

14. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT



VITAL FACTOR CONSULTING
Creating Winning Business Solutions

17 March 2006

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Dear Sirs/Madam

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Independent Assessment of the Toner Industry

The following is the updated summary of the Independent Assessment of the Toner Industry in Malaysia, the full report of which is dated 21 March 2005, prepared by Vital Factor Consulting Sdn Bhd for inclusion in the Prospectus of **Jadi Imaging Holdings Berhad** (herein together with all its subsidiaries will be referred as **Jadi Imaging Group** or the **Group**) in relation to its listing on the Second Board of the Bursa Malaysia Securities Berhad.

1. BACKGROUND

- The principal business activity of **Jadi Imaging Group** is in the manufacturing of Toners for use in Laser Printers, Copiers, Facsimile machines and Multi-function office equipment.
- For the financial year ended 31 December 2005, **Jadi Imaging Group's** revenue amounted to RM44.8 million.

2. INDUSTRY OVERVIEW

- The Toner Industry plays an important supporting role to the business sector by ensuring that office equipment runs efficiently and effectively. Toner is a powder used in laser printers, copiers, facsimile machines and multi-function office equipment to form text and images mainly on paper.
- The Toner Industry is a relatively underdeveloped industry in Malaysia. As at end 2005, **Jadi Imaging Group** is the only manufacturer of Toners in Malaysia (*Source: Primary Market Research undertaken by Vital Factor Consulting Sdn Bhd*).
- Currently Malaysia relies primarily on imports of Toners. This is demonstrated by the following:
 - Between 2000 and 2004, import value of Chemical Preparations for Photographic uses (including Toners) grew at an average annual rate of 29.8%.

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- In 2004, the import value of Chemical Preparations for Photographic uses (including Toners) grew by 17.9% to reach approximately RM101.3 million.
- For the first ten months of 2005, import value of Chemical Preparations for Photographic uses (including Toners) declined by 49.2% compared to the same period in 2004.
- For the first ten months of 2005, import value of Chemical Preparations for Photographic uses (including Toners) amounted to RM47.3 million.

(Source: Department of Statistics)

- Toners are classified as one of "Other Products" under Chemical Preparations for Photographic uses. This category also includes many chemical preparations for processing and development of photographs, and all other unmixed chemicals that are used for photographic purposes, either in measured portions or put up for retail sales in a form ready for use.
- The import of Toners is in powdered form and excludes those that are contained in ready-to-use cartridges.
- This provides opportunities for import substitution for local operators such as Jadi Imaging Group.
- The Malaysian Government is also encouraging and promoting the growth of the Toner Industry and has identified this sector eligible for Pioneer Status. Jadi Imaging Group has been granted pioneer status for the production of Black Toners from 1 January 2001 until 31 December 2005.

3. OVERALL INDUSTRY STRUCTURE

- Generally, the Toner Industry is segmented into the following:

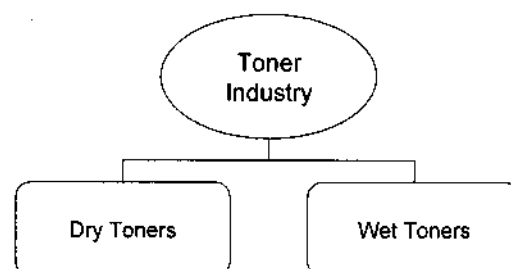


Figure 1 Structure of the Toner Industry

- Toners are commonly used in most office equipment that uses electrophotography technology. Electrophotography is a process that uses static electricity to create an image on a photosensitive plate of a printing mechanism, for example a drum, to produce an electrostatic image. Toners are then attracted to the electrostatic image. For Dry Toners, they are fused and bonded, by heat and pressure, onto the printing surfaces to form images. This process is commonly used in laser printers, copiers and facsimile machines.

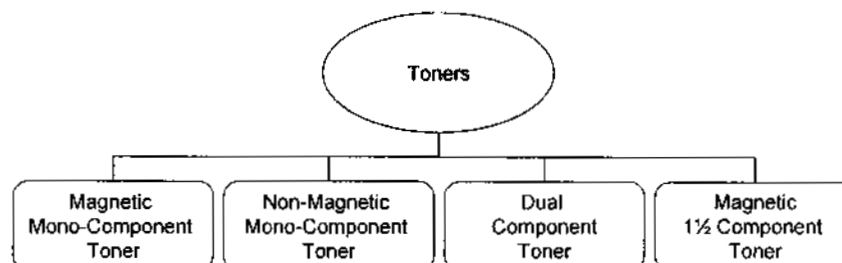
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- Wet or Liquid toners are composed of acrylic resins combined with pigments, usually carbon black or other colour dyes, suspended in a liquid medium. Wet Toner particles are significantly smaller than Dry Toner particles. The printing process involves washing or spraying the Wet Toner onto a printing mechanism, for example a drum, which has the electrostatic image to be printed. Images formed from Wet Toners penetrate and colour the paper fibres, unlike Dry Toners, which adhere to the paper surface. Wet Toner images cannot easily be removed from the surface of the paper. Wet Toner has some limitations, even though the liquid carrier is fast drying, it does not evaporate instantly. Hence wet-based systems work at about half the speed of the equivalent Dry Toner system. Images formed from the liquid process are also prone to fading. Wet Toners are mainly used in large format laser printers and in the textile industry.
- A typical Dry Toner predominantly comprises heat-sensitive polymer, acrylic or styrene, or both. The next major ingredient is a pigment such as carbon black. Carriers are active ingredient in a toner. They are used to generate a charge on the toner particles. The carrier is typically an iron or steel powder, which may be coated with resin. The presence of carriers in the image formed on paper may adversely affect the stability and longevity of documents, particularly those created by the liquid process. Dry Toners mostly remain on the surface with little penetration of the paper fibres, therefore the effect of carriers is lessened.
- Some Toners do not contain carriers. These Toners, known as Single-Component Toners, employ a magnetised roller to charge the Toner particles.
- However, usage of Dry Toners is significantly larger and more common than Wet Toners.
- As the principal business of Jadi Imaging Group is in the manufacture of Toners, all references to Toners in this report are Dry Toners unless stated otherwise.

Different Types of Toners

- Different types of office equipment utilise different types of Toners. There are different types of Toners and this can be segmented into the following:

**Figure 2 Toners Segmented by Type**

- Magnetic Mono-Component Toner and Non-magnetic Mono-Component Toner are used mainly in Laser printers.

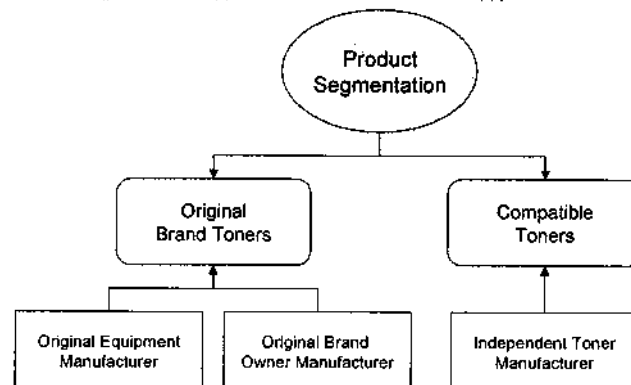
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- Magnetic Mono-Component Toner consists of a single toner mixture containing magnetic materials, for example iron or iron compound. The toner-iron mixture is attracted to the magnetised image on the printing mechanism, for example drum. The toner-iron mixture is completely consumed in the printing process.
- Non-magnetic Mono-Component Toner consists of Toners only, which are electrostatically charged and are allowed to be attracted to an electrostatic image having an opposite charge on a printing mechanism, for example a drum. The toner is completely consumed in the printing process.
- Dual Component Toner and Magnetic 1½ Component Toner are used mainly in copiers. However, Magnetic 1½ Component Toner is not commonly used.
- Dual Component Toner consists of two separate parts, a non-magnetic toner mixture and a magnetic carrier. Through a process of triboelectrification, it causes the toner mixture to cling to the carrier. The toner is then “carried” by the magnetic carrier to the magnetised image on the printing mechanism, for example drum. In the printing process, the toner mixture is completely consumed but not the carrier, which becomes less effective over time and must be replaced.
- Magnetic 1½ Component Toner consists of two separate parts, a magnetic toner mixture and a magnetic carrier. Through a process of triboelectrification that creates electric charges, it causes the magnetic toner mixture to cling to the carrier. The magnetic component within the magnetic toner mixture is specially insulated such that the triboelectrification process does not affect it. The magnetic toner mixture is then “carried” by the magnetic carrier to the magnetised image on the printing mechanism, for example drum. In the printing process, the magnetic toner mixture is completely consumed but not the carrier, which becomes less effective over time and must be replaced.
- Jadi Imaging Group produces all the above four types of Toners for use in Laser Printers, Copiers and Facsimile machines. The Group manufactures Toner powder, which are then used by remanufacturers and refillers for insertion into cartridges or bottles.

Product Segmentation

- The Toner Industry can be segmented into the following products:

**Figure 3 Product Segmentation**

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- The industry can be segmented into two product segments:
 - Original Brand Toners
 - Compatible Toners.
- Original Brand Toners are either manufactured internally by the Original Brand Owner themselves or sub-contracted to Original Equipment Manufacturers (OEM) using specifications provided by the Original Brand Owner.
- Compatible Toners, which are formulated and manufactured independently from the Original Brand Owner, may be used in a wide spectrum of brands.
- Manufacturers of Compatible Toners are referred to as independent Toner manufacturers. Independent Toner manufacturers have to undertake their own independent research and development to develop the right formulation that is suitable for specific brands and models of equipment.
- As there are many brands and models of laser printers, copiers and facsimile machines, independent Toner manufacturers have to undertake significant research and development if they wish to cater to a wide range of brands and models.
- Jadi Imaging Group is an independent manufacturer producing compatible Toners for the following brands and types of office equipment:
 - Copiers
 - . Canon
 - . Xerox
 - . Panasonic
 - . Minolta
 - . Ricoh
 - . Toshiba
 - . Sharp
 - . Sanyo
 - . Kyocera-Mita
 - Laser Printers
 - . Hewlett Packard
 - . Lexmark
 - . Brother
 - . Panasonic
 - . Epson
 - . Samsung
 - . Kyocera-Mita
 - . Canon
 - Facsimile Machines
 - . Canon
 - Multi-function Office Equipment
 - . Toshiba

Note: The brand names and trademarks mentioned above are the property of the respective owners and continue to be the property of the respective owners and are used for illustrative purposes only

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- As Jadi Imaging Group is an independent Toner manufacturer producing compatible Toners, the focus of this report will be on the independent Toner manufacturers' sector of the industry.

