSHB – The Group

4.1.1 Proforma historical consolidated financial results

The proforma historical consolidated financial results of the Group for the financial years ended 31 December 1999 to 31 December 2003 and for the financial period from 1 January 2004 to 31 May 2004 set out below are based on audited financial statements of the respective companies and have been presented on the assumption that the Group structure has been in existence throughout the years/period under review. TSHB, was incorporated on 10 May 2002; accordingly there are no financial results to this company to be included in the proforma historical consolidated financial results for the financial years ended 31 December 1999 to 31 December 2001.

	← Financial years ended 31 December →					Financial period from 1 January 2004 to 31 May
	1999	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	35,667	31,751	40,006	43,873	52,161	26,969
Profit before interest, depreciation and taxation	7,579	6,849	6,876	12,032	15,094	5,622
Depreciation	(652)	(612)	(1,854)	(2,632)	(2,499)	(1,116)
Interest expense	(803)	(853)	(1,674)	(1,658)	(1,812)	(604)
Profit before taxation	6,124	5,384	3,348	7,742	10,783	3,902
Taxation	(554)	(1,318)	(935)	(2,243)	(2,762)	(1,118)
Profit after taxation	5,570	4,066	2,413	5,499	8,021	2,784
Minority interest	-	-	-	-	-	-
Profit after taxation and minority interest	5,570	4,066	2,413	5,499	8,021	2,784
Number of ordinary shares of RM0.50 each assumed to be in issue ('000) *	74,938	74,938	74,938	74,938	74,938	74,938
Gross earnings per share (sen)	8.17	7.18	4.47	10.33	14.39	5.21
Net earnings per share (sen)	7.43	5.43	3.22	7.34	10.70	3.72

* The number of ordinary shares in issue refers to the number of ordinary shares issued after the Acquisitions but before the completion of share split into RM0.25 each and Public Issue.

4.0 PROFORMA HISTORICAL CONSOLIDATED FINANCIAL RESULTS AND PROFORMA CONSOLIDATED BALANCE SHEETS (CONTINUED)

4.1 TSHB – The Group (Continued)

4.1.1 Proforma historical consolidated financial results (Continued)

a) The revenue of the Group mainly comprises sales of in-house manufactured PVC floor covering as well as in-house manufactured PVC films and sheets. Apart from this, the revenue was also derived from trading of external sourced plastic products and materials such as PVC sponge leather, PP non-woven and other related products. The sales of in-house manufactured PVC floor covering and in-house manufactured PVC films and sheets contributed approximately 80% of total revenue of the Group.

b) The revenue of the Group has improved progressively from financial year 1999 to 5 months financial period ended 31 May 2004 except for the financial year 2000. The improvement was mainly due to the increase in sales demand for in-house manufactured PVC floor covering and PVC films and sheets from existing and new customers. The Group has also managed to expand its export market from nil in financial 1999 to approximately RM9 million as at 31 May 2004. In addition, new designs as well as increase in selling price of PVC products have also contributed to the growth in the revenue of the Group. The decrease in financial year 2000 revenue was mainly due to softening in both local and export market.

c) The profit before taxation of the Group has improved progressively from financial years 1999 to 2003 except for the financial years 2000 and 2001 and 5 months financial period ended 31 May 2004. The decrease in profit before taxation in financial year 2000 was in tandem with the decrease in revenue. In financial year 2001, the decrease in profit before taxation was resulted from the learning curve process encountered by the Group and the higher wastage incurred in the trial run of new plant and machinery. As a result, higher manufacturing cost and lower profit before taxation were recorded by the Group. The lower profit before taxation registered for the 5 months period ended 31 May 2004 was mainly due to gain on disposal of property, plant and equipment of RM1,624,000 recorded in financial year 2003 as compared to only RM46,000 in this 5 months period.

d) There were no exceptional or extraordinary items noted during the financial years/periods under review.

Notes to the proforma historical consolidated financial results:

i) DGSB's financial statements with financial years ended 31 March 2000 and 31 March 2001 and financial period from 1 April 2001 to 31 December 2001 were deemed consolidated as financial year ended 31 December in the proforma historical consolidated financial results of TSHB for the financial years ended 31 December 1999 to 31 December 2001.

ii) PSSB's financial statements with financial years ended 30 April 2000 and 30 April 2001 and financial period from 1 May 2001 to 31 December 2001 were deemed consolidated as financial year ended 31 December in the proforma historical consolidated financial results of TSHB for the financial years ended 31 December 1999 to 31 December 2001.

4.0 PROFORMA HISTORICAL CONSOLIDATED FINANCIAL RESULTS AND PROFORMA CONSOLIDATED BALANCE SHEETS (CONTINUED)

4.1 TSHB – The Group (Continued)

4.1.2 Proforma consolidated balance sheets

The proforma consolidated balance sheets have been prepared for illustrative purposes only and are based on the audited financial statements of the respective companies as at 31 May 2004 and on the accounting policies consistent with those normally adopted in the preparation of the audited financial statements.

	Notes	The Company As at 31 May 2004 RM'000	The Group Proforma (1) After Acquisitions RM'000	The Group Proforma (2) After (1), Public Issue & Utilisation Of Proceeds RM'000	The Group Proforma (3) After (2) & Exercise Of ESOS RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	13.0	-	52,192	52,192	52,192
Intangible asset		-	10	10	10
CURRENT ASSETS					
Inventories	14.0	-	12,661	12,661	12,661
Trade receivables		-	12,072	12,072	12,072
Other receivables, deposits and prepayments	15.0	346	3,798	3,798	3,798
Tax refundable		-	23	23	23
Cash and bank balances		-	1,058	7,687	22,087
		346	29,612	36,241	50,641
CURRENT LIABILITIES					
Trade payables		-	3,340	3,340	3,340
Other payables and accruals	16.0	350	2,187	2,187	2,187
Hire purchase payables		-	443	443	443
Bank borrowings (secured)	17.0	-	12,786	10,941	10,941
Term loans (secured)	18.0	-	4,208	-	-
Taxation		-	965	965	965
		350	23,929	17,876	17,876
NET CURRENT (LIABILITIES)/ASSETS		(4)	5,683	18,365	32,765
		(4)	57,885	70,567	84,967
SHARE CAPITAL	19.0	*	37,469	48,000	55,200
SHARE PREMIUM		-	-	8,731	15,931
RESERVE ON CONSOLIDATION		-	10,809	10,809	10,809
ACCUMULATED LOSS		(4)	(4)	(4)	(4)
SHAREHOLDERS' EQUITY		(4)	48,274	67,536	81,936
NON-CURRENT LIABILITIES					
Term loans (secured)	18.0	-	6,580	-	-
Hire purchase payables		-	64	64	64
Deferred taxation		-	2,967	2,967	2,967
		(4)	57,885	70,567	84,967
Net tangible (liabilities)/assets per share (RM)		(1,000)	0.64	0.35	0.37

* This represents 4 ordinary shares of RM0.50 each.

4.0 PROFORMA HISTORICAL CONSOLIDATED FINANCIAL RESULTS AND PROFORMA CONSOLIDATED BALANCE SHEETS (CONTINUED)

4.1 TSHB – The Group (Continued)

4.1.3 Proforma consolidated cash flow statement

The proforma consolidated cash flow statement has been prepared for illustrative purposes only and is based on the audited financial statements of the respective companies for the financial period from 1 January 2004 to 31 May 2004 and on the assumption that the Group structure has been in existence throughout the period under review.

	Proforma 2 Financial period from 1 January 2004 to 31 May 2004 RM'000
CASH FLOW FROM OPERATING ACTIVITIES	
Profit before taxation for the financial period	3,902
Adjustments for:	
Depreciation	1,116
Interest expense	605
Gain on disposal of property, plant and equipment	(46)
Operating profit before working capital changes	5,577
Inventories	130
Receivables	1,406
Payables	671
	7,784
Interest paid	(605)
Taxation paid	(176)
Net cash flow from operating activities	7,003
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of property, plant and equipment (Note a)	(1,629)
Proceeds from disposal of property, plant and equipment	78
Purchase of intangible assets	(10)
Acquisition of subsidiaries, net of cash	(500)
Net cash flow from investing activities	(2,061)
CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from issuance of shares, net of listing expenses	19,262
Repayment of hire purchase payables	(822)
Repayment of term loans	(12,445)
Proceeds from bankers' acceptance	15,889
Repayment of bankers' acceptance	(17,437)
Proceeds from revolving credit	28
Repayment of revolving credit	(1,204)
Net cash flow from financing activities	3,271
NET CHANGE IN CASH AND CASH EQUIVALENTS	8,213
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	(526)
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD (Note b)	7,687

