

12. ACCOUNTANTS' REPORT (cont'd)



8. SUMMARISED BALANCE SHEET

8.1 UMSN

The summarised balance sheets of UMSN based on its audited financial statements for the Relevant Financial Period are as follows:-

	As at 31 December	
	2004 RM'000	2005 RM'000
Non current assets	-	34,317
Current assets	^	1,587
Current liabilities	10	2,386
Net current liabilities	(10)	(799)
	(10)	33,518
Represented by:-		
Share capital	^	33,393
Accumulated losses	(10)	125
Shareholders' equity	(10)	33,518
Number of ordinary shares of RM0.50 each in issue ('000)	#	66,785
(Net liabilities)/Net tangible assets ("NTA") per share (RM)	(50)	0.50

^ - RM100

200 shares

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8. SUMMARISED BALANCE SHEET (CONT'D)

8.2 UMSE

The summarised balance sheets of UMSE based on its audited financial statements for the Relevant Financial Period are as follows:-

	As at 31 December				
	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000
Investment in subsidiaries	7,966	-	-	1,010	1,260
Investment in associates	-	-	-	-	114
Property, plant and equipment	10,024	10,503	10,742	12,810	13,807
Other investments	444	444	396	396	3
Development expenditure	-	-	368	727	895
	<u>18,434</u>	<u>10,947</u>	<u>11,506</u>	<u>14,943</u>	<u>16,079</u>
Current assets	<u>16,711</u>	<u>27,397</u>	<u>34,104</u>	<u>35,877</u>	<u>35,905</u>
Current liabilities	<u>14,256</u>	<u>16,247</u>	<u>18,170</u>	<u>18,896</u>	<u>21,550</u>
Net current assets	<u>2,455</u>	<u>11,150</u>	<u>15,934</u>	<u>16,981</u>	<u>14,355</u>
	<u>20,889</u>	<u>22,097</u>	<u>27,440</u>	<u>31,924</u>	<u>30,434</u>
Financed by:-					
Share capital	8,550	8,550	8,550	8,550	8,550
Capital reserve	744	744	744	744	1,463
Retained profits	<u>10,190</u>	<u>11,768</u>	<u>17,284</u>	<u>21,048</u>	<u>18,600</u>
Shareholders' equity	<u>19,484</u>	<u>21,062</u>	<u>26,578</u>	<u>30,342</u>	<u>28,613</u>
Non-current liabilities	<u>1,405</u>	<u>1,035</u>	<u>862</u>	<u>1,582</u>	<u>1,821</u>
	<u>20,889</u>	<u>22,097</u>	<u>27,440</u>	<u>31,924</u>	<u>30,434</u>
Number of ordinary shares of RM1.00 each in issue ('000)	<u>8,550</u>	<u>8,550</u>	<u>8,550</u>	<u>8,550</u>	<u>8,550</u>
NTA per share (RM)	<u>2.28</u>	<u>2.46</u>	<u>3.07</u>	<u>3.46</u>	<u>3.24</u>

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8. SUMMARISED BALANCE SHEET (CONT'D)

8.3 HPL

The summarised balance sheets of HPL based on its audited financial statements for the Relevant Financial Period are as follows:-

	As at 31 March					As at
	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000	31 December 2005 RM'000
Plant and equipment	923	658	631	1,059	1,144	1,018
Interest in joint venture	731	3,898	3,898	3,901	3,898	-
	<u>1,654</u>	<u>4,556</u>	<u>4,529</u>	<u>4,960</u>	<u>5,042</u>	<u>1,018</u>
Current assets	<u>9,929</u>	<u>8,090</u>	<u>7,341</u>	<u>8,371</u>	<u>12,380</u>	<u>24,390</u>
Current liabilities	<u>6,178</u>	<u>5,878</u>	<u>6,138</u>	<u>6,338</u>	<u>9,358</u>	<u>18,341</u>
Net current assets	<u>3,751</u>	<u>2,212</u>	<u>1,203</u>	<u>2,033</u>	<u>3,022</u>	<u>6,049</u>
	<u>5,405</u>	<u>6,768</u>	<u>5,732</u>	<u>6,993</u>	<u>8,064</u>	<u>7,067</u>
Financed by:-						
Share capital	2,882	2,882	2,882	2,882	2,882	2,882
Currency translation reserve	1,328	1,328	1,328	1,331	1,323	1,365
Retained profits	<u>1,058</u>	<u>2,463</u>	<u>1,438</u>	<u>2,623</u>	<u>3,690</u>	<u>2,674</u>
Shareholders' equity	<u>5,268</u>	<u>6,673</u>	<u>5,648</u>	<u>6,836</u>	<u>7,895</u>	<u>6,921</u>
Non-current liability	<u>137</u>	<u>95</u>	<u>84</u>	<u>157</u>	<u>169</u>	<u>146</u>
	<u>5,405</u>	<u>6,768</u>	<u>5,732</u>	<u>6,993</u>	<u>8,064</u>	<u>7,067</u>
Number of ordinary shares of HK\$1.00 each in issue ('000)	<u>8,800</u>	<u>8,800</u>	<u>8,800</u>	<u>8,800</u>	<u>8,800</u>	<u>8,800</u>
NTA per share (RM)	<u>0.60</u>	<u>0.76</u>	<u>0.64</u>	<u>0.78</u>	<u>0.90</u>	<u>0.79</u>
Closing exchange rates used for the translation of the balance sheets of HPL from HK\$ to RM (RM : HK\$1)	<u>0.4872</u>	<u>0.4872</u>	<u>0.4872</u>	<u>0.4877</u>	<u>0.4872</u>	<u>0.4900</u>

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12. ACCOUNTANTS' REPORT (cont'd)**8. SUMMARISED BALANCE SHEET (CONT'D)****8.4 NSVN**

The summarised balance sheets of NSVN based on its audited financial statements for the Relevant Financial Period are as follows:-

	As at 31 December	
	2004 RM'000	2005 RM'000
Property, plant and equipment	610	1,202
Current assets	390	1,607
Current liabilities	1	760
Net current assets	389	847
	<u>999</u>	<u>2,049</u>
Financed by:-		
Share capital	1,010	1,508
Foreign currency translation reserve	-	4
Accumulated losses	(11)	(92)
Shareholders' equity	999	1,420
Non-current liability	-	629
	<u>999</u>	<u>2,049</u>
Assumed number of ordinary shares of USD1.00 each in issue ('000)	<u>266</u>	<u>400</u>
NTA per share (RM)	<u>3.76</u>	<u>3.55</u>
Closing exchange rates used for the translation of the balance sheets of NSVN from USD to RM (RM : USD1)	<u>3.80</u>	<u>3.78</u>

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12. ACCOUNTANTS' REPORT (cont'd)**9. DIVIDENDS FOR THE RELEVANT FINANCIAL PERIOD**

The details of dividends declared by UMSN, UMSE and HPL for the Relevant Financial Period are as follows:-

Company	Financial year/period ended	Dividend rate	Dividend Amount
UMSN	31 December 2005	2.99% less 28% tax	RM1,440,000
UMSE	31 December 2001	10.0% tax-exempt	RM855,000
	31 December 2002	12.0% tax-exempt	RM1,026,000
	31 December 2004	9.4% tax-exempt	RM800,000
	31 December 2004	20.3% less 28% tax	RM1,250,000
	31 December 2005	14.6% tax-exempt	RM1,250,000
	31 December 2005	117.5% less 28% tax	RM7,234,000
HPL	31 March 2002	17.0%	HK\$1,500,000
	31 March 2003	51.1%	HK\$4,500,000
	31 December 2005	46.6%	HK\$4,100,000

NSVN has not paid or declared any dividend since its incorporation.

10. PROFORMA STATEMENT OF ASSETS AND LIABILITIES

The proforma statement of assets and liabilities has been prepared based on the audited financial statements of the UMSN, UMSE, HPL and NSVN as at 31 December 2005.

The proforma statements of assets and liabilities are provided for illustrative purposes only to show the effects of the following transactions as if they have been completed as at 31 December 2005:

Proforma I - after incorporating the effects of the Rights Issue, details of which are set out in Note 2.2(f), dividends paid to its shareholders and repayments of non-trade debts by related parties; and

Proforma II - after incorporating the effects of Proforma I and the Public Issue, details of which are set out in Note 2.2(g).