4. VERTICAL STRUCTURE OF THE INDEPENDENT TONER INDUSTRY

- The Toner Industry can also be vertically extended to include upstream, midstream and downstream activities as follows:

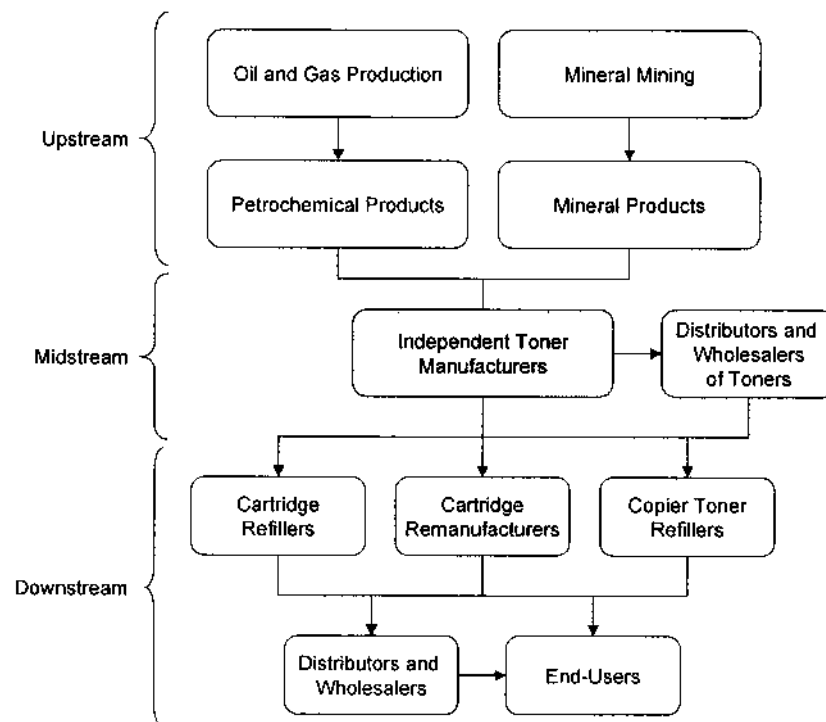


Figure 4 Vertical Structure of the Independent Toner Manufacturing Industry

Upstream

- Upstream activities primarily involve the following activities:
 - production of crude oil and gas to produce petrochemical products such as resins;
 - mineral mining for the production of magnetite.
- As at January 2005, Malaysia has about 5.29 billion barrels of crude oil reserves and about 85.2 trillion standard cubic feet of gas reserves (Source: PETRONAS Annual Report 2005).
- Petrochemical products namely resin account for a major proportion of the raw materials used to manufacture Toners. Malaysia is currently a producer of resins including, among others, polyvinyl chloride (PVC) resins, polystyrene (PS) resins, polyethylene (PE) resins, polypropylene (PP) resins and polyethylene terephthalate (PET) (Source: Malaysian Industrial Development Authority).

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- The other important raw material used in the manufacturing of Toners is magnetite, which is a type of iron oxide with magnetic properties used as carriers in the printing process.

Midstream

- Midstream activities comprised primarily Toner manufacturing. As at end 2005, Jadi Imaging Group is the only manufacturer of Toners in Malaysia (*Source: Primary Market Research undertaken by Vital Factor Consulting Sdn Bhd*).

Downstream

- The finished product in the form of Toner powder is then sold to cartridge refillers and remanufacturers.
- Downstream activities include:
 - Remanufacturing of cartridges;
 - Refilling of cartridges;
 - Refilling of copier Toners in bottles.
- Cartridge remanufacturers are those who recondition the internal parts of used cartridges by replacing drum, blade and seals, recoats the primary charge roller, magnetic roller sleeve and refill the cartridge with Toner.
- Cartridge refillers are primarily recyclers of used cartridges who refill the empty cartridge with Toner except they do not recondition any internal parts.
- Refillers of copier Toners primarily sell Toners in bottles whereby end-users pour these Toners into the reservoir of the copier machines.
- Other downstream activities include distribution and wholesaling of Toner cartridges.

5. GOVERNMENT LEGISLATION, POLICIES AND INCENTIVES

Government Regulations

- Apart from the normal manufacturing licence, there are no material government laws, regulations and policies that may impede on operators' performance and growth within a free enterprise environment.
- Application of a manufacturing licence under the Industrial Coordination Act, 1975 is mandatory for companies with shareholders' funds of RM2.5 million or above or engaging 75 or more full-time employees (*Source: Malaysian Industrial Development Authority*).
- Jadi Imaging Group obtained a manufacturing licence for the production of Toners in 2000.

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Government Incentives

- As part of the Malaysian Government's intention to nurture the growth and development of the manufacturing industry, including the manufacturing of Toners, the Government provides the following incentives for eligible companies.
- The major incentives include:
 - Pioneer Status;
 - Investment Tax Allowance;
 - Reinvestment Allowance.
- Jadi Imaging Group was granted Pioneer Status for the production of Black Toners from 1 January 2001 until 31 December 2005. The Group will be applying for reinvestment allowance for the expansion of its fourth and fifth production lines.
- Eligibility for either the Pioneer Status or Investment Tax Allowance will be determined according to the priorities termed as "promoted activities" or "promoted products". In addition, the level of value-added, technology and industrial linkages will also be taken into consideration.
- All manufacturing companies that have been in operation for at least 12 months and incur qualifying capital expenditure to expand production capacity, modernise and upgrade production facilities, diversify into related products, and automate its production facilities can obtain a Reinvestment Allowance.
- Eligible manufacturers for Reinvestment Allowance are entitled to the following:
 - The Reinvestment Allowance is 60% of qualifying capital expenditure incurred by the company, and can be offset against 70% of its statutory income for the year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.
 - The Reinvestment Allowance will be given for a period of 15 consecutive years beginning from the year the first reinvestment is made. Companies can only claim upon completion of the qualifying project, for example after the building is completed or when the plant/machinery is put to operational use. Assets acquired for the reinvestment cannot be disposed during two years from the time of reinvestment.
- With regard to products for the export market, full exemption from import duty on raw materials/components is normally granted, provided the raw materials/components are not produced locally or, where they are produced locally, are not of acceptable quality and price.
(Source: Malaysian Industrial Development Authority).
- Jadi Imaging Technologies, a subsidiary of Jadi Imaging Group has been granted full exemption of import duties on the following raw materials:
 - Carbon Black until 27 July 2007;
 - Titanium Dioxide until 3 January 2008.

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- It is envisaged that the Group is likely to obtain an extension of the import duty exemption on Carbon Black and Titanium Dioxide that are used in the manufacturing of Toners as these are not produced locally. All the other raw materials used by the Group are not subjected to any import duties.

Trade Marks Act

- The Registrar of Trade Marks is the authority for the registration of trade marks in Malaysia. The registration of trade marks shall be valid for an initial period of ten years and renewable for periods of ten years thereafter.
- The Group has taken steps to protect its trademark in Malaysia by submitting an application for the registration of the trade mark of its logo to the Registrar of Trade Marks, Malaysia on 4 March 2004. Currently, the said application is still pending approval for registration.

Environmental Regulations

- The manufacturing of Toners does not generate any scheduled wastes. The only environmental issue faced by companies in the production of Toners is the control and disposal of Toner dust, which escapes into the air during the process of manufacturing.
- The prescribed limits of air impurities which includes smoke, soot, dust, ash, cinders, grit, solid particles of any kind inclusive of particulates and others that are emitted from manufacturing processes are governed by the Environmental Quality Act 1974 and Environmental Quality (Clean Air) Regulations 1978.
- However to minimise the dust, the Group has installed a dust filtration system to extract and collect the Toner dust to be disposed.
- Jadi Imaging Group has contracted Public Waste Disposal Services Sdn Bhd, an approved contractor to dispose the waste in the form of Toner dust.

6. SUPPLY AND SUPPLY DEPENDENCIES**6.1 Supply****Local Production**

- As Jadi Imaging Group is the only manufacturer of Toners in Malaysia, the following figures on local production will be based on the revenue of the company to represent the industry.
- Between 2001 and 2005, sales value of the manufacture of Toners in Malaysia grew at an average annual rate of 39.7%. In 2005, sales value of the manufacture of Toners in Malaysia grew by 25.0%, which amounted to RM44.8 million.

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- Between 2001 and 2005, production quantity of Toners in Malaysia grew at an average annual rate of 51.4%. In 2005, production quantity of Toners grew by 11.7% amounting to approximately 1,507 tonnes.

(Source: Jadi Imaging Group)

Imports

- Between 2000 and 2004, import value of Chemical Preparations for Photographic uses (including Toners) grew at an average annual rate of 29.8%.
- In 2004, the import value of Chemical Preparations for Photographic uses (including Toners) grew by 17.9% to reach approximately RM101.3 million.
- For the first ten months of 2005, import value of Chemical Preparations for Photographic uses (including Toners) declined by 49.2% compared to the same period in 2004.
- For the first ten months of 2005, import value of Chemical Preparations for Photographic uses (including Toners) amounted to RM47.3 million

(Source: Department of Statistics)

6.2 Supply Dependencies

- The major raw materials used in producing Toners are primarily resin and iron oxide. Both these materials constitute approximately 77% of total cost of raw materials used in the manufacturing of Toners.
- Resin accounts for the largest proportion of raw materials representing approximately 57% of the total cost of raw materials used in the manufacturing of Toners.

(Source: Jadi Imaging Group)

- Jadi Imaging Group imports the following types of resins for the manufacturing of Toners:
 - Styrene-acrylic;
 - Acrylonitrile;
 - Butylacrylate terpolymer.
- According to management, these types of resins are not produced locally and have to be sourced from overseas. However as resins are regarded as commodities, it is easily available from imports as a source of supply.
- Iron oxide, also technically known as magnetite, is the next largest raw materials used in the manufacturing of Toners. This type of raw material constitutes approximately 19% of total cost of raw materials *(Source: Jadi Imaging Group)*.
- Jadi Imaging Group imports 100% of its iron oxide from overseas. This is because there are no local manufacturers that produce the type of Iron Oxides that are specifically used in the production of Toners.

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- Other minor raw materials include:
 - metal complex dye;
 - wax;
 - carbon black;
 - fumed silica;
 - aluminium oxide;
 - zinc stearate.
- Malaysia may be a producer of resins, however these are mainly for use in the plastics industry. Some of these include:
 - polyvinyl chloride (PVC) resins;
 - polystyrene (PS) resins;
 - polyethylene (PE) resins;
 - polypropylene (PP) resins;
 - polyethylene terephthalate (PET) resins.
- Between 2000 and 2004, the manufacture of synthetic resins, plastic materials and man-made fibres except glass grew at an average annual rate of 12.1%. In 2004, the manufacture of synthetic resins, plastic materials and man-made fibres except glass reached RM8.9 billion (*Source: Department of Statistics Malaysia*).
- For the first nine months of 2005, the manufacture of synthetic resins, plastic materials and man-made fibres except glass grew by 26.9% compared to the same period in 2004. For the first nine months of 2005, the manufacture of synthetic resins, plastic materials and man-made fibres except glass amounted to RM7.9 billion (*Source: Department of Statistics Malaysia*).
- In 2004, the total consumption of resins in Malaysia was estimated at 1.6 million tonnes, of which approximately 60% were sourced locally. The remaining 40% of resins consumed in Malaysia were imported (*Source: Malaysian Plastics Manufacturers Association*).

7. DEMAND AND DEMAND DEPENDENCIES**7.1 Demand****Exports**

- As Jadi Imaging Group is the only manufacturer of Toners in Malaysia, the following figures on exports will be based on the export revenue of the company to represent the industry.
- Between 2001 and 2005, export value of Toners grew at an average annual growth rate of 42.3%. In 2005, export value of Toners grew by 25.2% to reach RM42.4 million.

