

13. BY-LAWS**THE BY-LAWS OF THE SCHEME****1. DEFINITIONS**

Except where the context otherwise requires, the following expressions in these By-Laws shall have the following meanings:

"AmMerchant Bank"	:	AmMerchant Bank Berhad (23742-V)
"Board"	:	The Board of Directors of Salcon
"By-Laws"	:	The By-Laws governing the Scheme
"CCM"	:	Companies Commission of Malaysia
"CDS"	:	Central Depository System
"Central Depositories Act"	:	The Malaysian Securities Industry (Central Depositories) Act, 1991
"Deposited Security(ies)"	:	A security standing to the credit of a Securities Account and includes a security in a Securities Account that is in suspense
"Depositor"	:	A holder of a Securities Account
"Duration of the Scheme"	:	The duration of the Scheme shall be five (5) years from the commencement of the Scheme as defined in Clause 19 hereof unless extended by the Option Committee in accordance with Sub-Clause 19.2 hereof or terminated by the Option Committee in accordance with Clause 20 hereof
"Eligible Employee"	:	An employee (including an Executive Director), of any member of the Salcon Group who meets the criteria of eligibility for participation in the Scheme as set out in Clause 4 hereof
"ESOS"	:	Employees' Share Option Scheme
"Executive Director"	:	A Director on the board of any member of the Salcon Group holding office in an executive capacity and on the payroll of such member and who satisfies the criteria set out in Clause 4 hereof
"Grantee"	:	An Eligible Employee who has accepted an Offer in the manner indicated in Clause 8 hereof
"Salcon" or "Company"	:	Salcon Berhad
"Salcon Group" or "Group"	:	Salcon, Subsidiaries and its future Subsidiaries, collectively
"Salcon Share(s)"	:	Ordinary share(s) of RM0.50 each in the capital of the Company
"KLSE"	:	Kuala Lumpur Stock Exchange

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"Market Day"	: Any day between Mondays and Fridays, both days inclusive, which is not a market holiday or public holiday
"Maximum Allowable Allotment"	: The maximum number of new Salcon Shares in respect of which Offers may be made to Eligible Employees, as provided in Clause 6 hereof
"MCD"	: Malaysian Central Depository Sdn Bhd
"Offer"	: An offer made in writing by the Option Committee to an Eligible Employee in the manner indicated in Clause 5 hereof
"Offer Date"	: The date on which an Offer is made by the Option Committee to an Eligible Employee to participate in the Scheme
"Option"	: The rights of a Grantee to subscribe for new Salcon Shares pursuant to the contract constituted by acceptance by an Eligible Employee, in the manner as set out in Clause 8 hereof, of an Offer made to such Eligible Employee pursuant to Clause 5 hereof
"Option Committee"	: The committee to be appointed by the Board to implement and administer the Scheme
"Option Period"	: A period commencing from the Offer Date and expiring on a date which the Option Committee may in its discretion decide Provided That no Option Period shall extend beyond the Duration of the Scheme
"Option Price"	: The price per share at which a Grantee shall be entitled to subscribe for new Salcon Shares as set out in Clause 7 hereof
"Record of Depositors"	: A record of Depositors established by the MCD under the Rules of the MCD
"RM" and "sen"	: Ringgit Malaysia and sen respectively
"ROC"	: Registrar of Companies, Malaysia
"SC"	: Securities Commission, Malaysia
"Scheme"	: The Salcon Employees' Share Option Scheme for Eligible Employees to subscribe for new Salcon Shares on the terms as set out herein
"Securities Account"	: An account established by MCD for a Depositor for the recording of Deposited Securities and for dealings in such securities by the Depositor
"Subsidiary"	: A subsidiary company of Salcon as defined in Section 5 of the Companies Act, 1965

In this By-Laws, any words importing a gender includes any gender.

This Scheme will be named the "Salcon Berhad Employees' Share Option Scheme".

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2. OBJECTIVE OF SCHEME

The objectives of the Scheme are:-

- (a) to provide an opportunity for Eligible Employees to participate as shareholders of the Company;
- (b) to reward and retain Eligible Employees whose services are vital to the continued growth of the Group; and
- (c) to motivate Eligible Employees towards better performance through greater loyalty to the Group.