4.0 PROFORMA HISTORICAL CONSOLIDATED FINANCIAL RESULTS AND PROFORMA CONSOLIDATED BALANCE SHEETS (CONTINUED)

4.1 TSHB – The Group (Continued)

4.1.3 Proforma consolidated cash flow statement (Continued)

	Proforma 2 Financial period from 1 January 2004 to 31 May 2004 RM'000
Represented by:	
a) Purchase of property, plant and equipment	
- financed by hire purchase arrangement	124
- financed by cash	1,629
- additions during the financial period	1,753
b) Analysis of cash and cash equivalents	
- Cash and bank balances	7,687

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4.0 PROFORMA HISTORICAL CONSOLIDATED FINANCIAL RESULTS AND PROFORMA CONSOLIDATED BALANCE SHEETS (CONTINUED)

4.1 TSHB – The Group (Continued)

4.1.4 Notes to the proforma consolidated balance sheets

The following transactions are assumed to have been effected on 31 May 2004:-

a) Proforma 1

Acquisitions of the issued and fully paid-up share capital of the following companies:

Company	Par value RM	No. of ordinary shares acquired	Issued and fully paid-up share capital acquired %	Purchase consideration RM	No. of new ordinary shares of RM0.50 each to be issued	Cash consideration RM
WISB	1.00	10,000,000	100	14,300,802	27,601,414	500,095
TSSB	1.00	450,005	100	18,517,131	37,034,262	-
DGSB	1.00	100,000	100	2,790,392	5,580,784	-
PSSB	1.00	150,000	100	2,360,768	4,721,536	-
Total		10,700,005		37,969,093	74,937,996	500,095

b) Proforma 2

Public issue of 42,124,000 new ordinary shares of RM0.25 each at an indicative issue price of RM0.50 per ordinary share to the Malaysian public of which at least 30% is to be set aside strictly for Bumiputra individuals, companies, societies, co-operatives and institutions.

The estimated listing expenses of approximately RM1,800,000 will be charged against the share premium account.

The proceeds from the Public Issue is expected to be utilised in the following manner:

Proceeds:	**RM'000**
Proceeds from Public Issue	21,062
Utilisation:	
Repayment of bank borrowings	12,633
Working capital	6,629
Listing expenses	1,800
	21,062

4.0 PROFORMA HISTORICAL CONSOLIDATED FINANCIAL RESULTS AND PROFORMA CONSOLIDATED BALANCE SHEETS (CONTINUED)

4.1 TSHB – The Group (Continued)

4.1.4 Notes to the proforma consolidated balance sheets (Continued)

c) Proforma 3

Exercise of 28,800,000 options under the Employees' Share Option Scheme ("ESOS"), being 15% of the enlarged share capital, at an assumed exercise price of RM0.50 per ordinary share.

The movements in share capital and share premium are as follows:

	Share capital RM	Share premium RM
Upon incorporation of TSHB	2	-
Proforma 1 - Acquisitions	37,468,998	-
	37,469,000	-
Proforma 2 - Public Issue	10,531,000	10,531,000
	48,000,000	10,531,000
Less: Estimated listing expenses	-	(1,800,000)
	48,000,000	8,731,000
Proforma 3 - ESOS	7,200,000	7,200,000
	55,200,000	15,931,000

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5.0 TEK SENG HOLDINGS BERHAD

5.1 Summarised income statements

	Financial period from 10 May 2002 to 31 December 2002 RM'000	Financial year ended 31 December 2003 RM'000	Financial period from 1 January 2004 to 31 May 2004 RM'000
Revenue	-	-	-
Other expenses	(1)	(2)	(1)
Loss for the financial period/year	(1)	(2)	(1)
Number of ordinary shares in issue	2	2	4
Gross earnings per share (RM)	(500)	(1,000)	(250)
Net earnings per share (RM)	(500)	(1,000)	(250)

5.2 Summarised balance sheets

	← As at 31 December 2002 RM'000	2003 RM'000 →	As at 31 May 2004 RM'000
CURRENT ASSETS	*	262	346
CURRENT LIABILITIES	(1)	(265)	(350)
NET CURRENT LIABILITIES	(1)	(3)	(4)
Financed by:			
SHARE CAPITAL	*	*	^
ACCUMULATED LOSSES	(1)	(3)	(4)
SHAREHOLDERS' EQUITY	(1)	(3)	(4)
Net tangible liabilities (RM'000)	(1)	(3)	(4)
Net tangible liabilities per ordinary share (RM)	(500)	(1,500)	(1,000)

* This represents 2 ordinary shares of RM1 each.
^ This represents 4 ordinary shares of RM0.50 each.

a) Tek Seng Holdings Berhad was incorporated on 10 May 2002 and the financial statements as at 31 December 2002 was the first set of financial statements since its incorporation. The Company has not commenced operations as at 31 May 2004.

b) There were no exceptional or extraordinary items noted during the financial periods/year under review.

6.0 WANGSAGA INDUSTRIES SDN. BHD.

6.1 Summarised income statements

	← Financial years ended 31 December				→	Financial period from 1 January 2004 to 31 May
	1999	**2000**	**2001**	**2002**	**2003**	**2004**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	14,325	13,653	21,555	27,568	37,036	20,023
Profit before interest, depreciation and taxation	1,434	1,144	3,522	9,202	9,964	3,827
Depreciation	(327)	(389)	(1,467)	(2,213)	(2,139)	(983)
Interest expense	(276)	(478)	(1,658)	(2,040)	(1,461)	(512)
Profit before taxation	831	277	397	4,949	6,364	2,332
Taxation	(31)	31	(43)	(1,368)	(1,900)	(653)
Profit after taxation	800	308	354	3,581	4,464	1,679
Minority interest	-	-	-	-	-	-
Profit after taxation and minority interest	800	308	354	3,581	4,464	1,679
Number of ordinary shares of RM1 each in issue ('000)	500	5,000	5,000	9,500	10,000	10,000
Gross earnings per share (RM)	1.66	0.06	0.08	0.52	0.64	0.23
Net earnings per share (RM)	1.60	0.06	0.07	0.38	0.45	0.17

a) Revenue improved dramatically from financial year 1999 to 5 months financial period ended 31 May 2004 except for financial year 2000. The increase in revenue was mainly due to higher demand for its in-house manufactured PVC floor covering and in-house manufactured PVC films and sheets. The market softening in financial year 2000 has resulted to the lower revenue recorded for that year. Main local customers of the Company are related parties, Tek Seng Sdn. Bhd. and Pelangi Segi Sdn. Bhd..

b) Increasing demand from overseas customers has also significantly increased the Group's revenue. Major overseas markets are Indonesia, Philippines, London, Sri Lanka, Yemen and Singapore. Apart from these, new designs as well as the increase in selling price of PVC products also contributed to the increase in revenue.

6.0 WANGSAGA INDUSTRIES SDN. BHD. (CONTINUED)

6.1 Summarised income statements (Continued)

c) The Company has also purchased additional plant and machinery in order to achieve higher productivity for meeting the increased demand. Thus, it has resulted to the increase in depreciation during the financial years/period under review except for financial year 2003. This was due to change in depreciation rate for plant and machinery from 10% to 5%. The interest expense of the Company has also increased from financial years 1999 to 2002 resulted from the borrowings obtained to finance the purchases of plant and machinery. The interest expense decreased in financial year 2003 as there was no interest charged on advances from related parties since financial year 2003. The interest expense was further decreased for 5 months financial period ended 31 May 2004 resulted from the better cash flow and less utilisation of bank borrowings.

d) There were no exceptional or extraordinary items noted during the financial years/period under review.

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6.0 WANGSAGA INDUSTRIES SDN. BHD. (CONTINUED)

6.2 Summarised balance sheets

	As at 31 December					As at 31 May
	1999	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
PROPERTY, PLANT AND EQUIPMENT	2,555	25,098	34,366	40,873	49,545	50,312
CURRENT ASSETS	2,765	3,361	4,386	8,953	13,749	16,046
CURRENT LIABILITIES	(3,795)	(11,890)	(22,425)	(25,831)	(33,297)	(34,682)
NET CURRENT LIABILITIES	(1,030)	(8,529)	(18,039)	(16,878)	(19,548)	(18,636)
	1,525	16,569	16,327	23,995	29,997	31,676
Financed by:						
SHARE CAPITAL	500	5,000	5,000	9,500	10,000	10,000
RETAINED PROFITS	57	366	720	4,301	8,765	10,444
SHAREHOLDERS' EQUITY	557	5,366	5,720	13,801	18,765	20,444
NON-CURRENT LIABILITIES						
Hire purchase payables	936	3,916	2,597	913	48	48
Term loans (secured)	-	7,287	7,967	8,079	8,331	8,331
Deferred taxation	32	-	43	1,202	2,853	2,853
	1,525	16,569	16,327	23,995	29,997	31,676
Net tangible assets (RM'000)	557	5,366	5,720	13,801	18,765	20,444
NTA per ordinary share of RM1 each (RM)	1.11	1.07	1.14	1.45	1.88	2.04