(*Source: Jadi Imaging Group*)

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7.2 Demand Dependencies

- Demand dependencies for Toners are derived from the following:
 - User-industries including refillers and remanufacturers of Toner cartridges and refillers of Copier bottles;
 - End-consumers as ultimately Toners are the main materials used in laser printers, copiers and facsimile machines. Demand will also be dependent upon a wide cross section of end-users in the residential, commercial and industrial sectors;
 - Demand from the local and export markets.
- The following is an assessment of the performance of some of the performance of the exports markets that are of relevance to Jadi Imaging Group.

Performance of Selected Export Markets

- Ultimately economic performance of export countries will impact on demand for consumables such as Toners. As such, the following is an assessment of the economic performance of some of the export markets for Malaysian manufactured Toners:
 - In 2005, China's real GDP was projected to grow by 8.5% compared to a growth of 9.5% in 2004. In 2006, real GDP growth is projected to average around 8.0%. China's economy is continuing to be fuelled by domestic production and services.
 - In 2005, Ukraine's real GDP was projected to grow approximately 7.0%. In 2004, Ukraine's real GDP experienced a 7.1% growth and this was mainly prompted by favourable external demand, competitive cost structure, and domestic demand. In 2006, real GDP is projected to grow approximately 4.0%.
 - In 2005, Vietnam's real GDP was projected to grow about 7.2% compared to a growth of 7.7% in 2004. In 2006, real GDP is projected to grow about 7.0%.
 - In 2005, Indonesia's real GDP was projected to reach 5.5% compared to a growth of 5.1% in the previous year. However, real GDP is projected to grow at 6.0% by 2006.
 - In 2005, Brazil's real GDP was projected to reach 3.7% compared to a growth of 0.5% in the previous year. In 2006, real GDP is projected to grow at 3.5%.
 - In 2005, India's real GDP was projected to reach 7.1% compared to a growth of 7.3% in the previous year. In 2006, real GDP is projected to grow at 6.3%.

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- In 2005, Thailand's real GDP was projected to grow around 5.6% compared to a growth of 6.1% in the previous year. However the real GDP is projected to grow around 6.2% by 2006.
- In 2005, Singapore's real GDP was projected to grow around 3.9% compared to a growth of 8.4% in the previous year. However the real GDP is projected to grow around 4.5% by 2006.

(Source: International Monetary Fund)

8. COMPETITIVE CONDITIONS AND INTENSITY**8.1 Competitive Conditions**

- Manufacturers in the Toner Industry operate under **normal** competitive conditions.
- As with most free enterprise environments, competition is based on a number of factors, including:
 - Quality of products and services
 - Cost competitiveness
 - Prompt delivery schedules
 - Production capabilities and capacities

- Competition exists in both the local and global markets:

Competition within the Malaysian market

- Within the compatible Toner market, the only independent manufacturer (Jadi Imaging Group) in Malaysia would compete with imports of compatible Toners;
- Within the overall Toner Industry servicing end-users of office equipment, the only independent Toner manufacturer (Jadi Imaging Group) would compete with imports of compatible Toners and original brand Toners.

Competition within Overseas Market

- For the compatible Toner market, independent Toner manufacturers would compete with other independent Toner manufacturers;
- For the overall Toner Industry servicing end-users of office equipment, independent Toner manufacturers would compete with other independent Toner manufacturers and original brand Toners.

8.2 Competitive Intensity

- Within the compatible Toner market, competition in Malaysia is **moderate to high** and this is based on the following observations:

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Factors that Increases Competitive Intensity

- The primary competitive pressure comes from imports. There are approximately 160 Toner Cartridge refillers and remanufacturers in Malaysia. A very high proportion of them use imported Toners. Thus, the high number that uses imported Toners would place significant competitive pressure within the Toner compatible market in Malaysia (*Source: Primary Market Research undertaken by Vital Factor Consulting Sdn Bhd*).

Factors that Moderates Competitive Intensity

- There is only one independent manufacturer of compatible Toners in Malaysia (*Source: Primary Market Research undertaken by Vital Factor Consulting Sdn Bhd*).
- Manufacturers that are in the compatible Toner market must have the capabilities to undertake research and development (R&D) to formulate different types of Toners that are required for use in laser printers, copiers and facsimile machines. More importantly, manufacturers that continuously improve on the quality of Toners to meet the specifications and requirements of customers are in a stronger position to compete in the world market.
- The barriers to entry into the manufacture of Toners are high based on capital requirements (excluding land and building) whereby the start-up investment for a small sized manufacturing plant is approximately RM7 million for a single production line.
- Other factors that moderate competitive intensity for manufacturers of Toners are technical skills and proven track record. Manufacturers that have the technical skills and experience to continually improve on production efficiency and effectiveness, in addition to a strong proven track record, are more likely to be able compete effectively in the world market.

9. PLAYERS IN THE TONER INDUSTRY

- Jadi Imaging Group is the only independent manufacturer of Toners in Malaysia.

10. BARRIERS TO ENTRY

- Generally, barriers to entry into the Toner Industry are **high**. This is substantiated by the fact that in Malaysia, there is only one local producer of Toners (*Source: Primary Market Research undertaken by Vital Factor Consulting Sdn Bhd*).
- The main barrier to entry into the Toner Industry is the relatively high capital set-up cost required in the manufacturing of Toners.

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- Other barriers of entry include:
 - research and development in the formulation of Toners;
 - track record;
 - product quality;
 - technical skills in integration of production line.

Capital and Set-up Costs

- The barriers to entry into the manufacture of Toners based on capital requirements (excluding land and building) are **high**.
- The capital cost of setting-up a small-sized Toner manufacturing plant would be approximately RM7 million. This is only for one single production line focusing on producing one type of monochrome Toner. With this size of establishment, the maximum volume of output is estimated at approximately 350 tonnes per year. Revenue for this size of production is estimated at RM8 to RM10 million a year. (Source: Jadi Imaging Group).
- Capital costs would start to escalate for larger operations to enable greater economies of scale. Larger operations are necessary to meet the demands of export countries and to meet the requirements of customers for different types of Toners.

Research and Development in Formulation of Toners

- Formulation of Toners is another major contribution to barriers of entry. There are different types of formulations that are required for laser printers, copiers and facsimile machines. In addition, there are varying requirements within each model and type of office equipment.
- As Jadi Imaging Group focuses on producing compatible Toners for original brand office equipment, significant research and development and fine-tuning of the formulation is undertaken to ensure the following:
 - quality of the compatible Toners must match the standard of the original Toners;
 - the formulation of Toners achieve the desired properties or characteristics compatible to the model and type of office equipment;
 - ensuring that the production of particle size and shape are consistent and achieved the desired properties to meet hardware specifications.
- Some of the tests that are undertaken to determine the performance of Toners include:
 - print test to check on colour density and determine Toner performance;
 - melt-flow index to check on viscosity of Toner;
 - dielectric charges to measure conductivity and dissipation level;
 - temperature test to determine the melting point of individual Toner particles.
- Experience and expertise required in the formulation of Toners and this is supported by research and development to produce a Toner that is compatible with the original.
- This would pose major barriers to entry for new entrants into the Toner Industry.

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Track Record

- Track record also forms one of the barriers to entry for new entrants. It is unlikely that a new entrant without any track record will be able to compete effectively in this market.
- It will take some time for a new entrant to be established in the market before customers are willing to take them on as a supplier.
- As such, track record would pose barriers to entry for new entrants, which would find it difficult to gain immediate access into the market.

Product Quality

- As Toners are regarded as critical materials used in laser printers, copiers and facsimile machines, quality is a critical factor in the ability to continually secure sales orders. The success of an independent Toner manufacturer is to be able to produce compatible Toners that are equal if not exceed the quality of the Original Brands and ensure that it is suitable for the particular model of office equipment.
- The production of quality Toners is dependent on stringent production control and testing facilities to ensure that the particle size, shape and particle size distribution specifications meet customers' requirements. Ultimately a narrower and consistent particle size and particle shape distribution produce higher resolution images on paper.
- As such, operators that have stringent quality assurance programmes in place including ISO accreditation and the required testing facilities are in a stronger position to compete effectively.

Technical Skills in Integration of Production Line Equipment

- The skills and experience in integrating the production line equipment to optimise on efficiency and effectiveness in production processes and quality of products will pose a barrier to entry for new entrants.
- Although each type of machinery and equipment can be purchased separately, it will be difficult for a new entrant to set-up a production line and expect to produce Toners that are of acceptable quality to customers immediately.

11. BARRIERS TO EXIT

- Barriers to exit for the Toner Industry are **high**. This is because Jadi Imaging Group is the only manufacturer in the Toner Industry in Malaysia (*Source: Primary Market Research undertaken by Vital Factor Consulting Sdn Bhd*).

14. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT (Cont'd)**VITAL FACTOR CONSULTING**

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12. INDUSTRY PROSPECTS AND OUTLOOK

- The outlook of the Toner Industry is **favourable**.
- The following factors and observations in local production, import and export performances provide support for the favourable outlook.

Supporting Factors for Positive Growth**Local Production of Toners**

As there is no specific data available from the Department of Statistics on the local production of Toners in Malaysia, the audited revenue of Jadi Imaging Technologies Sdn Bhd (a subsidiary of Jadi Imaging Holdings Berhad) will be used to substantiate growth in the industry life-cycle.

In addition, as Jadi Imaging Technologies Sdn Bhd is the only manufacturer of Toners in Malaysia, the revenue of the company will be used to represent the industry.

- Between 2001 and 2005, sales value of the manufacture of Toners grew at an average annual rate of 39.7%. In 2005, sales value of the manufacture of Toners grew by 25.0% amounting to RM44.8 million.
- Between 2001 and 2005, production quantity of Toners in Malaysia grew at an average annual rate of 51.4%. In 2005, production quantity of Toners grew by 11.7% amounting to approximately 1,507 tonnes.

(Source: Jadi Imaging Group)

Imports of Toners

- Between 2000 and 2004, import value of Chemical Preparations for Photographic uses (including Toners) grew at an average annual rate of 29.8%. In 2004, the import value of such products grew by 17.9% to reach approximately RM101.3 million.
- Between 2000 and 2004, import quantity of Chemical Preparations for Photographic uses (including Toners) grew at an average annual rate of 15.4%.
- For the first ten months of 2005, import value of Chemical Preparations for Photographic uses (including Toners) declined by 49.2% compared to the same period in 2004. For the first ten months of 2005, import value of Chemical Preparations for Photographic uses (including Toners) amounted to RM47.3 million.

(Source: Department of Statistics)

14. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT (Cont'd)**VITAL FACTOR CONSULTING**

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Exports of Toners

As Jadi Imaging Technologies Sdn Bhd (a subsidiary of Jadi Imaging Group) is the only manufacturer of Toners in Malaysia, the export revenue of the company will be used to represent the industry.

- Between 2001 and 2005, export value of Toners grew at an average annual growth rate of 42.3%. In 2005, export value of Toners grew by 25.2% to reach RM42.4 million.

