

THIS CIRCULAR TO SHAREHOLDERS OF LEADER STEEL HOLDINGS BERHAD (“LSH” OR THE “COMPANY”) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

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LEADER STEEL HOLDINGS BERHAD
(Registration No. 199301012471 (267209-K))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO:-

- (I) **PROPOSED PRIVATE PLACEMENT OF UP TO 40,359,700 NEW ORDINARY SHARES IN THE COMPANY (“SHARES”), REPRESENTING UP TO APPROXIMATELY 30% OF THE EXISTING TOTAL NUMBER OF ISSUED SHARES, TO INDEPENDENT THIRD PARTY INVESTOR(S) TO BE IDENTIFIED AND AT AN ISSUE PRICE TO BE DETERMINED LATER (“PROPOSED PRIVATE PLACEMENT”); AND**
- (II) **PROPOSED ESTABLISHMENT AND IMPLEMENTATION OF AN EMPLOYEES’ SHARE OPTION SCHEME INVOLVING UP TO 15% OF THE TOTAL NUMBER OF ISSUED SHARES (EXCLUDING TREASURY SHARES) FOR ELIGIBLE DIRECTORS AND EMPLOYEES OF LSH AND ITS SUBSIDIARIES (EXCLUDING DORMANT SUBSIDIARIES) (“PROPOSED ESOS”)**

(COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

**PRINCIPAL ADVISER FOR THE PROPOSALS AND
PLACEMENT AGENT FOR THE PROPOSED PRIVATE PLACEMENT**



MERCURY SECURITIES SDN BHD
(Registration No. 198401000672 (113193-W))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting of the Company (“**EGM**”) will be held at 2nd Floor, Wisma Leader Steel, Plot 85, Lorong Perusahaan Utama, Kawasan Perusahaan Bukit Tengah, 14000 Bukit Tengah, Seberang Perai Tengah, Pulau Pinang, Malaysia on Monday, 30 May 2022 at 1.00 p.m. or immediately after the conclusion or adjournment of the Twenty-Ninth Annual General Meeting of the Company (“**29th AGM**”) to be held at the same venue on the same day at 12.15 p.m., whichever is later. The Notice of EGM together with the Form of Proxy are enclosed in this Circular.

You are requested to complete, sign and return the enclosed Form of Proxy and deposit it at the registered office of the Company at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia not less than 48 hours before the time and date appointed for holding the EGM. The completion and lodging of the Form of Proxy shall not preclude you from attending and voting in person at the EGM should you subsequently wish to do so and in such an event, your Form of Proxy shall be deemed to have been revoked.

Last day, date and time for lodging the Form of Proxy : Saturday, 28 May 2022 at 1.00 p.m.
Day, date and time of the EGM : Monday, 30 May 2022 at 1.00 p.m. or immediately after the conclusion or adjournment of the 29th AGM, whichever is later

This Circular is dated 13 May 2022

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

Act	:	Companies Act, 2016
Board	:	Board of Directors of the Company
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (198701006854 (165570-W))
Bursa Securities	:	Bursa Malaysia Securities Berhad (200301033577 (635998-W))
By-laws	:	The rules, terms and conditions governing the Scheme as may be modified, amended, varied or supplemented from time to time, a draft of which is appended in Appendix II of this Circular
CDS Account	:	An account established by Bursa Depository for the recording of deposits and withdrawal of securities and for dealings in such securities by a depositor
Circular	:	This circular to the Shareholders dated 13 May 2022 in relation to the Proposals
Constitution	:	Constitution of the Company
COVID-19	:	Coronavirus disease 2019
Directors	:	Directors of the Company for the time being and shall have the meaning ascribed to it in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act, 2007 and shall be construed accordingly
EGM	:	Extraordinary general meeting of the Company
Eligible Persons	:	Directors and/or employees of the Group who fulfill the eligibility criteria for participation in the Scheme as set out in the By-laws
EPS	:	Earnings per Share
ESOS or the Scheme	:	Employees' share option scheme for the granting of the ESOS Options to the Eligible Persons to subscribe for new Shares upon the terms as set out in the By-laws, such scheme to be known as the "Leader Steel Holdings Berhad Employees' Share Option Scheme"
ESOS Committee	:	The committee appointed and authorised by the Board to administer the Scheme in accordance with the By-laws, comprising such number of Directors and/or other persons identified and appointed from time to time by the Board
ESOS Effective Date	:	The date on which the Scheme shall take effect, to be determined and announced by the Board following full compliance with all relevant requirements of the Listing Requirements
ESOS Exercise Price	:	The price at which an ESOS Grantee shall be entitled to subscribe for each new Share from the Company upon the exercise of the ESOS Options, as initially determined and as may be adjusted in accordance with the provisions of the By-laws
ESOS Grantee	:	Any Eligible Person who has accepted an ESOS Offer in the manner provided in the By-laws