3. MAXIMUM NUMBER OF SHARES ALLOWABLE UNDER THE SCHEME

- 3.1 The maximum number of new Salcon Shares which may be available under the Scheme shall not exceed in aggregate ten per cent (10%) of the total issued and paid-up share capital of the Company at any point in time of granting of the Options during the existence of the Scheme as referred to in Clause 19 hereof or such additional number that maybe permitted by the SC during the duration of the Scheme.
- 3.2 By-Law 3.1 shall not apply where the total number of new Salcon Shares which may be made available under the Scheme exceeds ten per cent (10%) of the issued and paid-up share capital of the Company during the existence of the Scheme resulting from the cancellation of the Company's own Shares purchased by the Company in accordance with the provisions of Section 67A of Companies Act, 1965. In such event, the provisions of By-Law 14.3 (d) shall be complied with and the Options shall remain valid and exercisable in accordance with the By-Laws of the Scheme.
- 3.3 The Company will during the Option Period keep available sufficient authorised and unissued shares to satisfy all Options, which may be exercised, in whole or in part during the Option Period.

4. ELIGIBILITY

- 4.1 Subject to the discretion of the Option Committee, any employee who is a citizen or resident of Malaysia (including an Executive Director) or a foreigner of a member of the Salcon Group shall be eligible to participate in the Scheme if, as at the Offer Date, the employee:
 - (a) has attained the age of eighteen (18) years;
 - (b) is employed by a member of the Salcon Group (provided the member is not dormant) and has served such member of the Salcon Group for a continuous period of at least one (1) year and whose service of employment has been confirmed in writing. In the case of an Executive Director, he must be involved in the day to day management and is on the payroll of a member of the Salcon Group (provided the member is not dormant); and
 - (c) is not a participant of or has not been offered option(s) under any other employees' share option scheme implemented by any other member of the Salcon Group which is in force for the time being.

In addition, where an employee (including an Executive Director) is serving under a fixed term employment contract, the contract must be for a duration of at least three (3) years and must be confirmed in writing.

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- 4.2 Each Executive Director can be offered options under more than one Scheme depending on his sitting on the board of directors.

5. OFFER

- 5.1 The Option 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 to any Eligible Employee whom the Option Committee may in its discretion select, to subscribe during the Option Period for new Salcon Shares in accordance with the terms of the Scheme.
- 5.2 Nothing herein shall prevent the Option Committee from making more than one Offer to any Eligible Employee provided always that, the total aggregate number of new Salcon Shares to be so allotted to any Eligible Employee shall not be less than one hundred (100) new Salcon Shares and shall always be in multiples of one hundred (100) Salcon Shares. In any case, any eligible Executive Director's maximum entitlement shall be based on one sitting only irrespective of his sittings on more than one board within the Group.
- 5.3 Each Offer shall be made in writing by the Option Committee and shall state the number of new Salcon Shares which the Eligible Employee shall be entitled to subscribe, the price at which the Eligible Employee is entitled to subscribe for each new Salcon Share and the closing date for acceptance of the Offer.
- 5.4 No Option shall be granted to any Executive Director of the Company unless specific grant of Options to that Executive Director shall have previously been approved by the shareholders of the Company in a general meeting.
- 5.5 With the exception to Sub-Clause 10.2, the Offer shall automatically lapse and be null and void in the event of the Eligible Employee ceasing to be employed by the Salcon Group for any reason whatsoever prior to the acceptance of the Offer by the Eligible Employee in the manner set out in Clause 8 hereof.

6. MAXIMUM ALLOWABLE ALLOTMENT AND THE BASIS OF ALLOTMENT

- 6.1 Subject to Sub-Clause 3.1 hereof, the allocation to the eligible Executive Directors and senior management shall not exceed 50% of the new Salcon Shares available under the Scheme provided that the allocation is equitable throughout the various categories of employees. In addition, not more than 10% of the new Salcon Shares available under the Scheme should be allocated to any individual Executive Director or employee who, either singly or collectively, through his associates, holds 20% or more of the issued and paid-up capital of the Company.
- 6.2 Subject to any adjustments which may be made under Clause 14 hereof, the maximum number of new Salcon Shares that may be offered and allotted to an Eligible Employee shall be determined at the discretion of the Option Committee taking into consideration the performance, seniority and years of service of the Eligible Employee and no maximum allowable allotment to each Eligible Employee shall be fixed, subject always to Clause 3 hereof and the provisions of the SC Guidelines on ESOS relating to allocations to directors and employees.

In the circumstances where the maximum allowable allotment as provided in the SC Guidelines on ESOS is amended by the SC from time to time, the Option Committee shall have the discretion to make the necessary adjustments so that the number of new Salcon Shares that may be offered to any one of the Eligible Employees shall be in accordance with the provisions of the SC Guidelines prevailing during the Option Period.