The gross proceeds receivable by UMSN from the Rights Issue and Public Issue of approximately RM9.5 million will be utilised as follows:-

	RM'000
Estimated listing expenses	2,000
Working capital	2,107
Repayment of borrowings	5,350
	<u>9,457</u>

The proforma statement of assets and liabilities should be read in conjunction with the accompanying notes thereon.

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12. ACCOUNTANTS' REPORT (cont'd)



10. PROFORMA STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

	Note	Audited As at 31.12.2005 RM'000	Proforma I After Rights Issue RM'000	Proforma II After (I) and Public Issue RM'000	Proforma III After (II) and ESOS RM'000
Non current assets					
Property, plant and equipment	10.1	16,027	16,027	16,027	16,027
Investment in shares	10.2	3	3	3	3
Investment in associates	10.3	114	114	114	114
Development expenditure	10.4	895	895	895	895
		<u>17,039</u>	<u>17,039</u>	<u>17,039</u>	<u>17,039</u>
Current assets					
Inventories	10.5	15,944	15,944	15,944	15,944
Trade receivables	10.6	21,559	21,559	21,559	21,559
Other receivables, deposits and prepayments	10.7	3,579	3,579	3,579	3,579
Amount owing by intermediate holding company		1,816	-	-	-
Amount owing by associates	10.8	399	399	399	399
Amount owing by related parties	10.9	10,134	5,432	5,432	5,432
Tax recoverables		13	13	13	13
Fixed deposits with licensed banks	10.10	5,735	5,735	5,735	5,735
Cash and bank balances	10.11	714	7,649	7,899	17,499
		<u>59,893</u>	<u>60,310</u>	<u>60,560</u>	<u>70,160</u>
Current liabilities					
Trade payables	10.12	4,616	4,616	4,616	4,616
Other payables and accruals	10.13	2,290	2,290	2,290	2,290
Amount owing to related parties	10.14	4,737	4,737	4,737	4,737
Provision for taxation		275	275	275	275
Short term bank borrowings	10.15	22,968	22,968	17,618	17,618
Bank overdrafts	10.17	3,350	3,350	3,350	3,350
Dividend payable		1,440	-	-	-
		<u>39,676</u>	<u>38,236</u>	<u>32,886</u>	<u>32,886</u>
Net current assets		<u>20,217</u>	<u>22,074</u>	<u>27,674</u>	<u>37,274</u>
		<u>37,256</u>	<u>39,113</u>	<u>44,713</u>	<u>54,313</u>
Financed by:-					
Share capital	10.18	33,393	35,250	40,000	46,000
Share premium	10.19	-	-	850	4,450
Retained profits		283	283	283	283
Negative goodwill	10.20	923	923	923	923
Foreign currency translation reserves		62	62	62	62
Shareholders' equity		<u>34,661</u>	<u>36,518</u>	<u>42,118</u>	<u>51,718</u>
Non-current liabilities					
Term loan	10.16	1,050	1,050	1,050	1,050
Deferred taxation	10.21	1,545	1,545	1,545	1,545
		<u>37,256</u>	<u>39,113</u>	<u>44,713</u>	<u>54,313</u>
Number of ordinary shares of RM0.50 each in issue (RM'000)		66,785	70,500	80,000	92,000
NTA per ordinary share (RM)		0.51	0.51	0.52	0.55

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12. ACCOUNTANTS' REPORT (cont'd)**10. PROFORMA STATEMENT OF ASSETS AND LIABILITIES (CONT'D)****NOTES TO THE PROFORMA STATEMENT OF ASSETS AND LIABILITIES****10.1 PROPERTY, PLANT AND EQUIPMENT**

	Cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Freehold land and buildings	9,473	(881)	8,592
Leasehold land	19,864	(13,202)	6,662
Plant and machinery	1,494	(1,186)	308
Motor vehicles	678	(382)	296
Office equipment	557	(419)	138
Furniture and fittings	250	(243)	7
Electrical installation	24	-	24
	<u>32,340</u>	<u>(16,313)</u>	<u>16,027</u>

10.2 INVESTMENT IN SHARES

	RM'000
Quoted shares in Malaysia, at cost	<u>3</u>
Market value of quoted investments in Malaysia	<u>1</u>

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Unquoted shares, at cost

114

Details of the associates are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest	Principal Activities
Neiken Africa (Proprietary) Limited	Republic of Botswana	50%	Wholesale and distribution of electrical wiring accessories and related products.
Neiken Switchgear (S) Pte. Ltd.	Republic of Singapore	50%	Wholesale and distribution of electrical wiring accessories and related products.

The results of the associates have not been equity accounted for as the amounts involved are insignificant.

10.4 DEVELOPMENT EXPENDITURE**RM'000**

At cost

1,084

Accumulated amortisation

(189)

At 31 December 2005

895**10.5 INVENTORIES****RM'000**

At cost:-

Raw materials

8,708

Work in progress

3,553

Finished goods

3,68315,944

None of the inventories are carried at net realisable value.

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	RM'000
Trade receivables	21,783
Allowance for doubtful debts	<u>(224)</u>
	<u>21,559</u>

The Group's normal trade credit terms range from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The foreign currency exposure profile of the trade receivables is as follows:-

	RM'000
Pound Sterling	6,067
United States Dollar	4,859
Hong Kong Dollar	1,955
Singapore Dollar	<u>238</u>

10.7 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	RM'000
Other receivables	1,281
Deposits	141
Prepayments	<u>2,157</u>
	<u>3,579</u>

The foreign currency exposure profile of the other receivables, deposits and prepayments is as follows:-

	RM'000
United States Dollar	1,502
Hong Kong Dollar	<u>549</u>

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The amounts owing are unsecured, interest-free and not subject to fixed terms of repayment.

10.9 AMOUNT OWING BY RELATED PARTIES

	RM'000
United MS Cables Mfg Sdn Bhd	
- Non-trade balance	2,301
High Project Holdings Limited	
- Non-trade balance	2,401
High Project Electric Wire & Cable Manufactory (Fenghua) Limited	
- Trade balance	232
- Trade deposits	5,198
Supeready Co Ltd	
- Trade balance	<u>2</u>
As audited at 31 December 2005	10,134
Repayment of non-trade balances by:	
- United MS Cables Mfg Sdn Bhd	(2,301)
- High Project Electric Wire & Cable Manufactory (Fenghua) Limited	<u>(2,401)</u>
As per Proforma I/II/III	<u>5,432</u>

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Related parties refer to companies in which a substantial shareholder of UMSN has substantial financial interest.

The trade deposits balance is unsecured, interest-free and is repayable by way of set off against purchases from the related party.

The trade balances does not exceed the Group's normal credit period of between 30 to 90 days.

10.10 FIXED DEPOSITS WITH LICENSED BANKS

	Weighted average effective interest rate per annum %	Average maturity (days)	RM'000
UMSE	3.7	365	1,167
HPL	4.6	30	4,568
			<u>5,735</u>

The fixed deposits of UMSE have been pledged to licensed banks as security for banking facilities granted to UMSE.

The foreign currency exposure profile of the fixed deposits is as follows:-

	RM'000
Pound Sterling	<u>4,568</u>

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	RM'000
Cash and bank balance of UMSN as at 31 December 2005	714
• Repayment of amounts owed by related parties to UMSE and HPL	6,518
• Dividend paid to the shareholders of UMSN	(1,440)
	<u>5,792</u>
Rights Issue	1,857
As per Proforma I	<u>7,649</u>
Proposed Public Issue	7,600
Proposed utilisation:-	
• Estimated listing expenses	(2,000)
• Repayment of bank borrowings	(5,350)
As per Proforma II	<u>7,899</u>

The foreign currency exposure profile of the cash and bank balances is as follows:-

	RM'000
United States Dollar	221
Pound Sterling	193
Renminbi	<u>290</u>

10.12 TRADE PAYABLES

The normal trade credit terms granted to the Group range from 14 to 90 days.