DEFINITIONS (cont'd)

ESOS Maximum Shares	:	Maximum number of new Shares that may be granted under the Scheme which shall not in aggregate exceed 15% of the total number of issued Shares (<i>excluding treasury shares</i>) at any point of time over the duration of the Scheme
ESOS Offer	:	Written offer of ESOS Options at the discretion of the ESOS Committee, to an Eligible Person from time to time within the duration of the Scheme
ESOS Offer Date	:	The date of the letter of which an ESOS Offer is offered by the ESOS Committee to the Eligible Persons to participate in the Scheme
ESOS Options	:	The right of an ESOS Grantee to subscribe for new Shares during the ESOS Option Period at the ESOS Exercise Price pursuant to an ESOS Offer duly accepted by the ESOS Grantee
ESOS Option Period	:	The period commencing from the ESOS Effective Date to a date not exceeding 5 years or such other date as stipulated by the ESOS Committee in the ESOS Offer or upon the date of termination or expiry of the Scheme as provided in the By-laws
FYE	:	Financial year ended / ending
Interested Person	:	A director, major shareholder or chief executive of the Company or a holding company of the Company
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	29 April 2022, being the latest practicable date prior to the printing of this Circular
LSH or the Company	:	Leader Steel Holdings Berhad (199301012471 (267209-K))
LSH Group or the Group	:	Collectively, LSH and its subsidiaries
LSH Shares or the Shares	:	Ordinary shares in the Company
Market Day	:	Any day on which Bursa Securities is open for trading in securities
Mercury Securities or the Principal Adviser or the Placement Agent	:	Mercury Securities Sdn Bhd (198401000672 (113193-W))
NA	:	Net assets
Placement Shares	:	Up to 40,359,700 new Shares to be issued pursuant to the Proposed Private Placement
Proposals	:	Collectively, the Proposed Private Placement and Proposed ESOS
Proposed ESOS	:	Proposed establishment and implementation of the ESOS involving up to 15% of the total number of issued Shares (<i>excluding treasury shares</i>) for Eligible Persons
Proposed Private Placement	:	Proposed private placement of up to 40,359,700 Placement Shares, representing up to approximately 30% of the existing total number of issued Shares, to independent third party investor(s) to be identified and at an issue price to be determined later

DEFINITIONS (cont'd)

Record of Depositors	:	A record of securities holders established by Bursa Depository under the Rules of Bursa Depository
RM and sen	:	Ringgit Malaysia and sen respectively
Rules of Bursa Depository	:	Rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act, 1991, including the Securities Industry (Central Depositories) Amendment Act, 1998
Shareholders	:	Registered holders of the Shares
VWAP	:	Volume weighted average market price

All references to “you” in this Circular are to the Shareholders.

In this Circular, words referring to the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to time and date in this Circular shall be a reference to Malaysian time and date, unless otherwise stated. Any discrepancies in the tables between the actual figures, amounts stated and the totals in this Circular are, unless otherwise explained, due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Company’s plans and objectives will be achieved.

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LEADER STEEL HOLDINGS BERHAD

(Registration No. 199301012471 (267209-K))
(Incorporated in Malaysia)

Registered office

170-09-01, Livingston Tower
Jalan Argyll
10050 George Town
Pulau Pinang

13 May 2022

Board of Directors

Tan Sri Dato' Mohd Desa bin Pachi (*Chairman / Independent Non-Executive Director*)
Dato' Goh Cheng Huat (*Deputy Chairman / Executive Director*)
Datin Tan Pak Say (*Managing Director*)
Goh Wan Jing (*Executive Director*)
Lim Leng Han (*Senior Independent Non-Executive Director*)
Datuk Abdullah bin Haji Kuntom (*Independent Non-Executive Director*)
Mohd. Arif bin Mastol (*Independent Non-Executive Director*)
Abdull Sukor bin Ismail (*Independent Non-Executive Director*)

To: The Shareholders

Dear Sir / Madam,

- (I) **PROPOSED PRIVATE PLACEMENT; AND**
- (II) **PROPOSED ESOS**

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

1. INTRODUCTION

On 15 April 2022, Mercury Securities had, on behalf of the Board, announced that the Company proposes to undertake the Proposals.

Subsequently, on 5 May 2022, Mercury Securities had, on behalf of the Board, announced that Bursa Securities has, vide its letter dated 29 April 2022, resolved to approve the listing and quotation of the following:-

- (i) up to 40,359,700 new Shares to be issued pursuant to the Proposed Private Placement; and
- (ii) such number of additional new Shares, representing up to 15% of the total number of issued Shares (*excluding treasury shares*) to be issued pursuant to the Proposed ESOS.