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7. OPTION PRICE

The Option Price at which a Grantee is entitled to subscribe for each new Salcon Share shall be at a discount of not more than 10% from the five (5) day weighted average market price of Salcon Shares immediately preceding the Offer Date of the Option or at the par value of Salcon Shares, whichever is higher.

8. ACCEPTANCE OF THE OFFER

- 8.1 The Offer to participate in the Scheme shall be valid for acceptance for a period of thirty (30) days from the Offer Date or such longer period as may be determined by the Option Committee on a case to case basis at its discretion. The acceptance of an Offer shall be made by way of a written notice from the Eligible Employee to the Option Committee in the form prescribed by the Option Committee from time to time. In the event that the Eligible Employee fails to accept the Offer within the prescribed period, the Offer shall automatically lapse PROVIDED THAT the Option Committee shall not be precluded from making a new Offer to the Eligible Employee subsequently.
- 8.2 Acceptance of the Offer by an Eligible Employee shall be accompanied by the payment of Ringgit Malaysia One (RM 1.00) as non-refundable consideration for the grant of the Option.
- 8.3 Within fourteen (14) days after the due acceptance of the Offer in accordance with the provisions of Sub-Clauses 8.1 and 8.2 hereof, the Option Committee shall issue to the Grantee a certificate of Option in such form as may be determined by the Option Committee from time to time.
- 8.4 An Option shall be personal to the Grantee and cannot be assigned, transferred or otherwise disposed of in any manner whatsoever except as specified in By-Law 10.6.
- 8.5 The Option may be cancelled at the discretion of the Grantee by notice in writing to the Option Committee.

9. EXERCISE OF OPTIONS

- 9.1 Subject to Sub-Clause 9.2 hereof, an Option may be exercised by the Grantee by notice in writing to the Company in the prescribed during normal business hours on the first Market Day of each week or as may be amended from time to time by the Option Committee during the Option Period in respect of all or any part of the new Salcon Shares comprised in the Option, provided that where an Option is exercised in respect of a part of the new Salcon Shares comprised therein, the number of new Salcon Shares of which such Option may be exercised shall not be less than one hundred (100) and shall be in multiples of one hundred (100).
- 9.2 Subject to Clause 14 hereof, the Option Committee may, at any time and from time to time, before or after an Option is granted, limit the exercise of the Option to a maximum number of new Salcon Shares and/or such percentage of the total new Salcon Shares comprised in the Option during such periods within the Option Period and impose any other terms and/or conditions deemed appropriate by the Option Committee in its discretion including amending/varying any terms and conditions imposed earlier.

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The partial exercise of an Option shall not preclude the Grantee from exercising the Option for the remaining duration of the Option Period in respect of the balance of the new Salcon Shares comprised in the Option.

Any new Salcon Shares comprised in an Option not subscribed for in any year following the date on which the Option was granted, may be subscribed for in any subsequent year until and including the last year of the Option Period.

- 9.3 Every such written notice referred to in Sub-Clause 9.1 hereof must be in the form prescribed by the Option Committee from time to time and accompanied by a remittance (calculated in accordance with the provisions of Clause 7 hereof) for the full amount of the subscription monies for the new Salcon Shares in respect of which notice is given. Within ten (10) Market Days from the receipt by the Company of the aforesaid notice and remittance from the Grantee, the Company shall allot such new Salcon Shares to the Grantee accordingly, subject to and in accordance with the provisions of the Articles of Association of the Company, the Central Depositories Act and the Rules of the MCD.
- 9.4 A Grantee who exercises his Option shall provide the Option Committee with the valid CDS account number, in the notice referred to in Sub-Clause 9.1. The new Salcon Shares to be issued pursuant to the exercise of an Option will be credited into the CDS account of the Grantee or his Authorised Nominee, as the case may be and a notice of allotment stating the number of shares credited into such CDS account will be issued and despatched to the Grantee or the Grantee's Authorised Nominee with a copy to the Grantee, as the case may be, within ten (10) Market Days from the date of receipt by the Company of the written notice of the exercise of the Option together with the requisite remittance. No physical share certificate(s) will be issued.
- 9.5 No Options shall be exercisable after the expiry of the Option Period.
- 9.6 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 Option Committee may, in its discretion, suspend and/or cancel the right of the Grantee to exercise his Option pending the outcome of such disciplinary proceedings. The Option Committee may impose such terms and conditions as the Option Committee shall deem appropriate having regard to the nature of the charges made or brought against the Grantee and the outcome of such disciplinary proceedings PROVIDED ALWAYS THAT:
 - (a) in the event that such Grantee shall subsequently be found to be not guilty of the charges which gave rise to such disciplinary proceedings, the Option Committee shall reinstate the rights of such Grantee to exercise his Option PROVIDED THAT such reinstatement is within the Duration of the Scheme in accordance with Clause 19 hereof;
 - (b) in the event such Grantee is found guilty resulting in the dismissal or termination of service of such Grantee, the Option shall immediately cease without notice, upon pronouncement of the dismissal or termination of service of such Grantee; and
 - (c) in the event such Grantee is found guilty but not dismissed or termination of service is recommended, the Option Committee shall have the right to determine at its absolute discretion whether or not the Grantee may continue to exercise his Option or any part thereof and if so, to impose such terms and conditions as it deems appropriate, on such exercise.