7.0 TEK SENG SDN. BHD.

7.1 Summarised income statements

	← Financial years ended 31 December →					Financial period from 1 January 2004 to 31 May
	1999	2000	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	28,333	25,368	25,499	28,771	26,971	10,982
Profit before interest, depreciation and taxation	3,644	2,932	2,761	3,045	2,996	1,182
Depreciation	(202)	(185)	(348)	(362)	(304)	(111)
Interest expense	(175)	(71)	(146)	(204)	(240)	(67)
Profit before taxation	3,267	2,676	2,267	2,479	2,452	1,004
Taxation	16	(772)	(688)	(765)	(658)	(281)
Profit after taxation	3,283	1,904	1,579	1,714	1,794	723
Minority interest	-	-	-	-	-	-
Profit after taxation and minority interest	3,283	1,904	1,579	1,714	1,794	723
Number of ordinary shares of RM1 each in issue ('000)	450	450	450	450	450	450
Gross earnings per share (RM)	7.26	5.95	5.04	5.51	5.45	2.23
Net earnings per share (RM)	7.30	4.23	3.51	3.81	3.99	1.61

a) The revenue for financial years 2000 and 2001 was lower as compared to financial year 1999. This was mainly due to the dispute between TSSB and Royal Malaysian Customs and Excise Department ("RMCED") in respect of the claw back of the exemption of custom duty on the import of PVC floor covering as well as PVC films and sheets. Thus, all the PVC floor covering and PVC films and sheets related activities were carried out by TSSB's related parties, DGSB and PSSB instead.

b) The revenue increased in financial year 2002 as compared to previous year was mainly due to the dispute between TSSB and RMCED has been resolved and the exemption was resumed in TSSB in July 2001. As a result, the revenue of TSSB was increased in financial year 2002. The revenue in financial year 2003 and 5 months financial period ended 31 May 2004 were lower due to the trading of certain products were channeled to other related parties, DGSB and PSSB.

c) There were no exceptional or extraordinary items noted during the financial years/period under review.

7.0 TEK SENG SDN. BHD. (CONTINUED)

7.2 Summarised balance sheets

	As at 31 December					As at 31 May
	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
PROPERTY, PLANT AND EQUIPMENT	2,147	2,992	3,008	2,774	1,451	1,324
INTANGIBLE ASSET	-	-	-	-	-	10
CURRENT ASSETS	12,141	14,588	16,041	20,019	24,724	25,240
CURRENT LIABILITIES	(928)	(1,846)	(1,874)	(4,056)	(5,746)	(5,435)
NET CURRENT ASSETS	11,213	12,742	14,167	15,963	18,978	19,805
	13,360	15,734	17,175	18,737	20,429	21,139
Financed by:						
SHARE CAPITAL	450	450	450	450	450	450
CAPITAL RESERVE	322	322	322	322	-	-
RETAINED PROFITS	12,547	14,452	16,031	17,745	19,861	20,584
SHAREHOLDERS' EQUITY	13,319	15,224	16,803	18,517	20,311	21,034
NON-CURRENT LIABILITIES						
Hire purchase payables	6	467	285	133	13	-
Deferred taxation	35	43	87	87	105	105
	13,360	15,734	17,175	18,737	20,429	21,139
Net tangible assets (RM'000)	13,319	15,224	16,803	18,517	20,311	21,024
NTA per ordinary share of RM1 each (RM)	29.60	33.83	37.34	41.15	45.14	46.72

8.0 DOUBLE GRADE SDN. BHD.

8.1 Summarised income statements

	Financial years ended 31 March		Financial period from 1 April 2001 to 31 December	Financial years ended 31 December		Financial period from 1 January 2004 to 31 May
	2000	2001	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	8,099	7,227	968	1,785	2,937	1,382
Profit before interest, depreciation and taxation	1,537	2,046	152	263	283	179
Depreciation	(95)	(33)	(32)	(46)	(46)	(19)
Interest expense	(287)	(255)	(26)	(47)	(42)	(16)
Profit before taxation	1,155	1,758	94	170	195	144
Taxation	(348)	(380)	(36)	(54)	(64)	(36)
Profit after taxation	807	1,378	58	116	131	108
Minority interest	-	-	-	-	-	-
Profit after taxation and minority interest	807	1,378	58	116	131	108
Number of ordinary shares of RM1 each in issue ('000)	100	100	100	100	100	100
Gross earnings per share (RM)	11.55	17.58	9.40	1.71	1.95	1.44
Net earnings per share (RM)	8.07	13.78	0.58	1.16	1.31	1.08

a) Higher revenue was registered in financial years 2000 and 2001 which was mainly resulted from the dispute between DGSB's related party, TSSB and Royal Malaysian Customs and Excise Department ("RMCED") in respect of the claw back of the exemption of custom duty on the import of PVC films and sheets. Hence, all PVC films and sheets related activities were carried out by DGSB and other related party instead.

b) The reduction in revenue in financial period ended 31 December 2001 and financial year ended 31 December 2002 was mainly due to the dispute between TSSB and RMCED was subsequently resolved and the exemption was resumed in TSSB in July 2001. As a result, TSSB has resumed its sales of PVC films and sheets activities.

8.0 DOUBLE GRADE SDN. BHD. (CONTINUED)

8.1 Summarised income statements (Continued)

c) Higher revenue recorded in financial year 2003 and 5 months financial period ended 31 May 2004 was mainly due to the trading of certain products channeled from TSSB.

d) There were no exceptional or extraordinary items noted during the financial years/periods under review.

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8.0 DOUBLE GRADE SDN. BHD. (CONTINUED)

8.2 Summarised balance sheets

	As at 31 March		As at 31 December			As at 31 May
	2000	2001	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
PROPERTY, PLANT AND EQUIPMENT	4,225	555	667	621	575	556
CURRENT ASSETS	927	6,066	3,097	3,135	2,798	3,099
CURRENT LIABILITIES	(3,769)	(3,995)	(1,080)	(959)	(444)	(618)
NET CURRENT (LIABILITIES)/ASSETS	(2,842)	2,071	2,017	2,176	2,354	2,481
	1,383	2,626	2,684	2,797	2,929	3,037
Financed by:						
SHARE CAPITAL	100	100	100	100	100	100
RETAINED PROFITS	1,137	2,516	2,574	2,690	2,822	2,930
SHAREHOLDERS' EQUITY	1,237	2,616	2,674	2,790	2,922	3,030
NON-CURRENT LIABILITY						
Deferred taxation	146	10	10	7	7	7
	1,383	2,626	2,684	2,797	2,929	3,037
Net tangible assets (RM'000)	1,237	2,616	2,674	2,790	2,922	3,030
NTA per ordinary share of RM1 each (RM)	12.37	26.16	26.74	27.90	29.22	30.30

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9.0 PELANGI SEGI SDN. BHD.

9.1 Summarised income statements

	Financial years ended 30 April		Financial period from 1 May 2001 to 31 December	Financial years ended 31 December		Financial period from 1 January 2004 to 31 May
	2000	2001	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	7,306	7,510	5,805	1,880	3,247	2,660
Profit before interest, depreciation and taxation	963	739	638	269	1,853	435
Depreciation	(27)	(5)	(7)	(11)	(10)	(2)
Interest expense	(65)	(61)	(41)	(42)	(69)	(9)
Profit before taxation	871	673	590	216	1,774	424
Taxation	(191)	(199)	(169)	(58)	(140)	(148)
Profit after taxation	680	474	421	158	1,634	276
Minority interest	-	-	-	-	-	-
Profit after taxation and minority interest	680	474	421	158	1,634	276
Number of ordinary shares of RM1 each in issue ('000)	150	150	150	150	150	150
Gross earnings per share (RM)	5.81	4.49	3.93	1.44	11.83	2.83
Net earnings per share (RM)	4.53	3.16	2.81	1.05	10.89	1.84

a) PSSB has a higher revenue in financial years 2000 and 2001 as compared to other financial years/periods. This was mainly resulted from the dispute between PSSB's related party, TSSB and RMCED in respect of the claw back of the exemption of custom duty on the import of PVC floor covering. Hence, all PVC floor covering related activities was carried out by PSSB and other related party instead and the revenue increased accordingly.

b) The revenue for the financial period ended 31 December 2001 and financial year ended 31 December 2002 decreased progressively. It was mainly due to the revenue derived from the sales of PVC floor covering and PVC films and sheets was majorly resumed in TSSB as the dispute between TSSB and RMCED was subsequently resolved in July 2001 and the exemption was resumed in TSSB.

9.0 PELANGI SEGI SDN. BHD. (CONTINUED)

9.1 Summarised income statements (Continued)

c) Revenue increased dramatically in financial year ended 31 December 2003 and financial period ended 31 May 2004 due to trading of some products especially the sales of PVC sponge leather which was channeled from TSSB.

d) There were no exceptional or extraordinary items noted during the financial years/periods under review.