(Source: Jadi Imaging Group)

13. DRIVERS OF GROWTH

- Some of the drivers of growth for the Toner Industry are:
 - Economic growth and business expansion such as Gross Domestic Product growth and increase in business activities will inadvertently generate demand for office equipment such as printers, copiers and facsimile machines. This will in turn stimulate demand for Toners as a raw material. According to Bank Negara, the combination of strong domestic demand and exports has resulted in an overall growth in GDP of 5.3% in 2005.
 - Growth in end-user industry sectors including cartridge remanufacturers and refillers, and copier bottle refillers will inadvertently generate demand for Toners.
 - The Malaysian Government has been encouraging the growth of the Toner Industry through the provision of incentives on promoted activities or products under the Promotion of Investments Act 1986. The Government's efforts in nurturing the growth of this type of activities such as Toner manufacturing will fuel further developments in this sector.
 - Growth in export markets will also continue to generate demand for Toners.
 - Growth in the usage of internet for accessing information has also contributed to the increase in the use of printers. This will inadvertently stimulate the demand of Toners.

14. THREATS AND RISKS ANALYSIS**14.1 Dependency on the Supply of Raw Materials**

- Resin constitutes the largest proportion of raw materials used in the production of Toners. The main types of resin used in the production process includes:
 - Polyester resin;
 - Styrene-acrylic;
 - Acrylonitrile;
 - Butylacrylate terpolymer.

14. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT (Cont'd)**VITAL FACTOR CONSULTING**

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- As such any interruptions in the supply of the main raw materials will impact on the Toner Industry.

Mitigating Factors

- Although Malaysia is a producer of resins, only the general types of resins are produced locally. In 2004, approximately 40% of total consumption of resins in Malaysia is still sourced from imports (*Source: Malaysian Plastics Manufacturers Association*).
- It is therefore common for industries to import resins particularly those that are not available in Malaysia. There are no import duties or tariff on the import of the above types of resins.
- As resins are regarded as commodities, it can be easily sourced from overseas countries.

14.2 Fluctuations in Raw Materials Prices

- As resin is a commodity, the cost of sourcing this commodity as raw material for the production of Toners is subjected to fluctuations in world prices. This could impact on the margin of manufacturers.
- Fluctuations in raw material prices could also be caused by other external factors such as the recent increase in the price of crude oil, which has also impacted on the price of petrochemical products such as resin.

Mitigating Factors

- In most situations, increases in the price of raw materials are usually passed onto the customers. Manufacturers with strong financial stability are able to hold stocks of this raw material to cushion against fluctuations in prices.
- As this raw material is a commodity and therefore subjected to world prices, all manufacturers that use this material are equally affected.

14.3 Foreign Exchange Risk

- Fluctuations in foreign exchange rates will have an impact on the prices of imported raw materials as well as export earnings. This may have an impact on the profitability of operators within the Toner Industry.

Mitigating Factor

- As at 21 July 2005, the Malaysian Government removed pegging of the Ringgit to the US Dollar for a managed float system. This system is likely to minimise wide fluctuation in foreign exchange and provide some stability for those business transactions, which are in US Dollars.

14. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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14.4 Implementation of Asean Free Trade Area (AFTA)

- The reduction of import duties to 0% and 5% with the full implementation of AFTA through the Common Effective Preferential Tariff (CEPT) scheme may make imports competitive against locally manufactured products.
- CEPT is the mechanism by which tariffs on goods traded within the Asean region, which meet a 40% Asean content requirement have been reduced to the above-mentioned range of tariff since 2003 (2006 for Vietnam, 2008 for Laos and Myanmar).
- The import of Toners as classified under Other Chemical Preparations for Photographic Uses, is subject to an import duty of 5% (ASEAN CEPT) for ASEAN countries and a 20% import duty for non-ASEAN countries.

Mitigating Factors

- The following mitigating factors apply to manufacturers that focus primarily on the local market.
- New entrants into the Malaysian market upon the implementation of AFTA need to invest significant effort and time to develop and market their products to gain acceptance from local consumers. This provides some advantages to existing local players at least in the short to medium term.
- Local players with a strong market reputation, established track record, product development capabilities, large and diverse customer base and consistent product quality are in a better position to face the increased competitive pressure from the potential new players in the market.
- For manufacturers that focus on export markets, AFTA would provide opportunities to compete effectively in the global market.

14.5 Potential Loss of Customers

- Customers of independent Toner manufacturers producing compatible Toners are primarily wholesalers, importers, distributors and dealers of Toners, and Toner cartridge remanufactures and refillers.
- There are some buyers of compatible Toners that are involved in producing Toner cartridges that infringe on intellectual property rights and cases where the original brand owners have successfully taken legal actions against them.
- Although the independent Toner manufacturers do not have control over the final use of their compatible Toners, they may face potential loss of some direct or indirect customers from such prohibited activities, which may ultimately impact on the demand for their compatible Toners.

14. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

**VITAL FACTOR CONSULTING**

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Mitigating Factors

- The manufacture and sales of compatible Toners that are formulated by independent Toner manufacturers do not infringe on any intellectual property rights.
- Similarly independent manufacturers of compatible Toners do not set-out to supply remanufacturers that infringe on intellectual property rights. There is a large pool of legitimate Toner cartridge remanufacturers and refillers, which will continue to provide the demand for compatible Toners.
- In any case, the loss of demand for compatible Toners from remanufacturers that infringe on intellectual property rights are likely to be replaced by legitimate remanufacturers and refillers. As such, in the longer term, the net effect may be minimal.

14.6 Smart Chip Technology

- Lately some original brand owners of printers have incorporated smart chips into their Toner cartridges and Ink refills. Hewlett-Packard (HP), for example, has incorporated smart chips in their laser printer Toner cartridges that send out via radio frequency, messages to HP printers. Some of these messages include manufacturing date, serial number and to display 'Toner low'. The Printer is also able to detect non-genuine HP Toner cartridge and will display a message indicating "Non-HP cartridge detected".
- Most of Epson's printers currently come with a smart chip. The Epson printer will not work if the smart chip is not present.
- There is a risk that smart chip technology may be used widely in the future to enable only original brand Toner cartridges to be used. If this practice is widespread, it may impact on the demand for compatible Toners.

Mitigating Factors

- However original brand owners' attempt to use smart chip to prevent use of compatible Toners may be breaching anti-competitive laws in many countries. For example, in December 2002, the European Parliament banned the use of smart chips in ink refills that restrict consumers' ability to use compatible refills.
- In addition, compatible smart chips that are able to emulate original smart chips are already available from remanufacturers to be incorporated into remanufactured and refilled Toner cartridges.
- Currently Hewlett-Packard allows end-users the option to reset the printer and override the procedure, thereby allowing the printer to continue printing if they are using Toner cartridges other than the original.

14. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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15. AREAS OF GROWTH AND OPPORTUNITIES
Increasing Demand for Colour Toners

- The conventional laser printers and copiers mainly produce monochrome images, which consists of varying tones of black.
- However there is an increasing trend towards colour laser printers and its growth is driven by the decline in prices of this type of office equipment. Hence the introduction of colour laser printers would create demand for colour Toners. Colour laser printers would require the traditional monochrome Toner as well as additional colour Toners including cyan, magenta and yellow to form all the basic combination of colours.
- Manufacturers that have the capability to produce colour Toners would be in a strong position to address opportunities in this area.

16. CRITICAL SUCCESS FACTORS

- The critical success factors for manufacturers in the Toner Industry include:
 - **Quality of Products:** To ensure business sustainability, producers must be able to continually meet and deliver quality products that are compatible with the original brands of Toners. Those who adopt stringent controls in their production processes with adequate quality testing facilities and have attained internationally recognised accreditations, such as ISO 9001:2000 are in a better position to compete effectively in this area.
 - **Research and Development in Formulation of Toners:** This is key in ensuring that the compatible Toners meet with the quality specifications of customers and is suitable for use with the design and model of office equipment. Research and development is essential to provide manufacturers with a competitive edge, ensuring sustainability and long-term success in the market. Manufacturers with in-house research and development capabilities will be able to compete effectively in the global market.
 - **Established Track Record:** As Toner is the main consumable material used for laser printers, copiers and facsimile machines, customers must have some assurance of the quality of the products. As such, other than production capabilities, a reputable track record is required to continually secure new sales order.
 - **Financial Stability:** Manufacturers in a healthy financial position are more likely to retain and attract new customers. Potential customers would emphasise financial stability as a key criterion in the evaluation of a prospective supplier as they would not want any disruption in the supply of products. In addition, a financially strong manufacturer would be in a better position to upgrade its manufacturing capabilities, if necessary, to keep abreast with technology, changes in production or to meet future demand for increased capacity.

14. EXECUTIVE SUMMARY OF INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



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17. MARKET RANKING AND SHARE

- Jadi Imaging Group is the only manufacturer of compatible Toners in Malaysia. As such, market ranking and market share are not relevant in this perspective.

Vital Factor Consulting Sdn Bhd has prepared this report in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, secondary statistics and information, and primary market research. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibilities for the decisions or actions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the shares of any company.

Yours sincerely

Wong Wai Ling
Director

15. VALUATION CERTIFICATE



HENRY BUTCHER MALAYSIA

Date: 17 March 2006

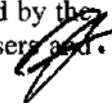
The Board of Directors
M/S. JADI IMAGING TECHNOLOGIES SDN BHD
No.1, Jalan Peguam U1/25A
Hicom-Glenmarie Industrial Park
40150 Shah Alam
Selangor Darul Ehsan

Dear Sirs

**REPORT AND VALUATION OF A THREE STOREY OFFICE WITH A SINGLE STOREY
FACTORY ANNEXE KNOWN AS NO.1, JALAN PEGUAM U1/25A, HICOM-GLENMARIE
INDUSTRIAL PARK, SECTION U1, 40150 SHAH ALAM, SELANGOR DARUL EHSAN**

This letter has been prepared for inclusion in the Prospectus of Jadi Imaging Holdings Berhad to be dated 27 March 2006 in relation to the initial public offering.

In accordance with the instructions from Jadi Imaging Technologies Sdn Bhd, we have valued the abovementioned property vide our valuation report bearing reference no. HB/SEL/8804/10/1696/AL – 134 dated 30 November 2004.

We confirm that we have valued the properties based on the Valuation Basis stated below. The valuations had been carried out in accordance with the Guidelines on Asset Valuations issued by the Securities Commission and the Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents Malaysia and with the necessary professional responsibility and due diligence. 

The basis of valuation is the Market Value as at 30 November 2004.