The foreign currency exposure profile of the trade payables is as follows:-

	RM'000
Hong Kong Dollar	1,707
Australian Dollar	22
EURO	44
Renminbi	14
Pound Sterling	66
United States Dollar	<u>146</u>

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	RM'000
Other payables	1,220
Accruals	1,070
	<u>2,290</u>

The foreign currency exposure profile of the other payables and accruals is as follows:-

	RM'000
Hong Kong Dollar	622
United States Dollar	<u>7</u>

10.14 AMOUNT OWING TO RELATED PARTIES

	RM'000
Ming Kee Manufactory Limited	
- Trade deposits	4,373
Supeready Electrical FengHua Limited	
- Trade balance	364
	<u>4,737</u>

Related parties refer to companies in which a substantial shareholder of UMSN has substantial financial interest in the related parties.

The credit terms of the trade amount are assessed and approved on a case-by-case basis.

The amounts owing are denominated in Hong Kong Dollar.

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12. ACCOUNTANTS' REPORT (cont'd)



10. PROFORMA STATEMENT OF ASSETS AND LIABILITIES (CONT'D)

NOTES TO THE PROFORMA STATEMENT OF ASSETS AND LIABILITIES

10.15 SHORT TERM BORROWINGS

	UMSE RM'000	HPL RM'000	NSVN RM'000	TOTAL RM'000
Bankers' acceptances	13,302	-	-	13,302
Bills payable	-	5,025	-	5,025
Trade receipts	-	431	-	431
Term loans (Note 10.16)	24	4,024	162	4,210
As audited at 31 December 2005 and Proforma I	13,326	9,480	162	22,968
Less: Repayment of borrowings	(5,350)	-	-	(5,350)
As per Proforma II	7,976	9,480	162	17,618

The bankers' acceptances of UMSE bore an effective interest rate at 4.53% per annum at the balance sheet date and are secured by way of:-

- (i) a legal charge on the existing loan agreement cum assignment over a piece of industrial land of UMSE;
- (ii) a legal charge over 2 pieces of freehold industrial land belonging to a related party;
- (iii) by a pledge of the fixed deposits of UMSE and a third party;
- (iv) the joint and several guarantee of certain directors of UMSE and its related party; and
- (v) a corporate guarantee by United MS Holdings Sdn. Bhd.

The short term loan and bills payable of HPL bore an effective interest rate at 5.94% and 6.47% per annum respectively, at the balance sheet date and are secured by way of:-

- (i) the bank's standard form General Commercial Agreement duly executed by HPL;
- (ii) the bank's standard form all monies Charge on Cash Deposits duly executed by a substantial shareholder of UMSN;
- (iii) the bank's standard form all monies Mortgage duly executed by the 2 third parties creating third party legal charges over their properties and the assignment of the insurance policies of the properties; and
- (iv) the personal guarantee for HK\$16,000,000 from a substantial shareholder of UMSN supported by his fixed deposit for HK\$5,000,000 or its equivalent, plus future accrued interest held under lien to the bank.

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The short term of NSVN bore an effective interest rate at 6.7% per annum at the balance sheet date and is secured by way of:-

- (i) a legal charge over an office/factory building belonging to NSVN; and
- (ii) a corporate guarantee by UMSE and a personal guarantee by a director of UMSE.

The foreign currency exposure profile of the short term borrowings is as follows:-

	RM'000
Hong Kong Dollar	<u>9,480</u>

10.16 TERM LOANS

	UMSE RM'000	HPL RM'000	NSVN RM'000	TOTAL RM'000
Current				
- repayable within one year (Note 10.15)	24	4,024	162	4,210
Non-current:				
- repayable between one and two years	23	-	173	196
- repayable between two and five years	80	-	456	536
- repayable more than five years	318	-	-	318
As audited/Proforma I and II	421	-	629	1,050
	<u>445</u>	<u>4,024</u>	<u>791</u>	<u>5,260</u>

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12. ACCOUNTANTS' REPORT (cont'd)**10. PROFORMA STATEMENT OF ASSETS AND LIABILITIES (CONT'D)****NOTES TO THE PROFORMA STATEMENT OF ASSETS AND LIABILITIES****10.16 TERM LOANS (CONT'D)**

The term loan of UMSE is repayable by 180 equal monthly instalments of RM4,474 with effect from 1 June 2004.

The effective interest rate at the balance sheet date for the term loan of UMSE was 6.00% per annum.

The term loan of UMSE is secured by the following:-

- (i) a legal charge over 2 pieces of freehold industrial land belonging to a related party;
- (ii) the joint and several guarantee of the directors of UMSE;
- (iii) corporate guarantee by a shareholder of UMSH; and
- (iv) corporate guarantee by UMSH.

The foreign currency exposure profile of the term loans is as follows:-

United States Dollar	RM'000 <u>791</u>
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12. ACCOUNTANTS' REPORT (cont'd)**10. PROFORMA STATEMENT OF ASSETS AND LIABILITIES (CONT'D)****NOTES TO THE PROFORMA STATEMENT OF ASSETS AND LIABILITIES****10.17 BANK OVERDRAFTS**

	RM'000
UMSE	2,001
HPL	1,349
	<u>3,350</u>

The bank overdrafts of UMSE bore an effective interest rate of 7.57% per annum at the balance sheet date and are secured in the same manner as the bankers' acceptances of UMSE as disclosed in Note 10.15 above.

The bank overdraft of HPL bore an effective interest rate of 4.00% per annum at the balance sheet date and is secured in the same manner as the bills payable of HPL as disclosed in Note 10.15 above.

The foreign currency exposure profile of the bank overdrafts is as follows:-

	RM'000
Hong Kong Dollar	<u>1,349</u>

10.18 SHARE CAPITAL

	Number of shares	RM'000
Authorised:-		
Ordinary share of RM0.50 each	100,000,000	50,000
Issued and Fully Paid-up Share Capital:-		
Ordinary share of RM0.50 each – as audited at 31 December 2005	66,785,472	33,393
Rights Issue	3,714,528	1,857
As per Proforma I	70,500,000	35,250
Proposed Public Issue	9,500,000	4,750
As per Proforma II	<u>80,000,000</u>	<u>40,000</u>

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12. ACCOUNTANTS' REPORT (cont'd)**10. PROFORMA STATEMENT OF ASSETS AND LIABILITIES (CONT'D)****NOTES TO THE PROFORMA STATEMENT OF ASSETS AND LIABILITIES****10.19 SHARE PREMIUM**

	RM'000
As at 31 December 2005 / Per Proforma I	-
Premium arising from the Public Issue	2,850
Less: Estimated listing expenses	(2,000)
As per Proforma II	<u>850</u>

10.20 NEGATIVE GOODWILL

	RM'000
As audited at 31 December 2005 / Per Proforma I and II	<u>923</u>

10.21 DEFERRED TAXATION

The deferred taxation balance consists of the tax effects of temporary differences arising from the following items:-

	RM'000
Accelerated tax depreciation	2,302
Development expenditure	(248)
Other temporary differences	(509)
	<u>1,545</u>

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12. ACCOUNTANTS' REPORT (cont'd)



11. PROFORMA CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement is prepared based on the following:-

- (i) cash flow of UMSN, UMSE and NSVN for the year from 1 January 2005 to 31 December 2005 from the audited financial statements of those companies for that financial year;
- (ii) cash flow of HPL for the period of 1 January 2005 to 31 December 2005 incorporates the cash flow from 1 January 2005 to 31 March 2005 based on the audited financial statements of HPL (after incorporating adjustments as necessary) and the cash flow for the period from 1 April 2005 to 31 December 2005 based on the audited financial statements of HPL for that period.