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9.0 PELANGI SEGI SDN. BHD. (CONTINUED)

9.2 Summarised balance sheets

	As at 30 April		As at 31 December			As at 31 May
	2000	2001	2001	2002	2003	2004
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
PROPERTY, PLANT AND EQUIPMENT	473	504	496	486	15	-
CURRENT ASSETS	1,824	3,242	3,711	3,491	6,250	5,308
CURRENT LIABILITIES	(989)	(1,960)	(2,001)	(1,614)	(2,268)	(1,035)
NET CURRENT ASSETS	835	1,282	1,710	1,877	3,982	4,273
	1,308	1,786	2,206	2,363	3,997	4,273
Financed by:						
SHARE CAPITAL	150	150	150	150	150	150
RETAINED PROFITS	1,158	1,632	2,052	2,211	3,845	4,121
SHAREHOLDERS' EQUITY	1,308	1,782	2,202	2,361	3,995	4,271
NON-CURRENT LIABILITY						
Deferred taxation	-	4	4	2	2	2
	1,308	1,786	2,206	2,363	3,997	4,273
Net tangible assets (RM'000)	1,308	1,782	2,202	2,361	3,995	4,271
NTA per ordinary share of RM1 each (RM)	8.72	11.88	14.68	15.74	26.63	28.47

10.0 DIVIDENDS

No dividends have been paid or declared by TSHB since its incorporation. No dividends have been declared by the subsidiary companies within the proforma Group during the relevant years/periods under review.

11.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies adopted by the Group and the Company are consistent with those applied in previous financial years/periods except for the adoption of the new applicable Approved Accounting Standards as stated in 11(a) below.

(a) Basis of preparation

The financial statements of the Group and the Company have been prepared under the historical cost convention except as disclosed in the accounting policies below and in accordance with the applicable Approved Accounting Standards.

During the financial period, the new applicable Approved Accounting Standards adopted in these financial statements are as follows:-

MASB Standard 25 "Income Taxes"
MASB Standard 27 "Borrowings Costs"
MASB Standard 29 "Employee Benefits"

The adoption of MASB 25, MASB 27 and MASB 29 do not give rise to any adjustments to the opening balances of retained profits of the prior financial years/periods and current financial period or to changes in comparatives.

(b) Basis of consolidation

Consolidated financial statements include the financial statements of the Company and all its subsidiary companies. Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the financial year/period are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary company are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary company at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

11.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 11(n).

Freehold land is not amortised. Long term leasehold land is amortised equally over the lease period of 60 years. Depreciation on other property, plant and equipment are calculated to write off the cost, or revalued amounts on a straight line basis over the expected useful lives of the assets concerned. The annual rates of depreciation are as follows:

Buildings	2%
Plant and machinery	10%
Electrical installation	10%
Office equipment, furniture and fittings	8%-10%
Motor vehicles	16%-20%

Gain and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operations.

(d) Investments

Investments in subsidiary companies are stated at cost less impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 11(n).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is charged or credited to income statement.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Cost of work-in-progress and finished goods consists of cost of raw materials used, direct labour and a proportion of production overheads incurred; while the cost of raw materials and trading merchandise consists of purchase price plus the cost of bringing the inventories to their present location.

(f) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the financial years/periods in which they are identified. An estimate is made for doubtful debts on a review of all outstanding amounts at the financial years/periods end.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts, and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

11.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Borrowings

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. Borrowing costs are charged to the income statement as an expense in the financial years/periods in which they are incurred.

(i) Hire purchase

Property, plant and equipment acquired under hire purchase arrangement is capitalised in the financial statements and the corresponding obligation is treated as liability. Interest is allocated to the income statement to give a constant periodic rate of interest on the remaining hire purchase liability.

These property, plant and equipment are depreciated in accordance with the depreciation policy of the Group.

(j) Share capital

Ordinary shares with discretionary dividends are classified as equity. Dividends on ordinary shares are recognised as liabilities when declared.

(k) Foreign currencies

Foreign currency transactions are accounted for at exchange rates ruling at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at the balance sheet date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

The principal closing rate used in translation of foreign currency amounts is as follows:

Foreign currency	**31.5.2004**	**31.12.2003**
	RM	**RM**
1 US Dollar	3.800	3.800

(l) Income tax

Income tax on the profit or loss for the financial years/periods comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial years/periods and is measured using the tax rates that have been enacted at the balance sheet date.

11.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Income tax (Continued)

Deferred tax is measured at the tax rates that are expected to apply in the year/period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Prior to the adoption of MASB 25 Income Taxes on 1 January 2003, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation. This change in accounting policy does not give rise to any adjustments to the opening balances of retained profits of the prior financial years/periods and current financial period or to changes in comparatives.

(m) Revenue recognition

Revenue is recognised upon delivery of products and customer acceptances, net of sales taxes and discounts, and after eliminating revenue within the Group.

Rental income is recognised on an accrual basis.

Interest income is recognised on a time proportion basis that reflects the effective yield on the assets.

(n) Impairment of assets

At each balance sheet date, the Group and the Company review the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately. Reversal of impairment losses recognised in prior years/periods is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(o) Financial instruments

Financial instruments are recognised on the balance sheet when the Group and the Company have become a party to the contractual provisions of the instrument.

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.

The face values, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

11.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits

(i) Short term benefit

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year/period in which the associated services are rendered by employees of the Group and the Company. Short term accumulating compensated absences such as paid annual leave and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

The Group's and the Company's contribution to defined contribution plans, known as Employees Provident Fund ("EPF") are charged to the income statement in the financial year/period to which they related.

12.0 FINANCIAL RISK AND MANAGEMENT POLICIES

The Group's operation is subject to a variety of financial risks, including interest rate risk, credit risk, foreign currency exchange risk and liquidity and cash flow risks. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders and to ensure adequate financial resources are available for the development of the Group's business. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of such risks on its financial performance. Various financial risk management policies are made and approved by the Board of the Group for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments.

The Group is exposed to the following financial risks:-

(i) Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debt, as the Group has no substantial long term interest-bearing assets as at 31 May 2004.

(ii) Credit risk

The Group is exposed to credit risk mainly from trade receivables. These receivables are continually monitored to ensure that issues arising from non-collectibility are minimised. There were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(iii) Foreign currency exchange risk

The Group is exposed to foreign currency fluctuations as a result of sales and purchases transactions denominated in foreign currencies. The Group does not use derivative financial instruments to hedge its risk.

12.0 FINANCIAL RISK AND MANAGEMENT POLICIES (CONTINUED)

(iv) Liquidity and cash flow risks

The Group practices prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient liquidity and cash flow at all times.

13.0 PROPERTY, PLANT AND EQUIPMENT

The Group	Freehold land and buildings RM'000	Long term leasehold land and building RM'000	Plant and machinery RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Electrical installation RM'000	Total RM'000
As at 31.5.2004							
At Cost	881	22,642	34,675	1,208	2,399	49	61,854
Accumulated depreciation	(91)	(1,099)	(6,502)	(484)	(1,450)	(36)	(9,662)
Net book value	790	21,543	28,173	724	949	13	52,192

The carrying values of freehold and long term leasehold land and buildings have been charged to licensed banks for term loans and banking facilities granted to the subsidiary companies amounting to RM21,962,539.

The carrying values of plant and machinery and motor vehicles acquired under hire purchase arrangements amounting to RM6,015,329.

14.0 INVENTORIES

	Proforma 2 The Group 31.5.2004 RM'000
At cost	
Raw materials	6,468
Work-in-progress	787
Finished goods	2,170
Trading merchandise	3,236
	12,661

15.0 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Proforma 2 The Group 31.5.2004 RM'000
Other receivables	11
Deposits	3,014
Prepayments	773
	3,798

16.0 OTHER PAYABLES AND ACCRUALS

	Proforma 2 The Group 31.5.2004 RM'000
Other payables	736
Accruals	1,098
Deposits received	1
Amount owing to a Director	352
	2,187

The amount owing to a Director is unsecured, interest free and has no fixed terms of repayment.

17.0 BANK BORROWINGS (SECURED)

	Proforma 1 The Group 31.5.2004 RM'000	Proforma 2 The Group 31.5.2004 RM'000
Bank overdraft	825	-
Bankers' acceptance	10,905	10,905
Revolving credit	1,056	36
	12,786	10,941

The bank borrowings are secured over the freehold and long term leasehold land and buildings of the Group.

The weighted average effective interest rates per annum during the financial period for bank borrowings were as follows:

	Proforma 2 The Group 31.5.2004 %
Bank overdraft	7.50 – 8.00
Bankers' acceptance	4.20 – 4.65
Revolving credit	5.65

18.0 TERM LOANS (SECURED)

	Proforma 1 The Group 31.5.2004 RM'000	Proforma 2 The Group 31.5.2004 RM'000
Representing term loans		
- current	4,208	-
- non-current	6,580	-
	10,788	-
The term loans of the Group are repayable as follows:		
- not later than 1 year	4,208	-
- later than 1 year and not later than 5 years	6,580	-
- later than 5 years	-	-
	10,788	-

The term loans are secured over the same terms and conditions as disclosed in bank borrowings in Note 17.0.