HENRY BUTCHER MALAYSIA (SEL) Sdn Bhd (495503-K)

No. 36-1, 2 & 3, Jalan SS 15/4D, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia.

tel : 603 5631 5555 fax : 603 5632 7155 email : hbllsel@pd.jaring.my

www.henrybutcher.com.my

valuation • marketing • consultancy • agency • management • plant & machinery

15. VALUATION CERTIFICATE (Cont'd)

In our opinion, we consider the Market Value of the following properties to be as follows:

Date of Valuation, Date of Inspection and Reference No	Registered Owner / Beneficial Owner	Property (Title Details)	Description	Land Area / Built-Up Area (square feet)	Tenure	Method of Valuation	Market Value for Existing Use
30 November 2004	Horsedale Development Berhad / Jadi Imaging Technologies Sdn Bhd	Held under Master Title No. 136183, Lot No. P.T. 1, Town of Glenmarie, District of Petaling, State of Selangor.	Three (3) storey office and single (1) storey factory annexe.	67,518 / 50,186	Freehold - Term in Perpetuity	Comparison Method and Investment Method	RM 8,500,000
30 November 2004 HB/SEL/8804/10 /1696/AL - 134	The subject property was transacted at RM 6,800,000 between Technitone (M) Sdn Bhd (the vendor) and Jadi Imaging Technologies Sdn Bhd (the purchaser) on June 23, 2000.	No.1, Jalan Peguam UI/25A, Hicom-Glenmarie Industrial Park, Section U1, 40150 Shah Alam, Selangor Darul Ehsan.	The new extensions which has yet to gain approval as at 30 November 2004 are the plant room, transformer room, switch board room and the dust collector area.				
						Total	RM 8,500,000

Yours faithfully

HENRY BUTCHER MALAYSIA (SEL) SDN BHD

TEW KOK HUAT
B.Surv., MIS(M) APEPS
Registered Valuer (V-481)

16. DIRECTORS' REPORT

JADI IMAGING HOLDINGS BERHAD (526319-P)

Registered Office:

No. 2-D (Ground Floor)
Jalan SS22/25
Damansara Jaya
47400 Petaling Jaya
Selangor Darul Ehsan

17 March 2006

The shareholders of Jadi Imaging Holdings Berhad

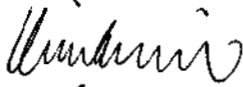
Dear Sir/Madam,

On behalf of the Board of Directors of Jadi Imaging Holdings Berhad ("Jadi Imaging" or the "Company"), I report after due and careful enquiry that during the period from 31 December 2005 (being the date to which the last audited financial statements of the Company and its subsidiary companies have been made up) to 20 March 2006 (being a date not earlier than fourteen days before the issuance of this Prospectus):

- (a) the business of Jadi Imaging and its subsidiary companies has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen since the last audited financial statements of the Company and its subsidiary companies which have adversely affected the trading or the value of the assets of the Company or its subsidiary companies;
- (c) the current assets of the Company and its subsidiary companies appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) there are no contingent liabilities by reason of any guarantees or indemnities given by the Company or its subsidiary companies;
- (e) since the last audited financial statements of the Company and its subsidiary companies, there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which we are aware of; and
- (f) since the last audited financial statements of the Company and its subsidiary companies, save as disclosed in the Accountants' Report and proforma consolidated balance sheets of Jadi Imaging as at 31 December 2005 enclosed in this Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of the Company and its subsidiary companies.

Yours faithfully,

For and on behalf of the Board of Directors
JADI IMAGING HOLDINGS BERHAD



Liew Kim Siong
Executive Chairman / Group Chief Executive Officer

No. 1, Jalan Peguam U1/25A, Seksyen U1, Hicom-Glenmarie Industrial Park
40150 Shah Alam, Selangor, Malaysia
Tel: (603) 7804 0333 Fax: (603) 7804 3268
E-mail: ksliew@jadi.com.my / hglim_corporate@jadi.com.my

17. BY-LAWS OF THE ESOS

1. DEFINITIONS

1.1 DEFINITIONS AND INTERPRETATION

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

"Act"	:	Companies Act 1965, and any amendments thereto
"Approved Transfer"	:	An approved reason for transfer of securities in accordance with the Rules of Bursa Depository
"Board"	:	The Board of Directors of Jadi Imaging
"By-Laws"	:	The terms and conditions of the Scheme as amended from time to time
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"CDS"	:	The Central Depository System
"CDS Account"	:	A 'CDS Account' as defined by Section 2(1) of the Central Depositories Act established by Bursa Depository for a depositor for the recording of deposits of securities and dealings in such securities by the depositor
"Central Depositories Act"	:	The Securities Industry (Central Depositories) Act, 1991 or any statutory modification, amendment or re-enactment thereof from time to time in force
"Date of Approval"	:	The date of receipt of written approval
"Date of Listing"	:	The date of listing of Jadi Imaging on the Second Board of the Bursa Securities
"Date of Offer"	:	The date of the written Offer (including any subsequent Offers) from the ESOS Committee to the Eligible Person to participate in the Scheme in accordance with the terms of the ESOS
"Eligible Person(s)"	:	An employee or a director of the Group who meets the criteria of eligibility for participation in the Scheme as set out in Clause 3 hereof
"Entitlement Date"	:	Means the date as at the close of business on which shareholders must be entered in the Record of Depositors with the Bursa Depository in order to participate in any dividends or other distributions
"Exercise Price"	:	The price at which the Grantee shall be entitled to subscribe for new Shares as set out in Clause 9 hereof
"ESOS Committee" or "Committee"	:	A committee duly authorised and appointed by the Board to administer the Scheme comprising a Director or Directors of the Company and other persons appointed from time to time by the Board
"Grantee"	:	Any Eligible Person of the Group who has accepted the Offer of an Option in accordance with the terms of the Scheme
"Jadi Imaging" or "the Company"	:	Jadi Imaging Holdings Berhad (Company No. 526319-P)

17. BY-LAWS OF THE ESOS (Cont'd)

“Jadi Imaging Group” or “Group”	:	Jadi Imaging and its subsidiary company(ies) within the meaning of Section 5 of the Act which are not dormant. Subsidiary companies include subsidiary companies existing as at the Date of Offer and subsidiary companies incorporated or acquired at any time during the Option Period.
“Listing Requirements”	:	Listing Requirements of Bursa Securities as varied or substituted from time to time issued by Bursa Securities
“LTL”	:	LTL Venture Holdings Sdn Bhd (Company No. 541307-M)
“Market Day”	:	Any day between Monday and Friday (inclusive) which is not a public holiday and on which Bursa Securities is open for trading of securities
“Maximum Allowable Allotment”	:	The maximum aggregate number of new Shares in respect of which Offers may be made to the Eligible Persons as provided in Clause 4 hereof
“Minimum Price”	:	A price not lower than the aggregate of the Exercise Price and Transaction Cost
“Nominee”	:	LTL or such other nominee appointed by the Company from time to time during the Option Period
“Offer”	:	A written offer made by the ESOS Committee to an Eligible Person of an Option to subscribe for new Shares in accordance with the terms of the ESOS
“Option”	:	The right of a Grantee to subscribe for a certain number of new Shares granted or to be granted and the contract constituted by an acceptance of an offer in the manner indicated in Clause 6 hereof pursuant to the Scheme
“Option Certificate”	:	The certificate issued by the Committee confirming the grant of the Option to an Eligible Person and the Exercise Price together with the number of Shares comprised in the Option
“Option Period”	:	The period commencing from the Date of Offer to a date not exceeding five (5) years or the expiry (including any extension or renewal thereof as provided in Clause 19 hereof) or termination of the Scheme as provided in Clause 18 hereof, whichever is earlier
“Persons Connected”	:	Persons connected as defined in paragraph 1.01 of the Listing Requirements
“RM”	:	Ringgit Malaysia
“Scheme” or “ESOS”	:	The Scheme for the grant of Options to the Eligible Persons to subscribe for new Shares on the terms as set out herein to be known as the “Jadi Imaging Holdings Berhad Employees’ Share Option Scheme”
“Selling Flexibility”	:	The arrangement under which LTL will allocate up to 67,500,000 Shares to facilitate the immediate selling by the Grantee who has exercised his Option during the Selling Flexibility Period in accordance with the Selling Flexibility Terms
“Selling Flexibility Period”	:	The period commencing one year after the Date of Listing until the expiry of the ESOS

17. BY-LAWS OF THE ESOS (Cont'd)

“Selling Flexibility Terms”	:	The terms and conditions of the Selling Flexibility as prescribed by the Group which will be furnished to the Grantee with the Offer
“Shares”	:	Ordinary share(s) of RM0.10 each in Jadi Imaging
“Transaction Cost”	:	All transaction costs relating to confirmed trade/sale order, including but not limited to the brokerage, commission, the clearing fees and contract stamp

1.2 In these By -Laws:

- (a) Any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision and any listing requirements, policies and/or guidelines of Bursa Securities (whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies and/or guidelines are addressed to by Bursa Securities);
- (b) Any reference to a statutory provision shall include that provision as from time to time modified or re-enacted whether before or after the date of these By-Laws so far as such modification or re-enactment applies or is capable of applying to any Options offered and accepted prior to the expiration of the Option Period and shall include also any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced;
- (c) Words importing the singular meaning where the context so admits include the plural meaning and vice versa;
- (d) Words of the masculine gender include the feminine genders and all such words shall be construed interchangeably in that manner;
- (e) Any liberty or power which may be exercised or any determination which may be made hereunder by the Committee may be exercised at the Committee’s discretion;
- (f) The headings in these By-Laws are for convenience only and shall not be taken into account in the interpretation of these By-Laws; and
- (g) If an event is to occur on a stipulated day, which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day.

2. QUANTUM

- 2.1 The maximum number of new Shares which may be made available under the Scheme shall not be more than fifteen per cent (15%) (or such other higher percentage as may be permitted by the relevant regulatory authorities from time to time) of the total issued and paid-up share capital of the Company at the point of time when an Offer is made. The Company shall during the Option Period keep available sufficient unissued Shares to satisfy all outstanding Options.

17. BY-LAWS OF THE ESOS (Cont'd)

- 2.2 Notwithstanding the above provision and any other provisions herein contained, in the event the maximum number of new Shares to be issued pursuant to the exercise of Options exceeds the aggregate of fifteen per cent (15%) of the total issued and paid-up share capital of the Company as a result of the Company purchasing its own Shares in accordance with the provision of Section 67A of the Act or undertaking any other corporate proposal and thereby reducing its issued and paid-up share capital, then all Offers and Options granted prior to the adjustment of the issued and paid-up share capital of the Company shall remain valid and exercisable in accordance with the provisions of the Scheme. However, no additional Options will be granted unless the number of Options that have been granted under the Scheme falls below fifteen per cent (15%) of the total issued and paid-up share capital of the Company.

3. ELIGIBILITY OF PARTICIPANTS TO THE SCHEME

- 3.1 Any employee shall be eligible to participate in the Scheme if, as at the Date of Offer, the person:
- (a) has attained the age of eighteen (18) years;
 - (b) has been confirmed and on the payroll of a company within the Group; and
 - (c) complies with such criteria that the Committee may decide at its absolute discretion from time to time.
- 3.2 Any director of the Group shall also be eligible to participate in the Scheme if at the Date of Offer, such director:
- (a) has attained the age of eighteen (18) years; and
 - (b) has been appointed as a director of a company within the Group for at least six (6) months.
- 3.3 The ESOS Committee may, at its discretion, nominate any employee (including executive and non-executive directors) of the Group to be an Eligible Person despite the eligibility criteria under Clause 3.1 and Clause 3.2 hereof are not met, at any time and from time to time.
- 3.4 Eligibility, however, does not confer on an Eligible Person a claim or right to participate in the Scheme unless an Offer has been made by the Committee to the Eligible Person in accordance with the terms of the Offer and the Scheme.

4. BASIS OF ALLOTMENT AND MAXIMUM ALLOWABLE ALLOTMENT

- 4.1 The number of new Shares that may be offered and allotted to any one of the Eligible Persons of the Group who is entitled to participate in the Scheme shall be at the discretion of the Board after taking into consideration the performance, seniority, number of years in service, employee grading and/or the potential contribution of the Eligible Person and/or such other factors as the Board deems fit, subject always to the following:
- (a) the number of Shares allocated, in aggregate, to Directors and Senior Management shall not exceed fifty percent (50%) of the total Shares available under the Scheme; and
 - (b) the number of Shares allocated to any individual Eligible Person who, either singly or collectively through Persons Connected with the Eligible Person, holds twenty percent (20%) or more in the total issued and paid-up capital of the Company shall not exceed ten percent (10%) of the total Shares available under the Scheme.