	Notes	Proforma Consolidated Group RM'000
Cash Flows For Operating Activities		
Profit before taxation		8,827
Adjustments for:-		
Allowance for doubtful debts		182
Amortisation of development expenditure		155
Bad debts written off		34
Depreciation of property, plant and equipment		1,914
Gain on disposal of property, plant and equipment		(34)
Gain on foreign exchange - unrealised		(88)
Interest expense		804
Interest income		(137)
Operating profit before working capital changes		11,657
Increase in inventories		(3,691)
Increase in trade and other receivables		(7,434)
Decrease in trade and other payables		(2,002)
Decrease in trade amount owing to related parties		(30)
Cash For Operations		(1,500)
Interest paid		(804)
Income tax paid		(1,387)
Net Cash For Operating Activities		(3,691)
Cash Flows From Investing Activities		
Interest received		137
Purchase of property, plant and equipment		(2,355)
Proceeds from disposal of property, plant and equipment		173
Proceeds from disposal of joint venture		3,920
Advances to associates		(399)
Advances to a related company		(295)
Net advances from a director		384
Repayment to intermediate holding company		6,193
Advances to related parties		(2,896)
Acquisition of investment in associates		(114)
Development expenditure incurred		(323)
Net Cash From Investing Activities		4,425

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12. ACCOUNTANTS' REPORT (cont'd)**11. PROFORMA CONSOLIDATED CASH FLOW STATEMENT (CONT'D)**

	Notes	Proforma Consolidated Group RM'000
Cash Flows From Financing Activities		
Dividends paid		(8,909)
Drawdown of bankers' acceptances		2,676
Drawdown of bills payable		4,646
Net drawdown of short term loan		4,788
Repayment of trust receipts		(492)
Net Cash From Financing Activities		2,709
Net Increase In Cash And Cash Equivalents		3,443
Translation difference		8
Cash And Cash Equivalents At Beginning Of The Financial Period		(352)
Cash And Cash Equivalents At End Of The Financial Period	11.1	3,099

11.1 ANALYSIS OF CASH AND CASH EQUIVALENTS

	RM'000
Fixed deposits with licensed banks	5,735
Cash and bank balances	714
Bank overdrafts	(3,350)
	3,099

The foreign currency exposure profile of cash and cash equivalents is as follows:-

	RM'000
Hong Kong Dollar	(1,349)
Pound Sterling	4,761
Renminbi	290
United States Dollar	221
	2,931

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12. ACCOUNTANTS' REPORT (cont'd)**12. NET TANGIBLE ASSETS PER ORDINARY SHARE**

The net tangible assets cover of UMSN based on the Proforma Statement of Assets and Liabilities as at 31 December 2005 as set out in Section 10 above is illustrated below:-

	RM'000
NTA of UMSN before Rights Issue	33,766
Rights Issue	<u>1,857</u>
NTA of UMSN before the Public Issue	35,623
Increase in net tangible assets arising from the Public Issue	7,600
Less: Estimated listing expenses	<u>(2,000)</u>
Proforma NTA after Public Issue	<u><u>41,223</u></u>

Number of ordinary shares of RM0.50 each in UMSN that are in issue:-

	Number of ordinary shares
Existing ordinary shares in issue	66,785,472
Ordinary shares issued/to be issued pursuant to:-	
Rights Issue	3,714,528
Public Issue	<u>9,500,000</u>
Enlarged capital after the Public Issue	<u><u>80,000,000</u></u>

On the basis of the enlarged issued and paid-up share capital of 80,000,000 UMSN Shares in UMSN, the net tangible assets cover per ordinary share of UMSN is approximately RM0.52.

13. SUBSEQUENT EVENTS

There were no significant subsequent events between the date of the last financial statements used in the preparation of this Report and the date of this Report which will affect materially the content of this report.

12. ACCOUNTANTS' REPORT *(cont'd)*



14. AUDITED FINANCIAL STATEMENTS

As of the date of this report, no audited financial statements have been prepared in respect of any period subsequent to 31 December 2005 for the Group.

Yours faithfully

A handwritten signature in black ink, appearing to be "J. Tan", written over a horizontal line.

Horwath
Firm No : AF 1018
Chartered Accountants

A handwritten signature in black ink, appearing to be "Onn Kien Hoe", written over a horizontal line.

Onn Kien Hoe
Approval No : 1772/11/06 (J/PH)
Partner

13. DIRECTORS' REPORT



UMS-NEIKEN GROUP BERHAD (650473-V)

Lot 5, Batu 17½, Jalan Ipoh, Rawang Industrial Estate, 48000 Rawang, Selangor, Malaysia.
Tel: 603-60912626 (5 Lines) Fax: 603-60912323, 60912121

Website: <http://www.unitedms.com.my> Email: enquiry@unitedms.com.my

Registered Office

Lot 5, Batu 17½, Jalan Ipoh
Rawang Industrial Estate
48000 Rawang,
Selangor Darul Ehsan

27 March 2006

The Shareholders of UMS-Neiken Group Berhad

Dear Sir/Madam,

On behalf of the Directors of UMS-Neiken Group Berhad ("UMSN"), I report after due enquiry that during the period from 31 December 2005, being the date to which the last audited financial statements of UMSN and its subsidiaries ("Group") have been made up, to 27 March 2006, being a date not earlier than 14 days before the issue of this Prospectus:

- (a) the business of the Group has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen since the last audited financial statements of UMSN and its subsidiaries, which have adversely affected the trading or the value of the assets of the Group;
- (c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) there are no contingent liabilities by reason of any guarantees or indemnities given by the Group;
- (e) there have not been, since the last audited financial statements of UMSN and its subsidiaries, any default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings, in which the Directors are aware of; and
- (f) save as disclosed in Sections 11.3 and Section 12 of this Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of the Group since the last audited financial statements of UMSN and its subsidiaries.

Yours faithfully,
For and on behalf of the Board of Directors
UMS-Neiken Group Berhad

A handwritten signature in black ink, appearing to read 'Chen Wong', written over a circular stamp or seal.

Chen Wong
Executive Chairman / Managing Director

14. VALUATION CERTIFICATE

27 March 2006

The Board of Directors
UMS-Neiken Group Berhad
Lot 5, Batu 17½, Jalan Ipoh
Rawang Industrial Estate
48000 Rawang
Selangor Darul Ehsan

Dear Sirs

**VALUATION OF PROPERTIES BELONGING TO
UMS-NEIKEN GROUP BERHAD ("UMSN")**

This letter has been prepared for inclusion in the Prospectus of UMSN to be dated 3 April 2006 in relation to the public issue of 9,500,000 new ordinary shares of RM0.50 each in UMSN and offer for sale of 24,000,000 ordinary shares of RM0.50 each in UMSN in conjunction with the listing of UMSN on the Second Board of Bursa Malaysia Securities Berhad.

As instructed by USMN, we have valued the properties listed on the following pages and the valuation details are shown in our Valuation Reports dated 6 August 2004 and 7 July 2004 respectively. The Valuation Reports have been prepared in accordance with the Guidelines on Asset Valuations for Submission to the Securities Commission ("SC") issued by the SC and are in compliance with the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents and with the necessary professional responsibility and due diligence.

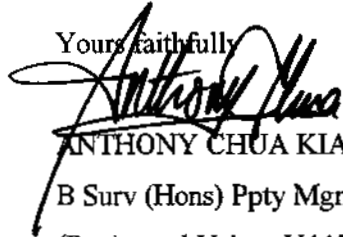
The basis of valuation adopted is the Market Value which is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. We have adopted the Comparison Approach of Valuation together with the Investment Approach in arriving at the Market Value.

We certified that in our opinion, the total Market Value of the properties listed on the following pages with vacant possession and free from all encumbrances, as at the date of valuation is RINGGIT MALAYSIA SEVEN MILLION AND EIGHT HUNDRED THOUSAND ONLY (RM7,800,000).

Information and data for the above-mentioned valuation were obtained from various sources and they include the Land Office, the Valuation & Property Services Department, enquiries made on the field and information from the client.

Further details of the valuations of the properties are set out in our Valuation Reports.