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- 9.7 Notwithstanding the provisions of Sub-Clause 9.3, the Board, the Option Committee, the Company and/or any officer of the Company shall not under any circumstances be held liable to any person for any cost, loss, expense, damages or liabilities, gains or profits foregone whatsoever or howsoever arising in any event relating to the delay on the part of the Company in procuring the KLSE to list the Shares subscribed for by a Grantee or for any delays in crediting the Shares into the Grantee CDS account or any other matter or dealing which is outside the control of the Company.
- 9.8 Subject to the discretion of the Option Committee, failure by the Grantee to comply with the procedure for an exercise of an Option as stipulated in Sub-Clauses 9.1 to 9.5 herein will invalidate the purported exercise of such Option by an Eligible Employee.
- 9.9 Every Option shall be subject to the condition that no new Salcon Shares shall be issued to a Grantee pursuant to the exercise of an Option if such issue would be contrary to any law, enactment, rules and/or regulations of any legislative or non-legislative body which may be in force during the Option Period or such period as may be extended.
- 9.10 The Company will undertake to keep available sufficient unissued Salcon Shares to satisfy all outstanding Options.

10. TERMINATION OF THE OPTION

- 10.1 All remaining unexercised Options shall forthwith lapse and/or be deemed to be cancelled and cease to be exercisable in relation to any new Salcon Shares in respect of which such Options have not been exercised upon the occurrence of one or more of the following events:-
- (a) the Grantee ceasing to be in employment with a member of the Salcon Group; or
 - (b) in the event of the liquidation of Salcon; or
 - (c) in the event of bankruptcy of the Grantee.
- 10.2 Where the Grantee ceases his employment or appointment with the Group by reason of:-
- (i) retirement on attaining the retirement age under the Salcon Group's retirement policy;
 - (ii) retirement before attaining the normal retirement age but with the consent of the Board;
 - (iii) redundancy or any voluntary separation scheme;
 - (iv) ill-health, injury, physical or mental disability; or
 - (v) any other circumstances as may be determined by the Option Committee from time to time.

he may exercise his unexercised Option or Options within the relevant Option Period or Periods.

- 10.3 Applications under By-Law 10.2 shall be made:-
- (a) in a case where paragraph 10.2(i) or (ii) is applicable, before the Grantee's last day of employment. The Grantee may exercise Options at any time before his last day of employment subject to the provisions of By-Law 9. In the event that no application is received by the Option Committee before the Grantee's last day of employment, any

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Options held by the Grantee on his last day of employment shall be automatically terminated;

- (b) in a case where paragraph 10.2(iv) is applicable, within one(1) month after the Grantee notifies his employer of his resignation due to ill health, injury or disability. The Grantee may exercise Options within the said period of one(1) month subject to the provisions of By-Law 9. In the event that no application is received by the Option Committee within the said period, any Options held by the Grantee at the expiry of the said period shall be automatically terminated;
 - (c) in a case where paragraph 10.2(iii) is applicable, within one(1) month after the Grantee is notified that he will be retrenched or, where he is given an offer by his employer as to whether he wishes to accept retrenchment upon certain terms, within one(1) month after he accepts such offer. The Grantee may exercise Options within the said period of one(1) month subject to the provisions of By-Law 9. In the event that no application is received by the Option Committee within the said period, any Options held by the Grantee at the expiry of the said period shall be automatically terminated;
- 10.4 The Option Committee shall consider applications under By-Law 10.2 on a case-by-case basis and may in its discretion approve or reject any application in whole or in part without giving any reasons therefore and may impose any terms and conditions in granting an approval. The decision of the Option Committee shall be final and binding. In the event that the Option Committee approves an application in whole or in part, the Grantee may exercise the Options which are the subject of the approval within the relevant Option Period and subject to the provisions of By-Law 9. Any Options in respect of which an application is rejected shall be automatically terminated on the date of termination stipulated in the relevant paragraph of By-Law 10.3 or on the date of the Option Committee's decision, whichever is the later.
- 10.5 In the event that the Option Committee receives an application under By-Law 10.2 after the expiry of the relevant period under By-Law 10.3, the Option Committee shall take into account the reasons given by the Grantee for the delay in making the application, in exercising the Option Committee's discretion and powers under By-Law 10.4. In the event that the Option Committee approves the application in whole or in part, the Company shall make an Offer in respect of the Options which are the subject of the approval to the Grantee and such Options shall be exercisable:-
- (a) only within the Option Period of those Options which were terminated due to the Grantee's delay in making the application;
 - (b) in accordance with the provisions of By-Law 9 as applicable in respect of such terminated Options; and
 - (c) at the Option Price applicable in respect of such terminated Options.
- 10.6 In the event that a Grantee dies before the expiration of the Option Period and at the date of his death held any Options, the following provisions shall apply:-
- (a) such Options may be exercised by the legal or personal representative of the Grantee ("Representative"):-
 - (i) within eighteen(18) months after the Grantee's death ("Permitted Period"); or
 - (ii) within the Option Period