17. BY-LAWS OF THE ESOS (Cont'd)

4.2 In this By-Law, "Senior Management" shall be subject to such criteria as determined by the Board from time to time and which criterion and any changes thereto shall be made known to the Eligible Persons.

5. OFFER

5.1 Subject to Clauses 2 and 4 hereof, the Committee may at its discretion at any time and from time to time within the duration of the Scheme as specified in Clause 19 and as it shall deem fit make an Offer to any Eligible Person (based on the criteria of allocations as set out in Clause 3 herein) of an Option to subscribe for new Shares during the Option Period in accordance with the terms of the Scheme.

5.2 The actual number of new Shares which may be offered to an Eligible Person shall be at the discretion of the Committee, and subject to any adjustments that maybe made under Clause 13 hereof shall not be less than one hundred (100) Shares and shall always be in multiples of one hundred (100) Shares subject to the Maximum Allowable Allotment as set out in Clause 4.

5.3 Subject to Clauses 2 and 4 hereof, nothing herein shall prevent the Committee from making more than one Offer during the duration of the Scheme to an Eligible Person after the first Offer was made.

5.4 No Options will be offered to an Eligible Person who is a director of the Group or any employee who is a person connected with a director or substantial shareholder of the Company unless the specific allotment of Options to that said Eligible Person to participate in the Scheme shall have previously been approved by the Company in a general meeting.

5.5 Each Offer shall be made in writing and is personal to the Eligible Person to whom the Offer is made.

5.6 The Committee will in its letter of offer ("Offer Letter") to an Eligible Person set out (amongst others) the number of new Shares that may be subscribed for under the Offer, the Exercise Price, the closing date for acceptance of the Offer and the manner of exercise of the Options.

5.7 The Company shall keep and maintain at its expense a register of Grantees and shall enter in that register the names and addresses of the Grantees, the Maximum Allowable Allotment, the number of Options offered and accepted, the number of Options exercised, the Offer Date and the Exercise Price.

5.8 Without prejudice to Clause 16, in the event the Offer Letter contains an error on the part of the Company in stating any of the particulars in Clause 5.7 above, the Company shall issue a revised Offer Letter, stating the correct particulars of the Offer within 14 days of discovering such error and the revised particulars of the Offer shall take effect on the date of the revised Offer Letter except for Options which have already been exercised as at the date of the revised Offer Letter.

6. ACCEPTANCE OF THE OFFER

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

6.2 Within 30 calendar days after the close of an Offer (expiration of 30 calendar days from the Date of Offer) in accordance with the provisions of these By-Laws, the Committee shall issue to the Grantee an Option Certificate in such form as may be determined by the Committee.

17. BY-LAWS OF THE ESOS (Cont'd)

- 6.3 At the time of the acceptance of the Offer, the Eligible Person must elect to participate or not to participate in the Selling Flexibility during the Selling Flexibility Period. If the Eligible Person had elected to participate in the Selling Flexibility, then during the Selling Flexibility Period, all Options shall be exercised in the manner prescribed in the Selling Flexibility Terms. If the Eligible Person elects not to participate in the Selling Flexibility, then the Eligible Person shall not be entitled to exercise any Option under the Selling Flexibility during the Selling Flexibility Period.

7. NON-TRANSFERABILITY OF THE OPTION

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

8. RESTRICTION ON DEALINGS

- 8.1 An Eligible Person who is a non-executive director in the Group shall not sell, transfer or assign the Shares obtained through the exercise of the Option offered to him within one (1) year from the Date of Offer.
- 8.2 The Committee may at its discretion at any time and from time to time decide, impose restrictions on the exercise of all or any Options granted to a Grantee at such percentages as it may at its absolute discretion decide.

9. EXERCISE PRICE

- 9.1 The price at which a Grantee is entitled to subscribe for each new Share (which shall not be in any event lower than the par value of the Shares) shall be:
- (a) not less than the initial public issue price of the Shares (for Options that are granted prior to Jadi Imaging's listing on the Second Board of Bursa Securities); or
 - (b) based on the five (5)-day weighted average market price of the Shares at the time the Options are granted with a discount of not more than 10% if deemed appropriate by the ESOS Committee or such lower or higher limit in accordance with any prevailing guidelines issued by Bursa Securities or any other relevant authorities as amended from time to time (for Options that are granted after Jadi Imaging is listed on the Second Board of Bursa Securities).

10. EXERCISE OF OPTION

- 10.1 Subject to Clause 10.2, the Option granted to a Grantee is exercisable only by the Grantee, by notice in writing to the Company by the Grantee (or in such other manner as may be provided under the Selling Flexibility Terms), during his/her tenure of service whilst he/she is employed/appointed/retained for services by the Group subject to the provisions of Clauses 16 and 18 hereof. Subject to any extensions or renewals of the ESOS pursuant to Clause 19 hereof, no Option shall be exercised after the expiry of the Option Period. The Option may be exercised in respect of all or part of the new Shares which are the subject of the Option, such part being in multiples of 100 Shares and not less than 100 Shares. Such partial exercise of an Option shall not preclude the Grantee from exercising the Option for the balance Shares.

17. BY-LAWS OF THE ESOS (Cont'd)

- 10.2 The Committee may, at any time and from time to time before or after an Option is granted, limit the exercise of the Option to a maximum number of new Shares and/or such percentage of the total new Shares relevant to the Option during such periods (as determined by the Board or the Committee) within the Option Period and impose any other terms and/or conditions deemed appropriate by the Committee at its absolute discretion including amending/varying any terms and conditions imposed earlier.
- 10.3 Prior to the Selling Flexibility Period or if the Grantee has elected not to participate in the Selling Flexibility, every such notice referred to in Clause 10.1 to exercise the Option shall be accompanied by the relevant Option Certificate and a remittance in Ringgit Malaysia in the form of a banker's draft or cashier's order drawn and payable in the Federal Territory of Kuala Lumpur and/or Selangor Darul Ehsan for the full amount of subscription monies in relation to the number of new Shares in respect of which the written notice is given. The Grantee who exercises his Option shall provide the Committee with his CDS Account number in the notice referred to in Clause 10.1.
- 10.4 Prior to the Selling Flexibility Period or if the Grantee has elected not to participate in the Selling Flexibility, the Company shall, within ten (10) Market Days of receiving such notice referred to in Clause 10.3 with full payment, allot and issue the relevant number of new Shares and dispatch notice of allotments to the Grantee subject to the provisions of the Articles of Association of the Company. The new Shares will be credited directly into the CDS Account of the Grantee and no physical share certificates will be issued.
- 10.5 If the Grantee had elected to participate in the Selling Flexibility during the Selling Flexibility Period and the Selling Flexibility had not been terminated, the manner of exercise of Options shall be on the terms set out in Clause 30.
- 10.6 All Options to the extent that they have not been exercised upon the expiry of the Option Period shall lapse and have no further effect.
- 10.7 In the event of a takeover offer being made for the Company through a take-over or otherwise and such offer becoming or being declared unconditional, the Grantee shall be entitled within six (6) months of the date on which such offer becomes or is declared unconditional to exercise in full or in part all or any Options as yet unexercised provided that if during such period of six (6) months from the date on which such offer becomes or is declared unconditional, the person making the offer becomes entitled or bound to exercise rights of compulsory acquisition of the Shares under the provisions of the Securities Commission Act, 1993 or the Act, and gives notice to the Grantee that it intends to exercise such rights on a specific date, the Option shall remain exercisable by the Grantee until the expiry of such specified date.

In the foregoing circumstances if the Grantee elects to exercise the Option only in respect of a portion of such Shares, then the Option in relation to the balance thereof shall automatically lapse and shall thereafter be null and void.

- 10.8 In the event that a Grantee is subject to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service) the Committee shall have the right, at its discretion, to suspend the exercise of the Option pending the outcome of such disciplinary proceedings. The Committee may impose such terms and conditions as the Committee shall deem appropriate having regard to the nature of the charges made or brought against the Grantee PROVIDED ALWAYS THAT:
- (a) in the event that such Grantee shall subsequently be found to be not guilty of the charges which give rise to such disciplinary proceedings, the Committee shall reinstate the rights of such Grantee to exercise his Option as if such disciplinary proceeding had not been instituted in the first place;

17. BY-LAWS OF THE ESOS (Cont'd)

- (b) in the event the disciplinary proceedings result in a recommendation for the dismissal or termination of service of such Grantee, the Option shall immediately lapse and be null and void and of no further force and effect upon pronouncement of the dismissal or termination of service of such Grantee notwithstanding that such recommendation may be subsequently challenged by the Grantee in any other forum; and
- (c) in the event such Grantee is found guilty but no dismissal or termination of service is recommended, the Committee shall have the right to determine at its discretion whether or not the Grantee may continue to exercise his Option and if so, to impose such limits, terms and conditions as it deems appropriate, on such exercise.

11. RIGHTS ATTACHING TO SHARES

- 11.1 The new Shares to be allotted and issued upon any exercise of Options shall, upon allotment and issue, rank *pari passu* in all respects with the then existing issued and paid-up Shares for any dividends or other distributions, if the date of allotment is on or before the Entitlement Date and subject to all the provisions of the Articles of Association of the Company.

12. QUOTATION OF SHARES

- 12.1 The new Shares referred to in Clause 2 hereof shall not be allotted to the Grantee until the Option is exercised in accordance with Clause 10 hereof and upon such exercise under Clause 10.4 or Clause 10.5 of the Option the Company shall apply to Bursa Securities within the stipulated time frame as prescribed under the Listing Requirements for the listing of and quotation for such new Shares and shall use its best endeavour to obtain such approval.

13. ALTERATION OF SHARE CAPITAL DURING THE OPTION PERIOD

- 13.1 In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of capitalisation of profit or reserves, rights issue, bonus issue, reduction, subdivision or consolidation of capital or any other variations of capital, or otherwise howsoever arising, corresponding adjustments (if any) shall be made either in the number of new Shares comprised in the Option so far as unexercised and/or the Exercise Price in such manner as the Committee may decide Provided That:
 - 13.1.1 the adjustment other than arising from a bonus issue must be confirmed in writing by the external auditors for the time being of the Company to be in their opinion (acting as experts and not as arbitrators) fair and reasonable;
 - 13.1.2 any adjustment to the Exercise Price shall be rounded up to the nearest one (1) sen;
 - 13.1.3 no adjustment to the Exercise Price shall be made which would result in the new Shares being issued at a discount to the par value of the Shares and if such an adjustment would but for this provision have so resulted, the Exercise Price payable for such new Shares shall be the par value of the Shares;
 - 13.1.4 the adjustment shall give the Grantee the right to subscribe to the same proportion of the issued and paid-up share capital of the Company after the alteration as that to which he was entitled under the Option before the alteration; and
 - 13.1.5 any adjustments made must be in compliance with the provisions for adjustments as provided in these By-Laws.

17. BY-LAWS OF THE ESOS (Cont'd)

The adjustment pursuant to this Clause shall be made in accordance with the formulae as set out in the "First Schedule" attached to these By-Laws and on the day immediately following the Entitlement Date for the event giving rise to the adjustment.