Yours faithfully



ANTHONY CHUA KIAN BENG
B Surv (Hons) Pty Mgmt, MIS (M)
(Registered Valuer V445)

Director (Valuation)



Penilai
(VE110018)

KGV-LAMBERT SMITH HAMPTON (M) SDN BHD
(125852-D)

B-9-9, BLOK B, MEGAN AVENUE II, 12, JALAN YAP KWAN SENG, 50450 KUALA LUMPUR, MALAYSIA.
TEL: (6)03-2161 5355 TELEFAX: (6)03-2164 5355, 2164 1355.
E-mail: kgv-lsh@tm.net.my
Internet: <http://www.realty.com.my>

**KGV-Lambert
Smith Hampton**

Property Valuers
Machinery Valuers
Property Managers
Project Managers
Auctioneers
Property Consultants
Real Estate Agents

Other Offices :

Malaysia
Johar Bahru
Tel: (6)07-224 2022
Fax: (6)07-223 1366

Penang
Tel: (6)04-398 8111
Fax: (6)04-398 8181

Overseas
Athens
Atlanta
Belfast
Beverly Hills
Birmingham
Bristol
Cambridge
Clearwater
Dublin
Glasgow
Guildford
Hemel Hempstead
Leeds
Leicester
London
Luton
Maidenhead
Manchester
Milton Keynes
Northampton
Nottingham
Oxford
Peterborough
Reading
San Diego
Sheffield
Slough
Smyrna
Wellingborough



benchmark
IN QUALITY
ISO 9001

14. VALUATION CERTIFICATE (cont'd)

KGV-Lambert
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No	Property Identification	General Description of Property	Market Value
1	a) Title No b) Lot No/Mukim/District/State c) Location of Property d) Details on Tenure e) Category of Land Use f) Registered Proprietor g) Encumbrances h) Restrictions-In-Interest i) Occupancy a) HS(D) 28275 b) Lot No PT 10347 Mukim of Rawang District of Gombak Selangor Darul Ehsan c) Lot No 5, Batu 17½ Jalan Ipoh Rawang Industrial Estate 48000 Rawang Selangor Darul Ehsan d) Freehold e) Industrial f) United MS Electrical Mfg (M) Sdn Bhd g) Charged to and caveated by United Overseas Bank (Malaysia) Berhad. h) None i) Owner-occupied <u>Note:</u> A new title has been issued to the property bearing Title Number GRN 86298 for Lot No 182 Seksyen 19, Bandar Rawang, District of Gombak, Selangor Darul Ehsan	a) Brief Description b) Gross Building Area c) Total Land Area d) Existing Use e) Planning Details f) Certificate of Fitness for Occupation ("CFO") a) The subject property of this valuation comprises a Single- Storey Detached Factory with a 4- Storey Front Office Annex of approximately 9 years old b) 4,554.1 square metres (49,020.0 square feet) c) 5,390.0 square metres (58,017.0 square feet) d) The existing land use of the subject property is in accordance with the abovementioned description e) The subject locality is designated for industrial use f) The CFO is issued on 16 February 1995	a) Valuation Date b) Method of Valuation c) Market value a) 6 August 2004 b) Comparison and Investment Approaches c) RM5,000,000



benchmark
QUALITY
ISO 9001

14. VALUATION CERTIFICATE (cont'd)

**KGV-Lambert
Smith Hampton**

2	<p>a) The title for this subject property has not been issued yet. United MS Electrical Mfg (M) Sdn Bhd had on 27 August 1990 entered into a sale and purchase agreement with Rawang Industrial & Property Sdn Bhd to acquire the Developer's Sub Plot E (erected upon EMR 3485 Lot No 662, EMR 2479 Lot No 657, EMR 3487 Lot No 658, EMR 2297 Lot No 659, CT 20769 Lot No 3527 and CT 20770 Lot No 3528, Mukim of Rawang, District of Gombak, State of Selangor Darul Ehsan)</p> <p>b) Mukim of Rawang District of Gombak State of Selangor Darul Ehsan</p> <p>c) Developer's Sub Plot No E Taman Bukit Rawang Jaya 48000 Rawang Selangor Darul Ehsan</p> <p>d) Freehold</p> <p>e) Industrial</p> <p>f) United MS Electrical Mfg (M) Sdn Bhd</p> <p>g) Charged to AmFinance Berhad</p> <p>h) None</p> <p>i) Owner-occupied</p>	<p>a) The subject property of this valuation comprises a new Single-Storey Detached Factory</p> <p>b) 1,970.0 square metres (21,200.0 square feet)</p> <p>c) 3,919.0 square metres (42,182.0 square feet)</p> <p>d) The existing land use of the subject property is in the accordance with the abovementioned description</p> <p>e) The subject locality is designated for industrial use</p> <p>f) The CFO is issued on 16 June 2004</p>	<p>a) 25 June 2004</p> <p>b) Comparison and Investment Approaches</p> <p>c) RM2,800,000</p>
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benchmark
#1 QUALITY
ISO 9001

15. ESOS BY-LAWS

1. DEFINITIONS**1.1 DEFINITIONS AND INTERPRETATIONS**

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

“Act”	:	Companies Act 1965, as amended from time to time and including any re-enactment hereof
“Board”	:	The Board of Directors of UMSN
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“By-Laws”	:	The terms and conditions of the Scheme as amended from time to time
“CDS”	:	The Central Depository System
“Date of Approval”	:	The date of receipt of written approval
“Date of Offer”	:	The date of the written Offer (including any subsequent Offers) from the ESOS Committee to an Eligible Employee to participate in the Scheme in accordance with the terms of the ESOS
“Eligible Employee(s)”	:	An employee (including an Eligible Director) of the ESOS Group who meets the criteria of eligibility for participation in the Scheme as set out in Clause 3 hereof
“Eligible Director(s)”	:	A Director of UMSN ESOS Group who meets the criteria of eligibility for participation in the Scheme as set out in Clause 3 hereof
“Entitlement Date”	:	The specified time and date prescribed by the Company, as at the close of business on which the shareholders must be registered in the Record of Depositors with Bursa Malaysia Depository Sdn Bhd in order to participate in any dividends, rights, allotments or other distributions
“Exercise Price”	:	The price at which the Grantee shall be entitled to subscribe for new UMSN 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
“Grantee”	:	An Eligible Employee who has accepted the Offer of an Option in accordance with the terms of the Scheme
“Listing Requirements”	:	Listing Requirements of Bursa Securities and any amendments thereof
“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

15. ESOS BY-LAWS (Cont'd)

“Maximum Allowable Allotment”	:	The maximum aggregate number of new UMSN Shares in respect of which Offers may be made to Eligible Employees as provided in Clause 4
“Offer”	:	A written offer made by the ESOS Committee to an Eligible Employee for an Option to subscribe for new UMSN Shares in accordance with the terms of the ESOS
“Option”	:	The right of a Grantee to subscribe for a certain number of new UMSN Shares granted or to be granted and the contract constituted by an acceptance in the manner indicated in Clause 6 hereof pursuant to the Scheme
“Option Period”	:	The period commencing from the Date of Offer to a date not exceeding five (5) years or the expiry (including any extension thereof as provided in Clause 19 hereof) or termination of the Scheme as provided in Clause 19 hereof, whichever is earlier
“RM”	:	Ringgit Malaysia
“Scheme” or “ESOS”	:	The Scheme for the grant of Options to Eligible Employees to subscribe for new UMSN Shares on the terms as herein set out and such scheme to be known as the “UMS-Neiken Group Berhad Employees’ Share Option Scheme” including any modifications and amendments from time to time
“UMSN” or “Company”	:	UMS-Neiken Group Berhad (Company No: 650473-V)
“UMSN ESOS Group” or “ESOS Group”	:	UMSN and its subsidiaries as defined in Section 5 of the Act, excluding subsidiaries that are dormant
“UMSN Shares”	:	Ordinary shares of RM0.50 each in the Company

1.2.1 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;

15. ESOS BY-LAWS (Cont'd)

- (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 UMSN 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 any point in time during the duration of the Scheme. The Company will during the Option Period keep available sufficient unissued UMSN Shares to satisfy all outstanding Options.
- 2.2 Notwithstanding the above provision and any other provisions herein contained, in the event the maximum number of new UMSN 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 and thereby reducing its issued and paid-up share capital, then all the Offers and Options granted prior to the adjustment of the issued and paid-up share capital of the Company shall remain valid or valid and exercisable, as the case may be, in accordance with the provisions of this 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 of the ESOS Group shall be eligible to participate in the Scheme if, as at the Date of Offer, the employee:
 - (a) has attained the age of eighteen (18) years; and
 - (b) is confirmed and on the payroll of a company within the UMSN ESOS Group and assuming an executive position and above in the UMSN ESOS Group.
- 3.2 Any Eligible Director of the ESOS Group shall also be eligible to participate in the Scheme if at the Date of Offer, such Eligible Director has attained the age of eighteen (18) years.
- 3.3 The ESOS Committee may, at its discretion, nominate any employee (including Executive and Non-Executive Directors) of the ESOS Group to be an Eligible Employee 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 Employee a claim or right to participate in the Scheme unless an offer in writing has been made by the Committee to the Eligible Employee.