The weighted average effective interest rate per annum during the financial period for term loans was as follows:

	Proforma 2 The Group 31.5.2004 %
Term loans	7.63

19.0 SHARE CAPITAL

	Number of ordinary shares 31.5.2004 '000	Par Value 31.5.2004 RM	The Group 31.5.2004 RM'000
Authorised:	400,000	0.25	^100,000
Issued and fully paid-up:			
Balance as at 31 May 2004	*	0.50	*
Issued as consideration for the Acquisition of subsidiary companies	74,938	0.50	37,469
	74,938	0.50	37,469
Share split	74,938	-	-
	149,876	0.25	37,469
Public issue	42,124	0.25	10,531
	192,000	0.25	48,000
ESOS	28,800	0.25	7,200
	220,800	0.25	55,200

19.0 SHARE CAPITAL (CONTINUED)

* This represents 4 ordinary shares of RM0.50 each.

^ On 4 April 2003, the authorised share capital was increased to RM100,000,000 consisting of 100,000,000 ordinary shares of RM1.00 each. The authorised share capital was subsequently split into 200,000,000 ordinary shares of RM0.50 each on 10 May 2004. The authorised share capital was subsequently further split into 400,000,000 ordinary shares of RM0.25 each.

20.0 CAPITAL COMMITMENT

	Proforma 2 The Group 31.5.2004 RM'000
Capital expenditure contracted but not provided for in the proforma consolidated balance sheets is as follows :	
- Property, plant and equipment	7,501

21.0 EVENTS SUBSEQUENT TO BALANCE SHEET DATE OF 31 MAY 2004

Based on the audited financial statements for the financial year ended 31 May 2004, other than the flotation scheme as referred in Section 1.3, no events have arisen subsequent to the balance sheet date which requires disclosure in this report.

22.0 AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 May 2004.

Yours faithfully

UHY DIONG
AF-1411
Chartered Accountants

KOAY THEAM HOCK
2141/04/05 (J)
Partner

11. BYE-LAWS OF THE ESOS

1. NAME OF SCHEME

This Scheme shall be called the "Tek Seng Holdings Berhad Employee Share Option Scheme".

2. OBJECTIVES OF SCHEME

The objectives of the Scheme are:-

(i) to provide an opportunity for Directors and employees to participate as shareholders of the Company;

(ii) to reward and retain Directors and employees whose services are vital to the continued growth of the Group; and

(iii) to motivate Directors and employees towards better performance through greater loyalty to the Group.

3. DEFINITIONS AND INTERPRETATION

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

"Act"	-	The Companies Act, 1965 as amended from time to time and includes every statutory modification or re-enactment thereof for the time being in force
"Board"	-	The Board of Directors of the Company
"Bursa Depository"	-	Bursa Malaysia Depository Sdn Bhd (165570-W) *(formerly known as Malaysian Central Depository Sdn Bhd)*
"Bursa Securities"	-	Bursa Malaysia Securities Berhad (635998-W) *(formerly known as Malaysia Securities Exchange Berhad)*
"CDS"	-	Central Depository System
"Company" or "TSHB"	-	Tek Seng Holdings Berhad
"Date of Acceptance"	-	The date whereupon the ESOS Committee shall receive the written notice from the Eligible Employee accepting the Offer
"Date of Offer"	-	The date inscribed on a particular Offer document, being the date on which an Eligible Employee is deemed to have been notified of the Offer by the ESOS Committee
"Director(s)"	-	A natural person who holds a directorship in the TSHB Group (including Non-Executive Directors and Independent Directors)

"Effective Date"	-	The date on which the Scheme comes into force as provided in Bye-Law 19.1
"Eligible Employee(s)"	-	An Employee who fulfils the condition of eligibility as stipulated in Bye-Law 5 or a Director
"Employee(s)"	-	A natural person who is employed by and on the payroll of any company in the Group
"ESOS"	-	Employee share option scheme of up to fifteen percent (15%) of the issued and paid up share capital of the Company at any point in time during the duration of the Scheme, or such additional number that may be permitted by the relevant authorities during the duration of the Scheme
"ESOS Committee"	-	A committee comprising of Director(s) and/or senior management personnel appointed by the Board to administer the Scheme
"Grantee"	-	An Eligible Employee who has accepted an Offer in the manner provided in Bye-Law 8
"Group" or "TSHB Group"	-	The Company and its subsidiaries as defined in Section 5 of the Companies Act, 1965 which are not dormant. Subsidiaries include subsidiaries which are existing as at the Effective Date and subsidiaries which are incorporated or acquired at any time during the duration of the Scheme but exclude subsidiaries which have been divested in the manner provided in Bye-Law 17.2
Listing Requirements	-	Listing Requirements of Bursa Securities
"Market Day"	-	Any day between Monday and Friday (both days inclusive) which is not a public holiday and on which the Bursa Securities is open for the trading of securities
"Maximum Allowable Allotment"	-	The maximum number of Options that can be offered to an Eligible Employee under the Scheme in the manner provided in Bye-Law 6
"Non-Executive Directors"	-	A Director(s) who is not on the payroll and who is not involved in the day-to-day management of the Group
"Offer"	-	An offer made in writing by the ESOS Committee to any Eligible Employee in the manner provided in Bye-Law 7
"Offer Period"	-	The period stipulated in Bye-Law 7.3
"Option(s)"	-	The contract constituted by an acceptance by an Eligible Employee in the manner provided in Bye-Law 8 of an Offer made to such Eligible Employee by the ESOS Committee pursuant to Bye-Law 7. Each Option shall entitle an eligible Employee to subscribe for one (1) Share upon its exercise

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

"Option Period" - The period commencing from the Date of Offer and expiring five (5) years therefrom or upon the date of expiry of the Scheme as provided in Bye-Law 19.1, whichever is the earlier. In the event that the duration of the Scheme shall be extended or the Scheme shall be renewed, the date of expiry of the Scheme shall be the date of expiry as so extended or renewed

"Scheme" - The scheme for the grant of Options to Employees to subscribe for Shares upon the terms set out herein known as the "Tek Seng Holdings Berhad Employee Share Option Scheme"

"Shares" - Ordinary shares of RM0.25 each

"Shares Buyback" - The purchase by the Company of its own Shares pursuant to Section 67A of the Act

"Subscription Price" - The price at which a Grantee shall be entitled to subscribe for each Share as calculated in accordance with the provisions of Bye-Law 11

3.2 Headings are for ease of reference only and do not affect the meaning of a Bye-Law.

3.3 References to the provisions of statutes, subordinate legislation, listing requirements, policies and/ or guidelines of the Bursa Securities or relevant authorities (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 applicable) include such provisions as amended or re-enacted from time to time, and references to statutes include any consolidations, replacements or revisions of the same.

3.4 Words importing the masculine gender shall include the feminine and neuter genders.

3.5 Words importing the singular number shall include the plural number and vice versa.

3.6 Any liberty or power which may be exercised or any determination which may be made hereunder by the ESOS Committee may be exercised at the ESOS Committee's absolute and unconditional discretion and the ESOS Committee shall not be under any obligation to give any reason therefor except as may be required by the relevant authorities.

4. TOTAL NUMBER OF OPTIONS AVAILABLE UNDER SCHEME

4.1 The total number of Options offered under the Scheme shall not exceed fifteen percent (15%) of the issued and paid-up share capital of the Company at any point in time during the duration of the Scheme as provided in Bye-Law 19.1, or such additional number that may be permitted by the relevant authorities during the duration of the Scheme unless the issued and paid-up share capital of the Company is diminished as a result a Share Buyback, in which event, the Options granted prior to the diminution of the issued and paid-up share capital shall remain valid and exercisable in accordance with the terms and conditions of the Scheme.

4.2 In the event of a Share Buyback, the following provisions shall apply:-

(i) if the number of Options granted by the Company as at the date of cancellation of Shares so purchased is greater than fifteen percent (15%) of the issued capital of the Company at any point in time (or such additional number that may be permitted by the relevant authorities) after such cancellation, the ESOS Committee shall not make any further Offers; and

(ii) if the number of Options granted by the Company as at the date of cancellation of Shares so purchased is less than fifteen percent (15%) of the issued capital of the Company at any point in time (or such additional number that may be permitted by the relevant authorities) after such cancellation, the ESOS Committee may make further Offers only until the total number of Options granted by the Company is equivalent to fifteen percent (15%) of the issued capital of the Company at any point in time (or such additional number that may be permitted by the relevant authorities) after such cancellation.

4.3 The Company will keep available sufficient unissued Shares in its authorised share capital to satisfy all outstanding Options throughout the duration of the Scheme.