whichever expires first. For the avoidance of doubt, it is hereby stated that By-Law 9.1 shall be applicable in this event;

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- (b) In the event that the Option Period expires before the Permitted Period, any Options which have not been exercised by the Representative at the expiry of the Option Period shall be automatically terminated and the Representative shall not be entitled to apply for any extension of time for exercising such unexercised Options;
- (c) In the event that the Permitted Period expires before the Option Period, the following provisions shall apply:-
 - (i) the Representative may, at any time before the expiry of the Permitted Period, apply in writing to the Option Committee for an extension of the Permitted Period, stating the reasons as to why the extension is required. In the event that no application is received by the Option Committee before the expiry of the Permitted Period, any Options which have not been exercised by the Representative at the expiry of the Permitted Period shall be automatically terminated;
 - (ii) the Option Committee shall consider such applications on a case-by-case basis and may in its discretion approve or reject an application in whole or in part without giving any reasons therefor and may impose any terms and conditions in granting an approval. The decision of the Option Committee shall be final and binding. In the event that the Option Committee approves an application in whole or in part, the Representative may exercise the Options which are the subject of the approval within such extension of the Permitted Period as is approved (which shall not exceed the Option Period) and in accordance with the provisions of By-Law 9.1. Any Options in respect of which an application is rejected shall be automatically terminated at the expiry of the Permitted Period or on the date of the Option Committee's decision, whichever is the later;
 - (iii) in the event that the Option Committee receives an application after the expiry of the Permitted Period, the Option Committee shall take into account the reasons given by the Representative for the delay in making the application, in exercising the Option Committee's discretion and powers under sub-paragraph (ii) above. In the event that the Option Committee approves an application in whole or in part, the Company shall make an Offer in respect of the Options which are the subject of the approval to the Representative and such Options shall be exercisable:-
 - (A) within such period as may be stipulated in the Offer which shall not exceed the Option Period of those Options which were terminated pursuant to sub-paragraph (i) above;
 - (B) in accordance with the provisions of By-Law 9.1; and
 - (C) at the Option Price applicable in respect of the Options which were terminated pursuant to sub-paragraph (i) above.

10.7 The provisions of By-Law 10.5 and By-Law 10.6(c)(iii) constitute exceptions to the provisions of By-Law 4.1 and By-Law 7.

13. BY-LAWS (Cont'd)

11. TAKEOVER

Notwithstanding Clause 9 hereof and subject to the provisions of any applicable statutes, rules, regulations and/or conditions issued by the relevant authorities, in the event of:

- (i) a takeover offer being made for the Company through a general offer to acquire the whole of the issued share capital of the Company (or such part thereof not at the time owned by the person making the general offer ("Offeror") or any persons acting in concert with the Offeror) a Grantee will be entitled, within three (3) months of such a general offer being made, to exercise all or any part of his Options and the Directors shall use their best endeavours to procure that such a general offer be extended to any new Salcon Shares that may be issued pursuant to the exercise of Options under this Clause; and
- (ii) the Offeror becoming entitled or bound to exercise the right of compulsory acquisition of Salcon Shares under the provisions of any applicable statutes, rules and/or regulations and gives notice to the Company that it intends to exercise such right on a specific date, a Grantee will be entitled to exercise all or any part of his Option from the date of service of the said notice to the Company until and inclusive of the date on which the right of compulsory acquisition is exercised;

PROVIDED ALWAYS THAT any Option to the extent unexercised after the expiry of the periods stipulated in the aforesaid circumstances shall remain in force and continue to be exercisable until the expiry of the Option Period applicable thereto.