15. ESOS BY-LAWS (Cont'd)

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 Employee of the UMSN ESOS Group who are entitled to participate in the Scheme shall be at the discretion of the ESOS Committee after taking into consideration the performance, seniority, number of years in service, employee gradings and/or the potential contribution of the Eligible Employee and/or such other factors as the ESOS Committee deem fit, subject always to the following:
- (a) the number of UMSN Shares allocated, in aggregate, to Eligible Directors and Senior Management shall not exceed fifty percent (50%) of the total UMSN Shares available under the Scheme;
 - (b) the number of UMSN Shares allocated to any individual Eligible Employee who, either singly or collectively through persons connected with the Eligible Employee, 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 UMSN Shares available under the Scheme.

In this By-Law:

“Senior Management” shall be subject to criteria to be determined by the ESOS Committee that may change from time to time and which criterion and any changes thereto shall be made known to the Eligible Employees; and

“persons connected” has the same meaning as that in paragraph 1.01 of the Listing Requirements.

- 4.2 Any Eligible Employee who holds more than one position within the UMSN ESOS Group, and by holding such positions is an Eligible Employee in more than one category of employee, shall only be entitled to the Maximum Allowable Allotment of any one category. The ESOS Committee shall be entitled at its discretion to determine the applicable category of employee.

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 it shall deem fit make an Offer in writing to any Eligible Employee of an Option to subscribe for new UMSN Shares during the Option Period in accordance with the terms of the Scheme.
- 5.2 The actual number of new UMSN Shares which may be offered to an Eligible Employee 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) UMSN Shares and shall always be in multiples of one hundred (100) UMSN Shares.
- 5.3 Nothing herein will prevent the Committee from making more than one Offer during the duration of the Scheme to an Eligible Employee after the first Offer was made subject to Clauses 2 and 4 hereof.
- 5.4 No Options will be offered to an Eligible Director of the Company unless the specific allotment of Options to that Eligible Director 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 Employee.

15. ESOS BY-LAWS (Cont'd)

- 5.6 The Company will in its offer letter to an Eligible Employee state, *inter-alia*, the following:
- (a) the number of Options that are being offered to the Eligible Employee;
 - (b) number of Shares which the Eligible Employee shall be entitled to subscribe for upon the exercise of the Options being offered;
 - (c) the Option Period;
 - (d) the Exercise Price determined in accordance with the provision of Clause 9; and
 - (e) the closing date for acceptance of the Offer.
- 5.7 In the event that a Grantee is promoted, the Maximum Allowable Allotment applicable to such Grantee shall be the Maximum Allowable Allotment corresponding to the category of employee of which he then is a party.
- 5.8 In the event that a Grantee is demoted, the following provisions shall apply:
- (a) his Maximum Allowable Allotment shall be reduced in accordance with the category of employee of which he then is a party;
 - (b) in the event that the total number of Options which has been accepted by him up to the date he is demoted is greater than his Maximum Allowable Allotment under such lower category, he shall be entitled to continue to hold and to exercise all unexercised Options held by him on such date but he shall not be entitled to be offered any further Options unless and until he is subsequently promoted;
 - (c) in the event that the total number of Options which has been accepted by him up to the date he is demoted is less than his Maximum Allowable Allotment under such lower category, he shall be entitled to continue to hold and to exercise all unexercised Options held by him on such date and subject to Clause 5.2, to be offered further Options up to his Maximum Allowable Allotment under such lower category; and
 - (d) Provided always that all exercise of Options shall be in accordance with Clause 10.

6. ACCEPTANCE OF THE OFFER

An Offer made by the Committee to an Eligible Employee shall be accepted within thirty (30) days from the Date of Offer by the person to whom the same is made by the issue from such person of a written notice to the Committee of such acceptance accompanied by a 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 Employee and shall be null and void and of no effect and the UMSN Shares in respect of such Offer deemed rejected may be re-offered to other Eligible Employees at the discretion of the Committee.

7. NON-TRANSFERABILITY OF THE OPTION

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

15. ESOS BY-LAWS (Cont'd)

8. RESTRICTION ON DEALINGS

An Eligible Director who is a Non-Executive Director in the UMSN ESOS Group shall not sell, transfer or assign shares obtained through the exercise of the Options offered to him within one (1) year from the Date of Offer.

9. EXERCISE PRICE

The Exercise Price shall be determined in accordance with the Listing Requirements (including any amendments and modification made thereof from time to time), subject to the minimum price of RM0.50 being the par value of the UMSN Shares and subject to adjustments in accordance with Clause 13 hereof.

10. EXERCISE OF OPTION

- 10.1 The Option granted to the Eligible Employee is exercisable only by the Eligible Employee during his/her tenure of service whilst he/she is employed/appointed/retained for services by the UMSN ESOS Group except for the provisions of Clauses 16 and 18 hereof. Provided always and subject to any extensions to the ESOS pursuant to Clause 19 hereof, no Option shall be exercised after the expiry of the Option Period.
- 10.2 The Committee may, at any time and from time to time before or after an Option is granted pursuant to Clause 6, limit the exercise of the Option to a maximum number of new UMSN Shares and/or such percentage of the total new UMSN Shares relevant to the Option during such periods (as determined by the Board or the Committee) within the Option Period and impose any other terms and/or conditions deemed appropriate by the Board or the Committee at its sole discretion including amending/varying any terms and conditions imposed earlier.
- 10.3 An Option granted under the Scheme shall be capable of being exercised by notice in writing to the Company on such day or within such time period as may be determined by the ESOS Committee. The Option may be exercised in respect of all or part of the new UMSN Shares which are the subject of the Option, such part being in multiples of 100 UMSN Shares and not less than 100 UMSN Shares. Such partial exercise of an Option shall not preclude the Grantee from exercising the Option as to the balance UMSN Shares.
- 10.4 Every such notice must be in the form prescribed by the Company from time to time and shall be accompanied by a remittance for the full amount of the subscription monies in relation to the number of new UMSN Shares being subscribed for. The Company shall, within ten (10) Market Days of receiving such notice, allot and issue the relevant number of new UMSN Shares and dispatch notices of allotments to the Grantee subject to the provisions of the Articles of Association of the Company. The new UMSN Shares will be credited directly into the CDS account of the Grantees and no physical share certificate will be issued.
- 10.5 All Options to the extent that they have not been exercised upon the expiry of the Option Period shall lapse and have no further effect.

15. ESOS BY-LAWS (Cont'd)

- 10.6 In the event of a takeover offer being made for the Company through a take-over offer or otherwise and such offer becoming or being declared unconditional, the Grantee shall be entitled within three (3) months of the date on which such offer becomes or is declared unconditional to exercise in full or in part any Option as yet unexercised provided that if during such period of three (3) months from the date on which such offer becomes or is declared unconditional, the company making the offer becomes entitled or bound to exercise rights of compulsory acquisition of the UMSN 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 UMSN Shares, then the Option in relation to the balance thereof shall automatically lapse and shall thereafter be null and void.
- 10.7 In the event that a Grantee is subject to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service) the Committee shall have the right, at its discretion, to suspend the Option pending the outcome of such disciplinary proceedings. The Committee may impose such terms and conditions as the Committee shall deem appropriate having regard to the nature of the charges made or brought against the Grantee PROVIDED ALWAYS THAT:
- (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;
 - (b) in the event the disciplinary proceeding results in a recommendation for the dismissal or termination of service of such Grantee, the Option shall immediately lapse and be null and void and of no further force and effect upon pronouncement of the dismissal or termination of service of such Grantee notwithstanding that such recommendation may be subsequently challenged by the Grantee in any other forum; and
 - (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

The new UMSN Shares to be allotted upon any exercise of Options shall, upon allotment and issue, rank pari passu in all respects with the then existing issued and paid-up UMSN 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

The new UMSN 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 the exercise 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 UMSN Shares and shall use its best endeavour to obtain such approval.