5. ELIGIBILITY

5.1 Only Employees who fulfil the following conditions shall be eligible to participate in the Scheme:-

(i) An Employee must be at least eighteen (18) years of age on the Date of Offer;

(ii) An Employee must have been confirmed on the Date of Offer and falls within any other criteria that the ESOS Committee may from time to time determine at its discretion; and

(iii) If an 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's period of employment in the said company shall be taken into account stipulated in the paragraph (ii) above.

5.2 An Employee or Director who is not a Malaysian citizen, must in addition to the conditions stipulated in paragraphs (i) to (iii) above, also fulfil the following conditions:-

(i) 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

(ii) 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.

5.3 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.

5.4 No Employee or Director shall participate at any time in more than one (1) employee share option scheme by any company within the Group.

5.5 Eligibility under the Scheme does not confer a Director or an Employee a claim or right to participate in or any rights whatsoever under the Scheme and a Director or an Employee does not acquire or have any rights over or in connection with the Options or Shares unless an Offer has been made by the ESOS Committee to the Director or Employee and such Director or Employee has accepted the Offer in accordance with the terms of the Offer and the Scheme.

6. MAXIMUM ENTITLEMENT AND BASIS OF ALLOTMENT

6.1 The basis of allocation of the number of Shares which may be comprised in an Option and the Maximum Allowable Allotment shall be entirely at the discretion of the ESOS Committee. However, the ESOS Committee will ensure that:-

(i) there should be equitable allocation to the various grades of Eligible Employees, such that not more than fifty percent (50%) of the Shares available under the Scheme should be allocated, in aggregate, to Directors and senior management.

(ii) not more than ten percent (10%) (or such percentage as allowable by the relevant authorities) of the Shares available under the ESOS should be allocated to any individual Director or Employees who, either singly or collectively through persons connected with the Director or Employees (as defined in the Listing Requirements), holds twenty per centum (20%) or more in the issued and paid-up share capital of the Company.

6.2 Notwithstanding Bye-Law 6.1, the number of Options to be offered to each Eligible Employee shall, subject to each Employee's Maximum Allowable Allotment, be at the discretion of the ESOS Committee. In exercising its discretion, the ESOS Committee shall take into consideration the seniority, performance and length of service of each Director and Eligible Employee and any other considerations deemed fit by the ESOS Committee. The decision of the ESOS Committee shall be final and binding.

6.3 (i) In the event that an Eligible Employee is moved to a higher category, the Maximum Allowable Allotment applicable to such Eligible Employee shall, upon such promotion, be the Maximum Allowable Allotment for the category corresponding to his new grade.

(ii) In the event that an Eligible Employee is moved to a lower category, his Maximum Allowable Allotment shall, upon such demotion, be reduced accordingly to that of the category corresponding to his new grade, provided always that:-

(a) in the event that the total number of Options which has been accepted by him up to the date he is moved to the lower category is greater than his Maximum Allowable Allotment under such lower category, he shall be entitled to continue to hold and to exercise all unexercised Options held by him on such date but he shall not be entitled to be offered any further Options unless and until he is subsequently moved to a higher category so that his Maximum Allowable Allotment is increased to an amount greater than the total number of Options which has been accepted by him; and

(b) in the event that the total number of Options which has been accepted by him up to the date he is moved to the lower category is less than his Maximum Allowable Allotment under such lower category, he shall be entitled to continue to hold and to exercise all unexercised Options held by him on such date and, to be offered further Options up to his Maximum Allowable Allotment under such lower category.

6.4 The ESOS Committee may make more than one (1) Offer to an Eligible Employee provided that the aggregate number of Options offered to an Eligible Employee throughout the entire duration of the Scheme does not exceed his Maximum Allowable Allotment.

7. OFFER

7.1 During the duration of the Scheme, the ESOS Committee may at its discretion at any time and from time to time make an Offer in writing to an Eligible Employee, subject to the Employee's Maximum Allowable Allotment. Each Offer shall be in a multiple of one hundred (100) Options or such other units of Shares constituting one (1) board lot as may be determined by the ESOS Committee, the minimum being one hundred (100) Options or such other units of Shares constituting one board lot as may be determined by the ESOS Committee. The Options shall only be accepted in multiples of one hundred (100) Shares or such other units of Shares constituting one board lot as may be determined by the ESOS Committee.

7.2 The ESOS Committee shall state the following particulars in the letter of Offer:-

(i) the number of Options that are being offered to the Eligible Employee;

(ii) the number of Shares which the Eligible Employee shall be entitled to subscribe for upon the exercise of the Options being offered;

(iii) the Option Period;

(iv) the Subscription Price; and

(v) the closing date for acceptance of the Offer.

7.3 An Offer shall be valid for a period of one (1) month from the Date of Offer.

7.4 Notwithstanding anything contained in these Bye-Laws, no Offer shall be made to any Director of the Company unless such Offer and the related allotment of Shares have previously been approved by the shareholders of the Company in general meeting.

8. ACCEPTANCE

8.1 An Offer shall be accepted by an Employee within the Offer Period by written notice to the ESOS Committee accompanied by a payment to the Company of a nominal non-refundable consideration of Ringgit Malaysia One (RM1.00) only for the acceptance of the Options.

8.2 The Company shall within thirty (30) days of the Date of Acceptance issue to the Eligible Employee an Option certificate stating, inter alia, the number of Option granted, the Subscription Price and the Option Period.

8.3 If an Offer is not accepted in the aforesaid manner, the Offer shall automatically lapse upon the expiry of the Offer Period.

9. NON-TRANSFERABILITY

9.1 An Option is personal to the Grantee and subject to the provisions of Bye-Laws 14.2 to 14.6, is exercisable only by the Grantee personally during his lifetime whilst he is in the employment of any company in the Group.

9.2 An Option shall not be transferred, assigned or otherwise disposed of by the Grantee save and except in the event of the death of the Grantee as provided under Bye-Law 14.6.

10. EXERCISE OF OPTIONS

10.1 Options which are exercisable in a particular year but are not exercised may be carried forward to subsequent years subject to the Option Period. All unexercised Options shall be exercisable in the last year of the Option Period or in the period allowed or approved by ESOS Committee as described in Bye-Law 14. Any Option which remain unexercised at the expiry of the Option Period shall be automatically terminated.

10.2 A Grantee shall exercise his Option by notice in writing to the Company stating the number of Option exercised. The procedure for the exercise of Options to be complied with by a Grantee shall be determined by the ESOS Committee from time to time.

10.3 Within ten (10) Market Days of receipt of such notice and payment or such other period as may be prescribed by the Bursa Securities and subject to the Articles of Association of the Company, the Company shall allot and/or issue the relevant number of Shares, despatch a notice of allotment to the Grantee and then make an application for the quotation of the Shares, upon and subject to the provisions of the Listing Requirements and Articles of Association of the Company. The said Shares will be credited directly into the CDS account of the Grantee or his financier, as the case may be. No physical certificates will be issued.

10.4 The Company, the Board and the ESOS Committee shall not under any circumstances be held liable to any person for any costs, losses, expenses, damages or liabilities howsoever arising in the event of any delay on the part of the Company in procuring the Bursa Securities to list the Shares subscribed for by a Grantee.

11. SUBSCRIPTION PRICE

The Subscription Price shall be as follows:-

(i) Where the Option is granted before the Company is listed on the Bursa Securities then the price at which the Grantee is entitled to subscribe for the Shares shall not be less than the price of the Shares set for the offer for sale and/or public issue of the Shares for the purpose of listing of the Company on the Bursa Securities; or

(ii) Where the Option is granted after the Company is listed on the Bursa Securities, the price at which the Grantee is entitled to subscribe for the Shares shall be a price to be determined by the Board upon the recommendation of the ESOS Committee which is at a discount of not more than ten percent (10%) from the weighted average market price of the Shares as shown in the daily official list issued by the Bursa Securities for the five (5) Market Days immediately preceding the Date of Offer, if deemed appropriate, or such lower or higher limit as approved by the relevant authorities;

subject to such adjustments as stipulated under Bye-Law 15 herein or as may be amended by the relevant authorities from time to time.

12. RIGHTS ATTACHING TO SHARES

The new Shares to be allotted upon any exercise of the Option will upon allotment and issue rank pari passu in all respect with the then existing issued Shares of the Company except that the new Shares so issued shall **NOT** be entitled for any dividend, rights, allotment and/or other distribution declared, made or paid to shareholders unless the new Shares so allotted have been credited into the relevant securities accounts of the shareholders maintained by Bursa Depository before the entitlement date and will be subject to all provisions of the Articles of Association of the Company relating transfer, transmission and otherwise.

13. HOLDING OF SHARES

13.1 The Company encourages Grantees to hold the Shares subscribed for by them for as long as possible although a Grantee or his financier, as the case may be, may sell the Shares subscribed for by the Grantee at any time after such Shares have been credited to the Grantee's or his financier's CDS account.

13.2 A Non-Executive Director must not sell, transfer or assign shares obtained through the exercise of Options offered to him/her pursuant to this ESOS within one (1) year from the Date of Offer.