The approval of Bursa Securities is subject to the conditions as set out in Section 8 of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH RELEVANT INFORMATION ON THE PROPOSALS AND TO SET OUT THE VIEWS AND RECOMMENDATION OF THE BOARD AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS WHICH WILL BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH ITS APPENDICES BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

2.1 Size of placement

The Proposed Private Placement involves the issuance of up to 40,359,700 Placement Shares, representing up to approximately 30% of the existing total number of issued Shares, to independent third party investor(s) to be identified and at an issue price to be determined later.

As at the LPD, the Company has 134,532,560 Shares in issue (*excluding 5,802,400 Shares held as treasury shares*). Based on the 134,532,560 Shares in issue as at the LPD, the Proposed Private Placement entails the issuance of up to 40,359,700 Placement Shares, representing up to approximately 30% of the total number of issued Shares (*after rounding down to the nearest 100 Shares*).

The effects of the Proposed Private Placement are set out in Section 6 of this Circular.

2.2 Placement arrangement

The Placement Shares are intended to be placed to independent third party investor(s) to be identified later. Such investor(s) shall be party(ies) which qualify under Schedule 6 or 7 of the Capital Markets and Services Act, 2007. The Placement Shares are not intended to be placed to the following persons:-

- (i) Interested Person;
- (ii) a person connected with an Interested Person; or
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The Proposed Private Placement may be implemented in 1 or more tranches (*as the investors may be identified and procured over a period of time rather than simultaneously*) within a period of 6 months from the date of approval by Bursa Securities for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities or any extended period as may be approved by Bursa Securities, subject to the prevailing market conditions.

2.3 Ranking of the Placement Shares

The Placement Shares shall, upon allotment, issuance and full payment of the issue price, rank equally in all respects with the then existing issued Shares.

2.4 Listing and quotation of the Placement Shares

Bursa Securities has on 29 April 2022 approved the listing and quotation of the Placement Shares on the Main Market of Bursa Securities. The approval of Bursa Securities is subject to the conditions as set out in Section 8 of this Circular.

2.5 Basis and justification of the issue price of the Placement Shares

The Placement Shares will be issued based on a discount of not more than 20% to the 5-Market Day VWAP of the Shares up to and including the last Market Day immediately preceding the price-fixing date, to be determined by the Board after taking into consideration prevailing market conditions.

The issue price of the Placement Shares and its discount to the 5-Market Day VWAP of the Shares will be announced on the price-fixing date. The maximum discount has been set at 20% after taking into consideration the funding requirements of the Group as set out in Section 2.6 of this Circular and to provide the Company with more flexibility when fixing the issue price of the Placement Shares while also being mindful of the dilutive impact to the existing Shareholders if the discount is set too high. With this, the Company expects to be able to procure investor(s) more easily, depending on prevailing market conditions at the relevant time. In turn, this would potentially increase the likelihood of the Group being able to secure sufficient funding for the use of proceeds as set out in Section 2.6 of this Circular.

As the Proposed Private Placement may be implemented in 1 or more tranches, there could potentially be several price-fixing dates and issue prices.

For illustrative purposes only, based on an illustrative issue price of RM0.4839 per Placement Share, the issue price of the Placement Shares would represent a discount of approximately 19.99% to the 5-Market Day VWAP of the Shares up to and including the LPD of RM0.6048 (*Source: Bloomberg*).

2.6 Use of proceeds

Based on an illustrative issue price of RM0.4839 per Placement Share, the gross proceeds to be raised from the Proposed Private Placement are intended to be used in the following manner:-

Proposed use of proceeds	Expected timeframe for use from completion of the Proposed Private Placement	RM'000
(i) Working capital	Within 12 months	18,576
(ii) Estimated expenses for the Proposals	Immediate	954 ⁽¹⁾
Total		19,530⁽²⁾⁽³⁾

Notes:-

- (1) *If the actual expenses incurred are higher than the budgeted amount of RM1.0 million, the deficit will be funded from the amount earmarked for working capital. Conversely, any surplus of funds following payment of expenses will be used for the Group's working capital purposes.*
- (2) *Any additional proceeds raised in excess of RM19.5 million will be allocated for the Group's working capital purposes. Conversely, if the proceeds raised are less than RM19.5 million, the amount earmarked for working capital will be reduced accordingly.*
- (3) *Pending the use of proceeds from the Proposed Private Placement, the proceeds shall be placed in interest-bearing deposits and/or invested in money market instruments as the Board may deem fit. Any interests and/or gains arising therefrom shall be used for the Group's working capital purposes.*