15. ESOS BY-LAWS (Cont'd)

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 issues, reduction, subdivisions or consolidations of capital or otherwise howsoever taking place:

- (a) the Exercise Price; and/or
- (b) the number of UMSN Shares comprised in the Option or any portion thereof that is unexercised;

may be adjusted in such manner as the external auditors of the Company for the time being (acting as experts and not as arbitrators), upon reference to them by the ESOS Committee, confirm in writing (save for a bonus issue) to be, in their opinion, fair and reasonable and such determination which are in accordance with the provisions as contained in the "First Schedule" of these By-Laws (which is deemed to form part of the By-Laws) shall be final and binding on the Grantees, PROVIDED ALWAYS THAT:

- (i) any adjustment to the Exercise Price shall be rounded down to the nearest one (1) sen and no adjustment to the Exercise Price shall be made which would result in the UMSN Shares to be issued on the exercise of the Option being issued at a discount to the par value, and if such an adjustment would but for this provision have so resulted, the Exercise Price payable shall be the par value of the UMSN Shares;
- (ii) in the event that a fraction of a UMSN Share arising from the adjustments referred to in this Clause 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; and
- (iii) where it is decided that an adjustment will be made, the Grantee shall be given the same proportion of the capital as that to which he was previously entitled to, by ensuring that the capital outlay to be incurred by the Grantee in exercise of his Option remains unaffected.

13.2 The adjustment pursuant to this Clause shall be effective on the day immediately following the Entitlement Date for the event giving rise to the adjustment.

13.3 The provisions of this Clause shall not apply where the alterations in the capital structure of the Company arises from:

- (a) an issue of new UMSN Shares in consideration or part consideration for an acquisition of any other securities, assets or business;
- (b) a special issue of new UMSN Shares to Bumiputera investors nominated by the Ministry of International Trade and Industry, Malaysia and/or any other government authority to comply with Government policy on Bumiputera capital participation;
- (c) a private placement or restricted issue of new UMSN Shares by the Company;
- (d) implementation of a share buy-back arrangement by the Company under Section 67A of the Act;
- (e) any issue of new UMSN Shares arising from the exercise or conversion of warrants, convertible loan stocks or other instruments by the Company; or
- (f) an issue of new UMSN Shares upon the exercise of Options granted under the Scheme.

15. ESOS BY-LAWS (Cont'd)

14. ADMINISTRATION

The Scheme shall be administered by the ESOS Committee appointed by the Board at its discretion with such powers and duties as are conferred upon it. The Board shall have the power from time to time to rescind the appointment of any person to the ESOS Committee as it deems fit. The ESOS Committee shall be vested with such powers and duties as are conferred upon it by the Board to administer the Scheme in such manner it shall in its discretion deem fit. The ESOS Committee 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

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 to the advantage of any Grantee in respect of matters prescribed under Appendix 6F of the Listing Requirements, without the prior approval of the Company in general meeting where such approval is required by applicable laws.

16. DIVESTMENT FROM THE ESOS GROUP

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

- (a) will notwithstanding such divestment and subject to the provisions of Clause 10 hereof and subject also 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 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 UMSN Shares in respect of unexercised Options hereunder may be offered to other Eligible Employees at the discretion of the Committee; and
- (b) shall not be eligible to participate in further Options under the Scheme.

17. ADDITION TO THE ESOS GROUP

- (a) In the case of:
 - (i) an employee who is employed in a company which is acquired or formed by the ESOS Group as defined in Section 6 of the Act (a company which does not fall within the definition of "UMSN ESOS Group" as defined in Clause 1 hereof) (hereinafter referred to as "NewCo"); or
 - (ii) an employee who is in the employment of a NewCo which subsequently becomes a member of the ESOS Group as a result of a restructuring or acquisition exercise or other exercise involving UMSN and/or any company within the ESOS Group;

that employee (hereinafter referred to as the "New Employee") when his employment is confirmed and provided that all conditions of these By-Laws are satisfied, will at the discretion of the Committee be eligible to participate in the Scheme.

15. ESOS BY-LAWS (Cont'd)

- (b) Notwithstanding anything herein contained:
- (i) 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 Eligible Employee and deem such New Employee to be Eligible Employee for the purposes of the Scheme; or
 - (ii) where the New Employee has participated in an employees' share option scheme in the NewCo (the "NewCo ESOS"), the ESOS Committee has the discretion to offer Options under the Scheme.
- (c) Where a Grantee is transferred from UMSN 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 "UMSN ESOS Group" as defined in Clause 1 hereof) or an associate company (hereinafter referred to as "Subsequent Company"), the following shall be applicable:
- (i) notwithstanding such transfer and subject to the provisions of Clause 10 hereof and subject also 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 transfer 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 UMSN Shares in respect of unexercised Options hereunder may be offered to other Eligible Employees at the discretion of the Committee; and
 - (ii) 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 UMSN ESOS Group for whatever reason prior to the exercise of the Option, such Option shall forthwith cease without any claim against the Company. The UMSN Shares in respect of such Option may be re-offered to other Eligible Employees at the discretion of the Committee, provided always that subject to the written approval of the ESOS Committee in its discretion:

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

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

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 pursuant to Clause 10.7.

15. ESOS BY-LAWS (Cont'd)

- 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 due to the Grantee's death or cessation or termination of employment with the ESOS Group, as the case may be, shall become void and of no effect.

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 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 Employee 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.

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 may be entitled to exercise all or any part of his Option at any time commencing from the date upon which the compromise or arrangement is sanctioned by the court and ending with the date upon which it becomes effective PROVIDED ALWAYS THAT no Option shall be exercised after the expiry of the Option Period.

21. DISPUTES

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

15. ESOS BY-LAWS (Cont'd)

22. COMPENSATION

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

23. TAXES

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

Subject to Clause 23, 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 UMSN Shares pursuant to the exercise of any Option shall be borne by the Company.

25. RETENTION PERIOD

Subject to Clause 8, a Grantee may deal with the new UMSN Shares allotted and issued to him in any way he pleases. Grantees should note that the new UMSN 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

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

27. ARTICLES

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

28. DISCLAIMER OF LIABILITY

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 UMSN Shares or in applying for or procuring the listing of the UMSN Shares on Bursa Securities.

15. ESOS BY-LAWS (Cont'd)

29. GENERAL

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

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15. ESOS BY-LAWS (Cont'd)

FIRST SCHEDULE

ADJUSTMENT TO THE EXERCISE PRICE
OR THE NUMBER OF SHARES

The Exercise Price and/or the number of Shares to be comprised in the Option in respect of the right to subscribe for new Shares so far as unexercised to which a Grantee may be entitled from time to time be adjusted, calculated or determined by the Committee and must be confirmed in writing by the external auditors (other than the adjustments made pursuant to bonus issue) 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 immediately before such capitalisation issue;

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

15. ESOS BY-LAWS (Cont'd)

S = S as in paragraph (a) above; and

T = T as 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 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 as 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 by 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:

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

15. ESOS BY-LAWS (Cont'd)

Where:

- C = C as 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 as in paragraph (a) above;
- C = C as 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 as 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 (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 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.

15. ESOS BY-LAWS (Cont'd)

- (d) If and whenever the Company makes any allotment to its shareholders as provided in paragraph (b) above and also makes any offer or invitation to its 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 for 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 as 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 as in paragraph (b) above;
- S = S as in paragraph (a) above; and
- T = T as 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.

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

15. ESOS BY-LAWS (Cont'd)

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

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

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 as in paragraph (a) above; and

T = T as 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 shareholders as provided in paragraph (b) above and also makes an offer or invitation to acquire or subscribe for Shares to its 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;

15. ESOS BY-LAWS (Cont'd)

S = S as in paragraph (a) above; and

T = T as 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.

- (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 for one (1) Share (as defined below) or, as the case may be, the price at which the Shares will be issued upon conversion of such securities or exercise of such rights is determined, 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 which so issued or in the case of securities convertible into Shares or with rights to acquire or subscribe for Shares, the maximum number (assuming no adjustment of such rights) of Shares which may be issued upon full conversion of such securities or the exercise in full of such rights; and
- S = S as 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 auditor 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 by the maximum number of Shares issuable on full conversion of such securities or on exercise in full of such rights.

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

For the purpose of this paragraph (g), the Average Price of a Share shall be the average price of one (1) Share as derived from the last dealt prices for one (1) or more board lots of the Shares as quoted on the 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 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.