14. TERMINATION OF EMPLOYMENT

14.1 Subject to Bye-Laws 14.2 to 14.5, an Option which has not been exercised by the Grantee shall be automatically terminated in the following circumstances:-

(i) termination of employment of the Grantee with the Group for any reason whatsoever, in which event the Option shall be automatically terminated on the day the Grantee notifies his employer of his resignation or on the Grantee's last day of employment, whichever is the earlier; and

(ii) bankruptcy of the Grantee, in which event the Option shall be automatically terminated on the date a receiving order is made against the Grantee by a court of competent jurisdiction.

14.2 A Grantee may apply in writing to the ESOS Committee to be allowed to continue to hold and to exercise any Option held by him upon termination of employment with the Group in the following circumstances:-

(i) retirement upon or after attaining the age in accordance with the Company's retirement policy; or

(ii) retirement before the age specified under the above said retirement policy, with the consent of his employer; or

(iii) ill health, injury or disability; or

(iv) retrenchment; or

(v) transfer to any company outside the Group at the direction of the Company; or

(vi) any other circumstances as may be determined by the ESOS Committee from time to time.

14.3 Applications under Bye-Law 14.2 shall be made:-

(i) in a case where Bye Law 14.2(i), (ii) or (vi) is applicable, before the Grantee's last day of employment. The Grantee may exercise Options at any time before his last day of employment subject to the provisions of Bye-Law 10. In the event that no application is received by the ESOS Committee before the Grantee's last day of employment, any Option held by the Grantee on his last day of employment shall be automatically terminated;

(ii) in a case where Bye-Law 14.2(iii) is applicable, within one (1) month after the Grantee notifies his employer of his resignation due to ill health, injury or disability. The Grantee may exercise Options within the said period of one (1) month subject to the provisions of Bye-Law 10. In the event that no application is received by the ESOS Committee within the said period, any Option held by the Grantee at the expiry of the said period shall be automatically terminated;

(iii) in a case where Bye-Law 14.2(iv) is applicable, within one (1) month after the Grantee is notified that he will be retrenched or, where he is given an offer by his employer as to whether he wishes to accept retrenchment upon certain terms, within one (1) month after he accepts such offer. The Grantee may exercise Options within the said period of one (1) month subject to the provisions of Bye-Law 10. In the event that no application is received by the ESOS Committee within the said period, any Option held by the Grantee at the expiry of the said period shall be automatically terminated; and

(iv) in a case where Bye-Law 14.2(v) is applicable, within one (1) month after the Grantee is notified that he will be transferred to a company outside the Group. The Grantee may exercise Options within the said period of one (1) month subject to the provisions of Bye-Law 10. In the event that no application is received by the ESOS Committee within the said period, any Option held by the Grantee at the expiry of the said period shall be automatically terminated.

14.4 The ESOS Committee shall consider applications under Bye-Law 14.2 on a case to case basis and may in its discretion approve or reject any application in whole or in part without giving any reason therefor and may impose any term and condition in granting an approval. The decision of the ESOS Committee shall be final and binding. In the event that the ESOS Committee approves an application in whole or in part, the Grantee may exercise the Option, which are the subject of the approval within the relevant Option Period and subject to the provisions of Bye-Law 10. Any Option in respect of which an application is rejected shall be automatically terminated on the date of termination stipulated in the relevant paragraph of Bye-Law 14.3 or on the date of the ESOS Committee's decision, whichever is the later.

14.5 In the event that the ESOS Committee receives an application under Bye-Law 14.2 after the expiry of the relevant period under Bye-Law 14.3, the ESOS Committee shall take into account the reasons given by the Grantee for the delay in making the application, in exercising the ESOS Committee's discretion and powers under Bye-Law 14.4. In the event that the ESOS Committee approves the application in whole or in part, the Company shall make an Offer in respect of the Option which are the subject of the approval to the Grantee and such Option shall be exercisable:-

(i) only within the Option Period of those Option which were terminated due to the Grantee's delay in making the application;

(ii) in accordance with the provisions of Bye-Law 10 as applicable in respect of such terminated Option; and

(iii) at the Subscription Price applicable in respect of such terminated Option.

14.6 In the event that a Grantee dies before the expiration of the Option Period and at the date of his death held any Option, the following provisions shall apply:-

(i) such Options may be exercised by the legal or personal representative of the Grantee ("**Representative**"):-

(a) within twelve (12) months after the Grantee's death ("**Permitted Period**"); or

(b) within the Option Period;

whichever expires first. For the avoidance of doubt, it is hereby stated that Bye-Law 10 shall be applicable in this event;

(ii) In the event that the Option Period expires before the Permitted Period, any Option which have not been exercised by the Representative at the expiry of the Option Period shall be automatically terminated and the Representative shall not be entitled to apply for any extension of time for exercising such unexercised Options;

(iii) In the event that the Permitted Period expires before the Option Period, the following provisions shall apply:-

(a) the Representative may, at any time before the expiry of the Permitted Period, apply in writing to the ESOS Committee for an extension of the Permitted Period, stating the reasons as to why the extension is required. In the event that no application is received by the ESOS Committee before the expiry of the Permitted Period, any Option which have not been exercised by the Representative at the expiry of the Permitted Period shall be automatically terminated;

(b) the ESOS Committee shall consider such applications on a case to case basis and may in its discretion approve or reject an application in whole or in part without giving any reason therefor and may impose any term and condition in granting an approval. The decision of the ESOS Committee shall be final and binding. In the event that the ESOS Committee approves an application in whole or in part, the Representative may exercise the Options, which are the subject of the approval within such extension of the Permitted Period as is approved (which shall not exceed the Option Period) and in accordance with the provisions of Bye-Law 10. Any Option in respect of which an application is rejected shall be automatically terminated at the expiry of the Permitted Period or on the date of the ESOS Committee's decision, whichever is the later;

(c) in the event that the ESOS Committee receives an application after the expiry of the Permitted Period, the ESOS Committee shall take into account the reasons given by the Representative for the delay in making the application, in exercising the ESOS Committee's discretion and powers under sub-paragraph (b) above. In the event that the ESOS Committee approves an application in whole or in part, the Company shall make an Offer in respect of the Options which are the subject of the approval to the Representative and such Options shall be exercisable:-

(i) within such period as may be stipulated in the Offer which shall not exceed the Option Period of those Options which were terminated pursuant to sub-paragraph (i) above;

(ii) in accordance with the provisions of Bye-Law 10; and

(iii) at the Subscription Price applicable in respect of the Options which were terminated pursuant to sub-paragraph (i) above.

15. ALTERATION OF CAPITAL

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

(i) the number of Shares which a Grantee shall be entitled to subscribe for upon the exercise of each Option; and/or

(ii) the Subscription Price.

as shall be necessary to give a Grantee the same proportion of the issued capital of the Company as that to which he was entitled prior to the event giving rise to such adjustment by ensuring that the capital outlay to be incurred by Grantee in exercising their Options remains unaffected. Where it is decided that no adjustment will be made, such decision must be made known to all the Grantees by giving a timely notice.

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

(i) any adjustment to the Subscription Price shall be rounded up to the nearest one (1) sen and in no event shall the Subscription Price be reduced to an amount which is below the par value of the Shares; and

(ii) in determining a Grantee's entitlement to subscribe for Shares, any fractional entitlements will be disregarded.

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

(i) an issue of Shares pursuant to the exercise of Options under the Scheme; or

(ii) an issue of securities as consideration for an acquisition; or

(iii) an issue of securities as a private placement; or

(iv) an issue of securities as a special issue approved by the relevant governmental authorities; or

(v) a restricted issue of securities; or

(vi) any issue of warrants, convertible loan stocks or other instruments by the Company that gives a right of conversion into the Shares, and any issue of new Shares arising from the exercise of any conversion rights attached to such convertible securities; or

(vii) a Share Buyback in which event, the provisions in Bye-Law 4.2 shall apply.

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

15.5 An adjustment pursuant to Bye-Law 15.1 shall be made at the following circumstances:-

(i) in the case of a rights issue, bonus issue or other capitalisation issue, on the Market Day immediately following the date of entitlement in respect of such issue; or

(ii) in the case of a consolidation or subdivision of Shares or reduction of capital, on the Market Day immediately following the date of allotment of new Shares of the Company in respect of such consolidation, subdivision or reduction.

However, the requirement to carry out the said adjustments in (i) and (ii) is at the discretion of the Board, who should accordingly assess the practicality of complying with the requirement.

Upon any adjustment being made, the ESOS Committee shall give notice in writing to the Grantee, or his legal or personal representative where the Grantee is deceased, to inform him of the adjustment and the event giving rise thereto.