- 13.2 Notwithstanding By-Law 13.1, no adjustment shall be made pursuant to the alteration in the capital structure of the Company which arises from:
- 13.2.1 an issue of securities in consideration or part consideration of an acquisition of securities, asset or business by the Company;
 - 13.2.2 a private placement or restricted issue of new Shares by the Company;
 - 13.2.3 a special issue of new Shares to Bumiputra investor(s) approved by the Ministry of International Trade and Industry, Malaysia and/or any other relevant government authority;
 - 13.2.4 any issue of new Shares arising from the exercise or conversion of warrants, convertible loan stocks or other instruments by the Company;
 - 13.2.5 implementation of a share buy-back arrangement by the Company under Section 67A of the Act; or
 - 13.2.6 an issue of new Shares arising from the exercise of Options under the Scheme.
- 13.3 The Committee shall within 14 calendar days notify the Grantee (or his legal personal representatives where applicable) in writing of any adjustments made pursuant to this By-Law.
- 13.4 In the event that a fraction of a new Share arising from the adjustments referred to in By-Law 13.1 would otherwise be required to be issued upon the exercise of an Option by the Grantee, the Grantee's entitlement shall be rounded down to the nearest whole number of new Shares.
- 13.5 Notwithstanding the provisions in this By-Law 13, in any circumstances where the Board considers that adjustments to the Exercise Price and/or the number of new Shares comprised in the Options so far as unexercised as provided for hereunder should not be made or should be calculated on a different basis or different date, the Company may appoint an external auditor to consider whether for any reasons whatsoever (to the extent permissible by the Listing Requirements or any other relevant regulations) the adjustment calculation or determination to be made (or the absence of an adjustment calculation or determination) is appropriate or inappropriate as the case may be. If such external auditor shall consider the adjustment calculation or determination to be inappropriate, the adjustment shall be modified or nullified (or an adjustment calculation or determination made even though not required to be made) in such manner as may be considered by such external auditor to be appropriate.
- 13.6 If the Board and the external auditor are unable to agree upon any adjustment required under these provisions, the Board shall refer the adjustment to the decision of another external auditor acting as expert and not arbitrator and whose decision as to such adjustment shall be final and conclusive.
- 13.7 In making any adjustment hereunder, the external auditor shall be deemed to be acting as experts and not as arbitrators and, in the absence of manifest error, their decision shall be conclusive and binding on all persons having an interest in the Options.

17. BY-LAWS OF THE ESOS (Cont'd)

14. ADMINISTRATION

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

15. AMENDMENTS AND/OR MODIFICATION TO THE SCHEME

- 15.1 Subject to compliance with the requirements of Bursa Securities and any other relevant authorities, the Board shall have the power at any time and from time to time by resolution to amend, at the recommendation of the Committee, all or any of the provisions of the Scheme. However, no such amendment shall be made which would alter the advantage of any Grantee in respect of matters prescribed under Appendix 6F of the Listing Requirements of Bursa Securities, without the prior approval of the Company in general meeting where such approval is required by applicable laws.

16. DIVESTMENT FROM THE GROUP

- 16.1 If a company in the Group is subsequently divested and ceases to be a subsidiary of the Company, then an Eligible Person who is in the employment of the company so divested:
- (a) shall notwithstanding such divestment and subject to the provisions of Clause 10 hereof and subject further to the approval of the Committee, be entitled to exercise the Options which he is entitled to exercise for that year in which the divestment takes place within a period of one (1) month from the date of such divestment failing which such Options together with all other Options, the exercise of which is not due, shall automatically lapse and be null and void and of no further effect except that any Shares in respect of unexercised Options hereunder may be offered to other Eligible Persons at the discretion of the Committee; and
 - (b) shall not be eligible to participate in further Options under the Scheme.

17. ADDITION TO THE GROUP

- 17.1 In the case of an employee who is in the employment of a new company which subsequently becomes a subsidiary of the Group as a result of a restructuring or acquisition exercise or other exercise involving Jadi Imaging and/or any company within the Group, that employee (hereinafter referred to as "**New Employee**") when his employment is confirmed and provided that all conditions of these By-Laws are satisfied, shall at the discretion of the Committee be eligible to participate in the Scheme.
- 17.2 Notwithstanding anything herein contained:
- (a) The ESOS Committee shall have the discretion at any time and from time to time to extend the benefit of the Scheme to any New Employee who is not an Eligible Person and deem such New Employee to be an Eligible Person for the purposes of the Scheme; and
 - (b) where the New Employee has participated in an employees' share option scheme in the new company, the ESOS Committee has the discretion to offer Options under the Scheme.

17. BY-LAWS OF THE ESOS (Cont'd)

17.3 Where a Grantee is transferred from Jadi Imaging to a company related to the Group as defined in Section 6 of the Act (a company which does not fall within the definition of “**Jadi Imaging Group**” as defined in Clause 1 hereof) or an associated company (hereinafter referred to as “**Subsequent Company**”), the following shall be applicable:

- (a) notwithstanding such transfer and subject to the provisions of Clause 10 hereof and subject further to the approval of the Committee, be entitled to exercise the Options which he is entitled to exercise for that year in which the transfer takes place within a period of three (3) months from the date of such divestment failing which such Options together with all other Options, the exercise of which is not due, shall automatically lapse and be null and void and of no further effect except that any Shares in respect of unexercised Options hereunder may be offered to other Eligible Persons at the discretion of the Committee; and
- (b) shall not be eligible to participate in further Options under the Scheme.

18. TERMINATION OF THE OPTION

18.1 In the event of the death or termination of employment of a Grantee with the Group for whatever reason prior to the exercise of the Option, such Option shall forthwith cease without any claim against the Company. The Shares in respect of such Option may be re-offered to other Eligible Persons at the discretion of the Committee, provided always that subject to the written approval of the ESOS Committee in its discretion:

- (a) where the Grantee dies before the expiry of the Option Period and at the date of his/her death held an unexercised Option, such Option may be exercised by the personal representative(s) of the Grantee within the Option Period or within a period of 6 months from the date of his death; or
- (b) where the employment of the Grantee with the Group is terminated by reason of:
 - (i) his/her retirement at or after attaining normal retirement age;
 - (ii) retirement before that age with the consent of the Committee;
 - (iii) ill-health or accident; or
 - (iv) other circumstances which are acceptable to the ESOS Committee;

he/she may exercise his/her unexercised Option within the Option Period.

18.2 The Option shall immediately become void and of no effect on the bankruptcy of the Grantee or if disciplinary action is taken on the Grantee subject to Clause 10.8 hereof.

18.3 In the event of the liquidation of the Company, all Options to the extent that they are then unexercised shall cease.

18.4 Any Options which have been offered by the Committee but have not been accepted in the manner prescribed in Clause 6 hereof due to the Grantee's death or cessation or termination of employment with the Group, as the case may be, shall become void and of no effect.

17. BY-LAWS OF THE ESOS (Cont'd)

19. DURATION OF THE SCHEME

- 19.1 The Scheme shall continue to be in force for a period of five (5) years from the Effective Date. For the purposes of this By-Law, “**Effective Date**” means the date of full compliance with all relevant requirements prescribed under the Listing Requirements of Bursa Securities for the implementation of the Scheme.

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

- 19.2 Subject to compliance with the requirements of the relevant authorities and the written consent of the Option holders who have yet to exercise their Options, either in part or in whole, the Company in general meeting may, by ordinary resolution passed by the shareholders of the Company, terminate the continuation of this Scheme at any time and in such an event no further Offers shall be made by the ESOS Committee from the date of such resolution and all Offers outstanding but not accepted by the Eligible Persons at the date of the said resolution and the Options as yet unexercised or partially exercised shall be deemed to be terminated at the date of such resolution.
- 19.3 Subject to compliance with the requirements of the relevant authorities, the Company may establish a new employee share option scheme upon expiry or termination of the Scheme.

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

- 20.1 Notwithstanding Clause 10 hereof and subject to the discretion of the Committee, in the event of the court sanctioning a compromise or arrangement between the Company and its members proposed for the purpose of, or in connection with, a scheme of arrangement and reconstruction of the Company under Section 176 of the Act, or its amalgamation with any other company or companies under Section 178 of the Act, a Grantee shall be entitled to exercise all or any part of his Option at any time commencing from the date upon which the compromise or arrangement is sanctioned by the court and ending with the date upon which it becomes effective PROVIDED ALWAYS THAT no Option shall be exercised after the expiry of the Option Period.

21. DISPUTES

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

22. COMPENSATION

- 22.1 The Scheme shall afford a Grantee no additional right to compensation or damages in consequence of the termination of his/her employment or appointment for any reason whatsoever. No Eligible Person or Grantee or his legal/personal representative shall bring any claim, action or proceeding against the Company or the ESOS Committee or any party for compensation, loss or damages whatsoever and howsoever arising from the suspension of his rights to exercise his Option or his Option ceasing to be valid pursuant to the provisions of these By-Laws, as may be amended from time to time in accordance with Clause 15 hereof.

17. BY-LAWS OF THE ESOS (Cont'd)

23. TAXES

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

24. COSTS AND EXPENSES

- 24.1 Subject to Clause 23 hereof all costs and expenses incurred in relation to the ESOS including but not limited to fees, costs and expenses relating to the allotment and issue of new Shares pursuant to the exercise of any Option shall be borne by the Company.

25. RETENTION PERIOD

- 25.1 Subject to Clause 8 hereof, a Grantee may deal with the new Shares allotted and issued to him in any way he pleases. Grantees should note that the new Shares are intended for them to hold as an investment rather than for realisation to yield immediate profit and will not be subjected to any retention period.

26. SCHEME NOT A TERM OF EMPLOYMENT OR APPOINTMENT

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

27. ARTICLES

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

28. DISCLAIMER OF LIABILITY

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

29. GENERAL

- 29.1 Unless otherwise determined by the ESOS Committee, an Eligible Person can only participate in one employee share option scheme implemented by any company in the Group at any one time.

17. BY-LAWS OF THE ESOS (Cont'd)

30. SELLING FLEXIBILITY

30.1 In conjunction with this Scheme, Jadi Imaging had arranged with LTL and LTL has agreed to provide Selling Flexibility during the Selling Flexibility Period, the terms of which are as follows:

- (a) LTL will set aside a pool of shares into a CDS Account with the Nominee;
- (b) Grantee may elect to participate in the Selling Flexibility during the Selling Flexibility Period;
- (c) Grantee may elect not to participate in the Selling Flexibility during the Selling Flexibility Period;
- (d) If the Grantee has elected to participate in the Selling Flexibility during the Selling Flexibility Period, upon exercising his Options the Grantee must give an exercise notice to the Company containing an irrevocable authorisation and instruction for the Nominee to sell the Shares at any price not lower than the Minimum Price ("Sale Price");
- (e) Upon receipt of the exercise notice, the Nominee must sell the Shares at the Sale Price;
- (f) On receipt of confirmation of a sale order of the Shares at the Sale Price ("Sale Date"), the Nominee shall transfer the Shares via Approved Transfer equivalent to the Options exercised from LTL's CDS Account with the Nominee to the Grantee's CDS Account with the same Nominee no later than 12.30 p.m. on the 2nd Market Day following the Sale Date or within such time period as to ensure that the Shares shall be transferred to the purchaser's CDS Account and vested in him within the time period provided under the trading rules of Bursa Securities;
- (g) proceeds from all disposals will be received by the Nominee. The Nominee shall deduct the Transaction Cost, release the Exercise Price to the Company and release the balance of such proceeds (if any) to the Grantee.
- (h) upon receipt of the Exercise Price from the Nominee, the Company shall allot and issue such new Shares in accordance with the provisions of the Company's Articles of Association, the Central Depositories Act and the Rules of Bursa Depository to the Grantee, despatch the notice of allotment and make an application for the listing of and quotation for the new Shares within the time period as may be prescribed by Bursa Securities and transfer these Shares back to LTL via Approved Transfer; and
- (i) if any of the Shares cannot be sold within the period allowed or specified, the Option for those Shares shall be deemed not to be exercised by the Grantee, and therefore shall be capable of being exercise by the Grantee at a later date.