- (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 Directors of the Company and the external auditor or the Company may agree; 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 auditor or the Company may agree.

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16. FURTHER INFORMATION

16.1 SHARE CAPITAL

- (i) Save for the Shares to be allotted pursuant to the ESOS as detailed out in Section 6.4 of this Prospectus, no Shares will be allotted or issued on the basis of this Prospectus later than 12 months after the date of this Prospectus.
- (ii) There are no founder, management or deferred shares in the Company. There is only one class of shares in the Company, namely ordinary shares of RM0.50 each, all of which rank *pari passu* with one another.
- (iii) Save for the 3,500,000 Issue Shares reserved for subscription by the eligible directors, employees and business associates of the UMSN Group and the Options to be granted under the ESOS, there is at present no other scheme for or involving the employees in the share capital of the Company and its subsidiaries.
- (iv) Save as disclosed in Sections 6.2, 6.3 and 6.6 of this Prospectus and the Shares to be issued pursuant to the exercise of Options under the ESOS as detailed out in Section 6.4 of this Prospectus, no shares, debentures, outstanding warrants, options, convertible securities or uncalled capital of the Company or its subsidiaries have been issued or are proposed to be issued as partly or fully paid-up in cash or otherwise within the 2 years preceding the date of this Prospectus.
- (v) As at 3 March 2006 (being the latest practicable date prior to the printing of this Prospectus), the Company and its subsidiaries do not have any outstanding convertible debt securities.
- (vi) Save for the Options to be granted under the ESOS as detailed out in Section 6.4 of this Prospectus, none of the capital of the Company or any of its subsidiaries has been put under any option or has been agreed conditionally or unconditionally to be put under any option.

16.2 ARTICLES OF ASSOCIATION

The following provisions are reproduced from the Company's Articles of Association. Terms defined in the Articles of Association of the Company shall have the same meaning when used here unless otherwise defined or the context herein requires:

16.2.1 Transfer of Securities**Articles of Association**

The provisions in the Company's Articles of Association in respect of the arrangements for transfer of securities and restrictions on their free transferability are set out below:

Article 43

The transfer of any Securities or class of listed Securities of the Company shall be made by way of book entry by the Central Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act, but subject to subsection 107C(2) of the Act and any exemption that may be made from compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of Securities.

16. FURTHER INFORMATION (cont'd)

Article 45

The Directors may decline to register any instrument of transfer of Shares which are not fully paid (whether these are quoted or otherwise) to a person of whom they do not approve. Subject to the Act, the Listing Requirements, the Central Depositories Act and the Rules, if the Directors refuse to register a transfer they shall send to the transferee written notice of the refusal and reasons therefore.

Article 48

Subject to the Central Depositories Act and the Rules, any member may transfer all or any of its Securities by instrument in writing in the form prescribed and approved by the Exchange and the Share Registrar (as the case may be). Subject to these Articles, there shall be no restriction on the transfer of fully paid-up Shares except where required by law. All transfers of deposited Securities shall be effected in accordance with the Act, the Central Depositories Act and the Rules.

16.2.2 Remuneration of Directors

The provisions of the Company's Articles of Association dealing with the remuneration of Directors are as follows:

Article 109

Subject to these Articles, the fee of the Directors shall from time to time be determined by the Company in general meeting but:

- (1) Directors' fees payable to Directors not holding any executive office in the Company shall be a fixed sum and shall not be payable by a commission on or percentage of profits or turnover;*
- (2) salaries payable to Directors holding executive office in the Company may not include a commission on or a percentage of turnover;*
- (3) all fees payable to Directors shall be deemed to accrue from day to day;*
- (4) fees payable to Directors shall not be increased except pursuant to a resolution passed by the Company in general meeting, where notice of the proposed increase has been given in the notice convening the meeting; or*
- (5) any fee paid to an alternate Director shall be agreed between him and his appointor and shall be deducted from his appointor's remuneration.*

Article 110

The Directors may be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of Directors or general or other meetings of the Company or in connection with the business of the Company.

Article 111

The Directors may grant special remuneration to any Director who (on request by the Directors) is willing to:

- (1) render any special or extra services to the Company; or*
- (2) to go or reside outside his country of domicile or residence in connection with the conduct of any of the Company's affairs.*

16. FURTHER INFORMATION (cont'd)

Such special remuneration may be paid to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be paid in a lump sum or by way of salary, or by a percentage of profits (other than non-executive directors), or by all or any of such methods but shall not include (where such special remuneration is paid by way of salary) a commission on or a percentage of turnover.

16.2.3 Voting and Borrowing Power of Directors

The provisions in the Company's Articles of Association dealing with voting powers of the Directors and their borrowing powers are set out below:

Voting powers of Directors**Article 142**

Subject to these Articles, the Directors may regulate their proceedings as they think fit. A Director may, and the Secretary at the request of a Director shall, call a meeting of the Directors. Questions arising at a meeting shall be decided by a majority of votes. In the case of an equality of votes, the Chairman of the meeting shall (subject to Article 145) have a second or casting vote.

Article 145

When two (2) Directors form a quorum, the Chairman of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote in the question at issue, shall not have a casting vote.

Article 149

Except as otherwise provided by these Articles, a Director shall not vote at a meeting of Directors or of a committee of Directors on any resolution concerning any contract, proposed contract, arrangement or other matter in which he has, directly or indirectly, a personal interest or duty which is material and which conflicts or may conflict with the interests of the Company.

Borrowing Powers of Directors**Article 123**

Except as provided by Article 124, the Directors may exercise all the powers of the Company to borrow money any sum or sums from any person, bank, firm or company and to mortgage or charge its undertaking, property and uncalled capital, and any part thereof and to issue debentures and other Securities, whether as primary or collateral security for any debt, liability or obligation of the Company, its Subsidiaries or any other party.

The Directors may guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon with power to the Directors to indemnify the guarantors from or against liability under their guarantees by means of a mortgage or hypothecation of or charge upon any property and asset of the Company or otherwise. The Directors may exercise all the powers of the Company to guarantee and give guarantees or indemnities for payment of money, the performance of contracts or obligations or for the benefit or interest of the Company or its Subsidiaries.

Article 124

The Directors shall not borrow any money or mortgage or charge any of the Company's or its Subsidiaries' undertaking, property or any uncalled capital, or to issue debentures and other Securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

16. FURTHER INFORMATION (cont'd)

16.2.4 Changes in Share Capital and Variation of Class Rights

The provisions in the Articles of Association of the Company as to changes in share capital and variation of class rights, which are no less stringent than those required by law, are set out below:

Variation of Rights**Article 12**

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class) may (subject to Sections 55 and 65 of the Act and whether or not the Company is being wound up) be varied or abrogated with:

- (1) *the consent in writing of the holders of three-fourths of the issued Shares of that class within two (2) Months of the meeting, shall be valid and effectual as a special resolution carried at the meeting; or*
- (2) *the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class.*

To every such separate general meeting, the provisions of these Articles relating to general meetings shall mutatis mutandis apply, except that the necessary quorum shall be two (2) persons at least holding or representing by proxy one-third of the issued Shares of the class (but so that if at any adjourned meeting of such holders, a quorum is not present, the holders present, shall form a quorum), and any holder of Shares of the class present in person or by proxy may demand a poll.

Article 14

*Subject to Section 65 of the Act, the rights attached to any class shall not (unless otherwise provided by the terms of issue of such Shares) be deemed to be varied by the creation or issue of further Shares ranking in any respect *pari passu* with that class.*

Alteration of Capital**Article 70**

The Company may by ordinary resolution:

- (1) *consolidate and divide all or any of its share capital into Shares of larger amount;*
- (2) *(subject to Section 62(1) of the Act) subdivide its existing Shares or any of them into Shares of smaller amount; or*
- (3) *cancel any Shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so cancelled.*

Article 71

Subject to any direction by the Company in general meeting, if any consolidation or subdivision and consolidation of Shares results in Members being entitled to any issued Shares of the Company in fractions, the Directors may deal with such fractions as they may determine including (without limitation), selling the Shares to which Members are so entitled for such price as the Directors may determine and paying and distributing to the Members entitled to such Shares in due proportions the net proceeds of such sale.