15.6 All adjustments, other than pursuant to a bonus issue, must be confirmed in writing by an approved company auditor, acting as an expert and not as an arbitrator, to be in his opinion fair and reasonable. In addition, the Company shall, at the request of any Grantee, furnish such Grantee with a certificate from an approved company auditor to the effect that in the opinion of such auditor, acting as an expert and not as an arbitrator, an adjustment is fair and reasonable either generally or as regards such Grantee, and such certification shall be final and binding on all parties. For the purposes of this Bye-Law, an approved company auditor shall have the meaning given in Section 8 of the Act.

16. TAKE-OVERS AND MERGERS

In the event of an offer being made for Shares under the Securities Commission Act, 1993 ("**SC Act**"), Malaysian Code on Take-Overs and Mergers and such offer being declared unconditional, the following provisions shall apply:-

(i) a Grantee shall be entitled to exercise all or any of the Option held by him as at the date of such offer being declared unconditional, within a period of six (6) months after such date and in accordance with the provisions of the Bye-Laws. In the event that the Grantee elects not to so exercise some or all of the Options held by him, the unexercised Options shall be automatically terminated on the expiry of the said period of six (6) months; and

(ii) if during the said period of six (6) months, the offeror becomes entitled or bound to exercise rights of compulsory acquisition in respect of the Shares under the provisions of the SC Act and gives notice to the Grantee that he intends to exercise such rights on a specific date ("**Specified Date**"), the Grantee shall be entitled to exercise all or any of the Option held by him until the expiry of the said period of six (6) months or the Market Day immediately preceding the Specified Date, whichever is the earlier, and in accordance with the provisions of the Bye-Laws. In the event that the Grantee elects not to so exercise some or all of the Options held by him, the unexercised Options shall be automatically terminated on the expiry of the said period of six (6) months or on the Specified Date, whichever is the earlier.

17. DIVESTMENT FROM GROUP

17.1 In the event that a company within the Group shall be divested from the Group, a Grantee who is employed by such company:-

(i) shall be entitled to continue to hold and to exercise all the Options held by him on the date of completion of such divestment within a period of six (6) months from the date of completion of such divestment or the Option Period, whichever expires first, and in accordance with the provisions of the Bye-Laws. In the event that the Grantee does not so exercise some or all of such Options, the unexercised Options shall be automatically terminated upon the expiry of the relevant period; and

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

17.2 For the purposes of Bye-Law 17.1, a company shall be deemed to be divested from the Group in the event that the effective interest of the Company in such company is reduced from above fifty percent (50%) to fifty percent (50%) or below so that such company would no longer be a subsidiary of the Company pursuant to Section 5 of the Act.

18. WINDING UP

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

19. DURATION AND TERMINATION OF SCHEME

19.1 The Scheme shall come into force upon compliance with the relevant requirements and obtaining the following approvals:-

(a) the approval-in-principle for the listing of and quotation for the new Shares to be issued under the Scheme by the Bursa Securities;

(b) the approval by the shareholders of the Company in general meeting;

(c) the fulfillment of all conditions attached to the aforesaid approvals, if any;

(d) the submission of final copy of the Bye-Laws pursuant to paragraph 6.30F of the Listing Requirements together with a letter of compliance pursuant to paragraph 2.11 of the Listing Requirements and a checklist showing the compliance with Appendix 6F of the Listing Requirements; and

(e) the approvals of any other relevant authorities, where applicable;

and shall take effect from the date of full compliance of item (a) to (e) above and a letter of confirmation required to be issued by the adviser of the Company to the Bursa Securities confirming the compliance of the above requirements, stating the effective date of implementation together with a certified true copy of the relevant resolution passed by the shareholders in general meeting no latter than five (5) Market Days after the effective date of the implementation.

The Scheme shall be in force for a duration of five (5) years from the Effective Date. The Company may, if the Board and the ESOS Committee deem fit, extend the Scheme for another five (5) years. Such extended Scheme shall be implemented in accordance with the terms of the Bye-Laws set out herein, save for any amendment and/or change to the relevant statutes and/or regulations currently in force and shall be valid and binding without further obtaining the approvals of the abovementioned parties PROVIDED THAT the Company shall serve appropriate notices on each Grantee and/or make necessary announcements to any and/or all of the abovementioned parties within thirty (30) days prior to the expiry of the Scheme.

19.2 Offers can only be made during and not after the duration of the Scheme.

19.3 The Company in general meeting may at any time by ordinary resolution terminate the Scheme. Prior to the termination, the Company must satisfy all of the following conditions:-

(i) to obtain the clearance from the Bursa Securities for the circular to the shareholders in relation to the termination of the Scheme;

(ii) to obtain the consent of its shareholders of the Company at a general meeting, wherein at least a majority of the shareholders present should vote in favour of the termination; and

(iii) to obtain the written consent of all Grantees who have yet to exercise their Options, either in part or in whole.

19.4 In the event of termination of the Scheme, the following provisions shall apply:-

(i) no further Offers shall be made by the ESOS Committee from the date the last of the approvals specified in Bye-Law 19.3 shall have been obtained;

(ii) all Offers which have yet to be accepted shall automatically lapse from the date the last of the approvals specified in Bye-Law 19.3 shall have been obtained; and

(iii) all outstanding Options shall be automatically terminated from the date the last of the approvals specified in Bye-Law 19.3 shall have been obtained.

19.5 In seeking to the consent of shareholders of the Company and Grantees for the termination of the Scheme, the Company must provide sufficient information on the following matters:-

(i) reasons for the termination;

(ii) whether or not the termination of the Scheme would be in the best interest of the Company; and

(iii) any other information that would justify termination of the Scheme.

19.6 The Company may establish a new employee share option scheme after the expiry or upon the termination of the Scheme. However, the new scheme shall be subject to the approval of the Bursa Securities and/or any other relevant authorities.

19.7 The event of liquidation of the Company, all unexercised or partially exercised Options shall lapse.

20. ADMINISTRATION

20.1 The Scheme shall be administered by the ESOS Committee. The ESOS Committee shall, subject to these Bye-Laws, administer the Scheme and regulate the ESOS Committee's own proceedings in such manner as it shall think fit.

20.2 Without limiting the generality of Bye-Law 20.1, the ESOS Committee may, for the purpose of administering the Scheme, do all acts and things, execute all documents, make rules, regulations or impose terms and conditions and delegate any of its powers and duties relating to the Scheme as it may in its discretion consider to be necessary or desirable for giving effect to the Scheme and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interest of the Company.

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

20.4 The ESOS Committee shall comprise persons from the Board and/or senior management of the Company.

21. AMENDMENT

21.1 Any subsequent modifications or amendments to the Bye-Laws shall be made and proposed by the ESOS Committee and approved by the Board. Such modification and amendment do not need the prior approval of the Bursa Securities. However, a letter of compliance is required to be submitted to the Bursa Securities no later than five (5) Market Days after the amendments to the Bye-Laws, each time a modification or amendment is made, stating that the modification or amendment does not contravene any of the provision of the Listing Requirements on Employee Share Option Schemes and the Rules of Bursa Depository.

21.2 The approval of the shareholders of the Company in general meeting shall not be required in respect of additions or amendments to or deletions of these Bye-Laws provided that no addition, amendment or deletion shall be made to these Bye-Laws which would:-

(i) prejudice any rights which have accrued to any Grantee without his prior consent; or

(ii) provide an advantage to any Grantee or group of Grantees in respect of the followings:-

(a) total number of Options available under the Scheme in Bye-Law 4;
(b) eligibility in Bye-Law 5;
(c) Maximum Allowable Allotment in Bye-Law 6;
(d) Offer Period, amount payable for the acceptance of an Offer and the Subscription Price in Bye-Laws 7, 8 and 11 respectively;
(e) duration of the Scheme in Bye-Law 19;
(f) the holding period of the Shares in Bye-Law 13; and
(g) the rights attached to the Shares in Bye-Law 12.

22. INSPECTION OF FINANCIAL STATEMENTS

All Grantees are entitled to inspect the latest audited financial statements of the Company at the registered office of the Company during the usual business hours.

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

23. SCHEME NOT A TERM OF EMPLOYMENT

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

24. NO COMPENSATION FOR TERMINATION

No Eligible Employee shall be entitled to any compensation for damages arising from the termination of any Option pursuant to the provisions of these Bye-Laws.

25. DISPUTES

In case any dispute or difference shall arise between the ESOS Committee and an Eligible Employee or Grantee, as the case may be, as to any matter of any nature arising hereunder, then the ESOS Committee shall determine such dispute or difference by a written decision (without any obligation to give any reason thereof) given to the Eligible Employee or Grantee, as the case may be. If the Eligible Employee is dissatisfied with the decision of the ESOS Committee, the Eligible Employee or Grantee, as the case may be, shall dispute the same by written notice to the ESOS Committee within fourteen (14) calendar days of the receipt of the written decision, in which case such dispute or difference shall be referred to the decision of the Board, whose decision shall be final and binding in all respects.

26. COSTS AND EXPENSES

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

27. ARTICLES OF ASSOCIATION

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

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