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17. BY-LAWS OF THE ESOS (Cont'd)

FIRST SCHEDULE**(ADJUSTMENT TO THE EXERCISE PRICE AND/OR THE NUMBER OF SHARES)**

The Exercise Price and/or the number of Shares to be comprised in an Option in respect of the right to subscribe for new Shares so far as unexercised to which a Grantee may be entitled shall from time to time be adjusted, calculated or determined by the Committee and must be confirmed in writing by the external auditors (other than adjustments made pursuant to bonus issues) for the time being of the Company (acting as experts and not as arbitrators) in accordance with the following relevant provisions:

- (a) If and whenever a Share by reason of any consolidation or subdivision or conversion shall have a different par value, the Exercise Price and the additional Shares comprised in the Options so far as unexercised ("Additional Shares Under Option") shall be adjusted, calculated or determined in the following manner:

$$\text{New Exercise Price} = S \times \left[\frac{\text{Revised par value for each Share}}{\text{Original par value for each Share}} \right]$$

$$\text{Additional Shares Under Option} = T \times \left[\frac{\text{Original par value for each Share}}{\text{Revised par value for each Share}} \right] - T$$

where:

S - Existing Exercise Price; and

T - Existing number of Shares comprised in the Option in respect of the right to subscribe for new Shares so far as unexercised

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

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

$$\text{New Exercise Price} = S \times \left[\frac{A}{A + B} \right]$$

whilst the Additional Shares Under Option shall be calculated in the following manner:

$$\text{Additional Shares Under Option} = T \times \left[\frac{A + B}{A} \right] - T$$

Where:

A = The aggregate number of issued and fully paid-up Shares on the entitlement date (namely the date as at the close of business on which shareholders must be registered in order to be entitled to any dividends, rights, allotments or other distributions) immediately before such capitalisation issue;

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

17. BY-LAWS OF THE ESOS (Cont'd)

S = S in paragraph (a) above; and

T = T in paragraph (a) above

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

(c) If and whenever the Company shall make:

- (1) a Capital Distribution (as defined below) to shareholders whether on a reduction of capital or otherwise (save and except any capital reduction involving the cancellation of capital which is lost or unrepresented by available assets); or
- (2) any offer or invitation to shareholders whereunder they may acquire or subscribe Shares by way of rights; or
- (3) any offer or invitation to shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into Shares or securities with rights to acquire or subscribe for Shares,

then and in any such case, the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = S \times \left[\frac{C - D}{C} \right]$$

Where:

S = S in paragraph (a) above;

C = The Current Market Price (as defined in paragraph (h) below) of one (1) Share on the Market Day immediately preceding the date on which the Capital Distribution, or as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement), immediately preceding the date of announcement of the entitlement date of the Capital Distribution or, as the case may be, of the offer or invitation; and

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

(bb) in the case of any other transaction falling within this paragraph (c), the fair market value, as determined the Company in consultation with the external auditors of the Company, of that portion of the Capital Distribution attributable to one (1) Share

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

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

17. BY-LAWS OF THE ESOS (Cont'd)

Where:

- C = C in this paragraph (c);
- E = The subscription consideration for one (1) additional Share under the terms of such offer or invitation to acquire or subscribe for Shares, the conversion value paid for conversion into one (1) additional Share, or the exercise price paid in connection with the rights to acquire or subscribe for one (1) additional Share; and
- F = The number of Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or security convertible into one (1) additional Share or right to acquire or subscribe for one (1) additional Share

In the case of paragraphs (c)(2) and (c)(3) above, the Additional Shares Under Option shall be calculated as follows:

$$\text{Additional Shares Under Option} = T \times \left[\frac{C}{C - D^*} \right] - T$$

Where:

- T = T in paragraph (a) above;
- C = C in this paragraph (c); and
- D* = the "value of the rights attributable to one (1) Share" (as defined below)

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

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

Where:

- C = C in this paragraph (c);
- E* = the subscription consideration for one (1) additional Share under the terms of such offer or invitation to acquire or subscribe for Shares; and
- F* = the number of Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share

For the purpose of this paragraph (c), "Capital Distribution" shall (without prejudice to the generality of that expression) include distributions in cash or specie (other than dividends) or by way of issue of Shares or other securities (other than an issue falling within paragraph (b) above) credited as fully or partly paid up by way of capitalisation of profits or reserves (whether of a capital or income nature and including any share premium account or capital redemption reserve fund). Any dividend charged or provided for in the accounts of any period or made shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the ordinary shareholders as shown in the audited consolidated profit and loss accounts of the Company.

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

17. BY-LAWS OF THE ESOS (Cont'd)

- (d) If and whenever the Company makes any allotment to its ordinary shareholders as provided in paragraph (b) above and also makes any offer or invitation to its ordinary shareholders as provided in paragraph (c)(2) or paragraph (c)(3) above and the entitlement date for the purpose of the allotment is also the entitlement date for the purpose of the offer or invitation, the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = S \times \left[\frac{(G \times C) + (H \times I)}{(G + H + B) \times C} \right]$$

and in respect of each case referred to in paragraph (b) and paragraph (c)(2) above, the Additional Shares Under Option shall be calculated in the following manner:

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

Where:

- G = The aggregate number of issued and fully paid-up Shares on the entitlement date;
- C = C in paragraph (c) above;
- H = The aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into Shares or securities with rights to acquire or subscribe for Shares, as the case may be;
- H* = The aggregate number of Shares under an offer or invitation to acquire or subscribe for Shares by way of rights;
- I = The subscription consideration for one (1) additional Share under an offer or invitation to acquire or subscribe for Shares or the exercise price on conversion of securities or exercise of such rights to acquire or subscribe for one (1) additional Share, as the case may be;
- I* = The subscription consideration for one (1) additional Share under the offer or invitation to acquire or subscribe for Shares;
- B = B in paragraph (b) above;
- S = S in paragraph (a) above; and
- T = T in paragraph (a) above.

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

- (e) If and whenever the Company makes any offer or invitation to its shareholders to acquire or subscribe for Shares as provided in paragraph (c)(2) above together with an offer or invitation to acquire or subscribe securities convertible into Shares or securities with rights to acquire or subscribe for Shares as provided in paragraph (c)(3) above, the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = S \times \left[\frac{(G \times C) + (H^* \times I^*) + (J \times K)}{(G + H^* + J) \times C} \right]$$

and the Additional Shares Under Option shall be calculated in the following manner:

$$\text{Additional Shares Under Option} = T \times \left[\frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

17. BY-LAWS OF THE ESOS (Cont'd)

Where:

G = G as in paragraph (d) above;

C = C as in paragraph (c) above;

H* = H* as in paragraph (d) above;

I* = I* as in paragraph (d) above;

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

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

S = S in paragraph (a) above; and

T = T in paragraph (a) above

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the day next following the entitlement date for the above transaction.

- (f) If and whenever the Company makes an allotment to its ordinary shareholders as provided in paragraph (b) above and also makes an offer or invitation to acquire or subscribe for Shares to its ordinary shareholders as provided in paragraph (c)(2) above together with rights to acquire or subscribe for securities convertible into or with rights to acquire or subscribe for Shares as provided in paragraph (c)(3) above and the entitlement date for the purpose of the allotment is also the entitlement date for the purpose of offer or invitation, the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = S \times \left[\frac{(G \times C) + (H^* \times I^*) + (J \times K)}{(G + H^* + J + B) \times C} \right]$$

and the Additional Shares Under Option shall be calculated in the following manner:

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

Where:

G = G as in paragraph (d) above;

C = C as in paragraph (c) above;

H* = H* as in paragraph (d) above;

I* = I* as in paragraph (d) above;

J = J as in paragraph (e) above;

K = K as in paragraph (e) above;

B = B as in paragraph (b) above;

S = S in paragraph (a) above; and

T = T in paragraph (a) above

17. BY-LAWS OF THE ESOS (Cont'd)

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the day next following the entitlement date for the above transaction.

- (g) If and whenever (otherwise than pursuant to a rights issue available to all shareholders alike and requiring an adjustment under paragraphs (c)(2), (c)(3), (d), (e) or (f) above), the Company shall issue either any Shares or any securities convertible into Shares or with rights to acquire or subscribe for Shares, and in any such case, the Total Effective Consideration per Share (as defined below) is less than ninety per cent (90%) of the Average Price (as defined below) or, as the case may be, the price at which the Shares will be issued upon conversion of such securities or exercise of such rights is determined, then the Exercise Price shall be adjusted in the following manner:

$$\text{New Exercise Price} = S \times \left[\frac{L + M}{L + N} \right]$$

Where:

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

For the purposes of this paragraph (g), the "Total Effective Consideration" shall be as determined by the Directors of the Company in consultation with the external auditors and shall be:

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

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

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

Such adjustment will be effective (if appropriate, retroactively) from the the close of the Market Day immediately preceding the date on which the aforesaid Shares, or securities convertible into Shares or securities with rights to acquire or subscribe for Shares are issued, as the case may be.

17. BY-LAWS OF THE ESOS (Cont'd)

- (h) For the purpose of paragraphs (c), (d), (e) and (f), the "Current Market Price" in relation to one (1) Share for any relevant day shall be the weighted average market price for the five (5) consecutive Market Days before such date or during such other period as may be determined in accordance with any guidelines issued, from time to time, by the Securities Commission.
- (i) The foregoing provisions on adjustment of the Exercise Price and the number of Shares comprised in the Option shall be subject to the following:
- (i) on any such adjustment the resultant Exercise Price shall be rounded up to the nearest one (1) sen and in no event shall any adjustment (otherwise than upon the consolidation of Shares into Shares of larger par value) involve an increase in the Exercise Price or reduce the number of Shares comprised in the Option so far as unexercised to which the Grantee is already entitled to;
 - (ii) no adjustment shall be made to the Exercise Price in any case in which the amount by which the same would be reduced in accordance with the foregoing provisions of "would be less than one (1) sen or the number of Shares comprised in the Option so far as unexercised is less than one (1) Share and any adjustment that would otherwise be required then to be made will not be carried forward;
 - (iii) if an event giving rise to any such adjustment shall be capable of falling within any two or more of paragraphs (a) to (g) in this "First Schedule" (both inclusive) or if such event is capable of giving rise to more than one adjustment, the adjustment shall be made in such manner as the Board may agree and confirmed in writing by the external auditors of the Company; and
 - (iv) if for any reason an event giving rise to an adjustment to the Exercise Price and/or the number of Shares comprised in the Option so far as unexercised to which a Grantee may be entitled to is cancelled, revoked or not completed, the adjustment shall not be required to be made or shall be reversed with effect from such date and in such manner as the Directors of the Company and the external auditors or the Company may agree.

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