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

Notwithstanding Clause 9 hereof and subject to the discretion of the Option Committee, in the event of the court sanctioning a compromise or arrangement between the Company and its members proposed for the purposes of, or in connection with, a scheme of arrangement and reconstruction of the Company under Section 178 of the Companies Act, 1965 or its amalgamation with any other company or companies under Section 178 of the Companies Act, 1965 a Grantee may be entitled to exercise all or any part of his Option or Options 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 any part of an Option which remains unexercised after the expiry of the period stipulated above shall remain in force and continue to be exercisable until the expiry of the Option Period applicable thereto.

13. RETENTION PERIOD

The new Salcon Shares to be issued and allotted to a Grantee pursuant to the exercise of any Option or Options will not be subject to any retention period.

14. ALTERATION OF SHARE CAPITAL DURING THE OPTION PERIOD

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

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

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- (b) the Option Price

as shall be necessary to give a Grantee the same proportion of the issued capital of the Company as that to which he was entitled prior to the event giving rise to such adjustment.

- 14.2 The following provisions shall apply in relation to an adjustment which is made pursuant to By-Law 14.1:-

- (a) any adjustment to the Option Price shall be rounded up to the nearest one(1) sen and in no event shall the Option Price be reduced to an amount which is below the par value of the Shares; and
- (b) in determining a Grantee's entitlement to subscribe for Shares, any fractional entitlements will be disregarded.

- 14.3 By-Law 14.1 shall not be applicable where an alteration in the capital structure of the Company arises from any of the following:-

- (a) an issue of securities as consideration for an acquisition; or
- (b) an issue of securities as a private placement; or
- (c) an issue of securities as a special issue approved by the relevant governmental authorities; or
- (d) a purchase by the Company of its own Shares pursuant to Section 67A of the Companies Act, 1965. In this event, the following provisions shall apply:-
- (i) if the number of Options granted by the Company as at the date of cancellation of Shares so purchased is greater than 10% of the issued and paid-up capital of the Company after such cancellation, the Option Committee shall not make any further Offers; and
- (ii) if the number of Options granted by the Company as at the date of cancellation of Shares so purchased is less than 10% of the issued and paid-up capital of the Company after such cancellation, the Option Committee may make further Offers only until the total number of Options granted by the Company is equivalent to 10% of the issued and paid-up capital of the Company after such cancellation.

- 14.4 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to Part VII of the Companies Act, 1965, By-Law 14.1 shall be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which By-Law 14.1 is applicable, but By-Law 14.1 shall not be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which By-Law 14.1 is not applicable as described in By-Law 14.3.

- 14.5 An adjustment pursuant to By-Law 14.1 shall be made at the following times:-

- (a) in the case of a rights issue, bonus issue or other capitalisation issues, on the Market Day immediately following the date of entitlement in respect of such issue; or
- (b) in the case of a consolidation or subdivision of Shares or reduction of capital, on the Market Day immediately following the date of allotment of new shares of the Company in respect of such consolidation, subdivision or reduction.

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

- 14.6 All adjustments must be confirmed in writing by an approved company auditor, acting as an expert and not as an arbitrator, to be in his opinion fair and reasonable. In addition, the Company shall, at the request of any Grantee, furnish such Grantee with a certificate from an approved company auditor to the effect that in the opinion of such auditor, acting as an expert and not as an arbitrator, an adjustment is fair and reasonable either generally or as regards such Grantee, and such certification shall be final and binding on all parties. For the purposes of this By-Law, an approved company auditor shall have the meaning given in Section 8 of the Companies Act, 1965.

15. QUOTATION OF SHARES

The new Salcon Shares referred to in Clause 3 above and the new Salcon Shares (if any) to be allotted and issued to the Grantee will not be listed or quoted on the KLSE until the Option is exercised in accordance with Clause 9 above whereupon the Company shall, make the necessary application to the KLSE for the listing of and quotation for such new Salcon Shares and use its best endeavours to obtain permission for the dealing therein.

16. RANKING OF NEW SALCON SHARES

The new Salcon Shares to be allotted upon any exercise of any Options granted shall upon allotment and issue, rank *pari passu* in all respects with the existing Salcon Shares PROVIDED ALWAYS that the new Salcon Shares so allotted will not be entitled to any dividends, rights, allotments and/ or other distributions unless such new Salcon Shares are specified as being credited to the Securities Account of the Grantee in the Record of Depositors maintained by the Company with the MCD and requested by the Company from the MCD for the purpose of determining persons entitled to such dividends, rights, allotments, and/ or distributions in accordance with the Company's Articles of Association.

17. ADMINISTRATION

The Scheme shall be administered by the Option Committee consisting of such persons appointed by the Board. The Option Committee shall administer the Scheme in such manner as it shall in its discretion deem fit. For the purpose of administering the Scheme, the Option Committee may do all such 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 administration of the Scheme, as the Option Committee may in its discretion deem fit necessary and/or expedient for the implementation of the Scheme. The Board shall have power from time to time to rescind the appointment of any person to the Option Committee as it deems fit.

The Board shall have power at any time and from time to time to assume and/or exercise or execute any of the powers and authorities conferred upon the Option Committee pursuant to this By-Laws.

13. BY-LAWS (Cont'd)**18. AMENDMENT AND/OR MODIFICATION TO THE SCHEME**

Subject to the approvals of the SC and any other relevant authorities, the Board shall have the power at any time and from time to time by resolution to amend and/or modify all or any of the provisions of the Scheme PROVIDED THAT no such amendment and/or modification shall be made which would either materially prejudice the rights then accrued to any Grantee without the Grantee's prior consent or alter to the advantage of any Grantee in respect of any provisions of the Scheme without the prior approval of the Company's shareholders in a general meeting.

19. DURATION OF THE SCHEME

19.1 The Scheme shall come into force upon obtaining the following approvals:-

- (a) the SC;
- (b) the KLSE for the listing of and quotation for the new ordinary shares to be issued pursuant to the exercise of Options;
- (c) the shareholders of the Company in general meeting;
- (d) the fulfilment of any conditions attached thereto and upon the adviser submitting to the SC the following additional requirements:-
 - i. Final copy of the By-Laws of the Scheme; and
 - ii. Confirmation letter from the adviser confirming that the Company:
 - (A) has fulfilled the SC's conditions of approval for the Scheme and that the By-Laws do not contravene the Guidelines on Employee Share Option Schemes as stipulated under the "Policies and Guidelines on Issue/Offer of Securities ("Issues Guidelines"); and
 - (B) has obtained other relevant approvals for the Scheme and has fulfilled all conditions imposed therein.

The date of the confirmation letter submitted by the adviser would signify the effective date for the launch/implementation of the Scheme ("Effective Date"). The scheme shall be in force for a duration of five(5) years from the Effective Date. The Company may, if the Board and the Option Committee deem fit, extend the Scheme for another five(5) years. Such extended Scheme shall be implemented in accordance with the terms of the By-Laws set out herein, save for any amendments and/or changes to the relevant statutes and/or regulations currently in force and shall be valid and binding without further obtaining the approvals of the abovementioned parties PROVIDED THAT the Company shall serve appropriate notices on each Grantee and/or make necessary announcements to any and/or all of the abovementioned parties within thirty(30) days prior to the expiry of the Scheme.

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

13. BY-LAWS (Cont'd)

20. TERMINATION OF THE SCHEME

20.1 The Company can terminate the Scheme in mid-stream only if all of the following conditions are satisfied:-

- (a) the prior approval of the SC has been obtained for the termination of the Scheme;
- (b) the prior consent of the shareholders of the Company at general meeting, wherein at least a majority of the shareholders present voted in favour of the termination, has been obtained; and
- (c) the prior written consent of all Grantees who have yet to exercise their Options, either in part or in whole, has been obtained in respect of such termination.

20.2 In seeking to obtain the approval of the SC and the consent of the shareholders and Grantees for the termination of the Scheme referred to in By-Law 20.1, the Company must provide sufficient information on the following matters:-

- (a) Reasons for the termination;
- (b) Whether or not the termination of the Scheme would be in the best interest of the Company; and
- (c) Any other information that would justify termination of the Scheme.

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

- (a) no further Offers shall be made by the Option Committee from the date the last of the approvals specified in By-Law 20.1 shall have been obtained;
- (b) all Offers which have yet to be accepted shall automatically lapse from the date the last of the approvals specified in By-Law 20.1 shall have been obtained; and
- (c) all outstanding Options shall be automatically terminated from the date the last of the approvals specified in By-Law 20.1 shall have been obtained.

21. SUBSEQUENT EMPLOYEES' SHARE OPTION SCHEME

The Company may establish a new employees' share option scheme after the expiry of the Scheme or upon termination of the Scheme subject to the approval of the SC.

22. DISPUTES

In the event of any dispute between the Option Committee and an Eligible Employee or Grantee, as to any matter or thing of any nature arising hereunder, the Option Committee shall determine such dispute or difference by a written decision given to the Eligible Employee or Grantee, as the case may be. The said decision shall be final and binding on the parties unless the Eligible Employee or Grantee, as the case may be, shall dispute the same by written notice to the Option Committee within fourteen (14) days of the receipt of the written decision, in which case such dispute shall be referred to the decision of the external auditors of the Company for the time being, acting as experts and not as arbitrators, whose decision shall be final and binding in all respects. In the event that the external auditors are unable to reach a decision in respect of the dispute, such dispute shall be referred to a court of law of competent jurisdiction in Malaysia, whose decision shall be final and binding in all respects.

13. BY-LAWS (Cont'd)

23. COMPENSATION

- 23.1 An Eligible Employee or Grantee who ceases to hold office or employment shall not be entitled to any compensation for the loss of any right or benefit or prospective right or benefit under the Scheme which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office.
- 23.2 No Eligible Employee or Grantee or legal or personal representatives shall bring any claim, action or proceeding against the Company or the Option Committee or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension of his rights to exercise his Option or his Option ceasing to be valid pursuant to the provisions of these By-Laws, or as the same may be amended from time to time in accordance with Clause 18 hereof.

24. SUBSIDIARIES OF SALCON

In the event of any acquisition or incorporation of any Subsidiary during the tenure of this Scheme, the Scheme shall apply to such eligible employees of the Subsidiaries falling within the expression of "Eligible Employee" under Clause 1 hereof and the provisions of these By-Laws shall apply.

25. TRANSFERS FROM/ TO OTHER COMPANIES RELATED TO THE GROUP

- 25.1 In the case of :-

- (i) an employee who is employed in, or an executive director of, a company related to Salcon in the manner set forth in Sub-Clause 25.2 below (hereinafter referred to as "Previous Company") and is subsequently transferred from a Previous Company to any company within the Group; or
- (ii) an employee who is in the employment of a Previous Company or an executive director of a Previous Company which subsequently becomes a member of the Group as a result of a restructuring or other exercise involving the Group and/or any company within the Group,

such an employee of the Previous Company or an executive director of a Previous Company (hereinafter referred to as "Affected Employee") may, if the Affected Employee satisfies all the conditions in the By-Laws herein and subject to the discretion of the Option Committee, be eligible to participate in the Scheme provided that the Affected Employee:-

- (a) may be entitled to exercise all such unexercised option(s) which were granted to him under the employees' share option scheme (if any) which he was participating (hereinafter referred to as "Previous Company ESOS") whilst the Affected Employee was in the employment of the Previous Company, if the same is provided for under the By-Laws of such Previous Company ESOS but he shall not, upon such transfer or restructuring or other exercise as the case may be, be eligible to participate for further options of such Previous Company ESOS; and
- (b) will only be eligible to participate in the Scheme for its remaining duration.

13. BY-LAWS (Cont'd)

25.2 For the purpose of paragraph (i), Previous Company means a company which is:-

- (a) a holding company of Salcon; or
- (b) a subsidiary of the holding company of Salcon.

25.3 The use of the terms "holding company" and "subsidiary" in paragraphs Clause 25.2 (a) and (b) above shall be as defined in Section 5 of the Companies Act, 1965.

26. DIVESTMENT FROM THE GROUP

If a Grantee who was in the employment with a member of the Group which has ceased to be a Subsidiary as a result of a restructuring or divestment exercise or otherwise (other than a takeover under Clause 11 hereof) then such Grantee:-

- (a) may be entitled to continue to exercise all such unexercised Options which were granted to him under the Scheme within a period of three (3) months from the date the company ceases to be a Subsidiary or the expiry of the last day of the Option Period whichever is earlier, failing which the right granted to such Grantee to subscribe for that number of new Salcon Shares or any part thereof granted under such unexercised Options shall automatically lapse; and
- (b) shall not be eligible to participate for further Options under the Scheme.

27. COSTS AND EXPENSES

All costs and expenses incurred in relation to the Scheme including but not limited to the costs and expenses relating to the issue and allotment of the new Salcon Shares upon the exercise of any Option shall be borne by the Company.

28. NOT A TERM OF EMPLOYMENT

This Scheme does not form part nor shall it in any way be construed as part of the terms and conditions of employment of any employee.

29. ARTICLES OF ASSOCIATION

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