(i) **Working capital**

As at the LPD, the Group has cash and bank balances of RM25.44 million. The proceeds earmarked for working capital will be used to finance the Group's day-to-day operations and are expected to be used in the following manner:-

Working capital	Percentage allocation (%)	Amount (RM'000)
Purchase of raw materials ⁽¹⁾	80	14,861
Other operating and administrative expenses such as staff cost, rental cost, utilities and office expenses ⁽²⁾	20	3,715
Total	100	18,576

Notes:-

(1) *The main raw materials purchased by the Group are hot rolled coil and cold rolled coil. Proceeds of RM14.9 million are allocated for the purchase of raw materials as the costs of these raw materials have been increasing significantly since early 2021. This is mainly due to disruption in the global supply chain which is caused by the various measures taken by governments to contain the COVID-19 pandemic.*

(2) *The actual breakdown of these expenses cannot be determined at this juncture as it will depend on the actual operating, administrative and other requirements of the Group at the relevant time.*

(ii) **Estimated expenses for the Proposals**

The breakdown of the estimated expenses for the Proposals is as follows:-

Estimated expenses	Amount (RM'000)
Professional fees ⁽¹⁾	863
Fees to relevant authorities	44
Printing, despatch, advertising, EGM and miscellaneous expenses	47
Total	954

Note:-

(1) *These include advisory fees, management fees, placement commission and other professional fees payable to the solicitors, company secretary and share registrar in relation to the Proposals, with the approximate breakdown as follows:-*

Professional fees	Amount (RM'000)
<i>Principal Adviser for the Proposals and Placement Agent for the Proposed Private Placement</i>	770
<i>Solicitors</i>	72
<i>Company secretary and share registrar</i>	21
Total	863

2.7 Fund-raising exercises undertaken by the Company in the past 12 months

The Company has not undertaken any fund-raising exercises in the past 12 months before the announcement of the Proposals.

3. DETAILS OF THE PROPOSED ESOS

The Company proposes to establish and implement the ESOS, which involves granting of ESOS Options to the Eligible Persons as set out in the By-laws. The ESOS Options granted under the Scheme shall entitle the ESOS Grantees to subscribe for new Shares at the ESOS Exercise Price to be determined at a later date.

The Scheme will be administered by the ESOS Committee. The ESOS Committee will comprise Directors and/or other persons identified and appointed from time to time by the Board. At this juncture, the composition of the ESOS Committee has yet to be decided by the Board.

The ESOS Committee will have the absolute discretion in administering the Scheme. Any liberty, power or discretion which may be exercised or any decision or determination which may be made by the ESOS Committee pursuant to the By-laws may be exercised at the ESOS Committee's sole and absolute discretion having regard to the terms of reference which the Board may establish to regulate and govern the ESOS Committee's functions and responsibilities. The decision of the ESOS Committee shall be final and binding, but subject always to the Board's power to overrule any decision of the ESOS Committee.

The discretion of the ESOS Committee in respect of the Scheme includes to determine, amongst others:-

- (i) whether or not to stagger the ESOS Offer over the duration of the Scheme and each ESOS Offer shall be separate and independent from the others;
- (ii) the number of ESOS Options to be offered in each ESOS Offer;
- (iii) whether or not the ESOS Options are subject to any vesting period and if so, the vesting conditions and whether such vesting is subject to performance target; and
- (iv) such other terms and conditions as it shall deem fit and appropriate to be imposed for the participation in the Scheme.

3.1 Maximum number of Shares available under the Scheme

The aggregate maximum number of Shares which may be made available under the Scheme shall not in aggregate exceed 15% of the total number of issued Shares (*excluding treasury shares*) at any point of time over the duration of the Scheme.

Notwithstanding the above nor any other provision contained in the By-laws, in the event the number of Shares to be issued pursuant to the exercise of the ESOS Options granted under the Scheme exceeds the ESOS Maximum Shares as a result of the Company purchasing its own Shares pursuant to the Act or the Company undertaking any corporate proposal and thereby diminishing the total number of issued Shares, then such ESOS Options granted prior to the adjustment of the total number of issued Shares (*excluding treasury shares*) shall remain valid and exercisable in accordance with the By-laws.

However, in such a situation, the ESOS Committee shall not make any further ESOS Offer unless the total number of Shares to be issued pursuant to the exercise of the ESOS Options under the Scheme falls below the ESOS Maximum Shares at any point of time over the duration of the Scheme after such adjustment.

3.2 Basis of allotment and maximum allowable allocation of Shares

Subject to the ESOS Maximum Shares and any adjustments which may be made under the By-laws, the aggregate maximum number of ESOS Options that may be granted to any 1 category / designation of employment of the Eligible Person shall be determined entirely at the discretion of the ESOS Committee.

The number of new Shares to be allocated to any Eligible Person who, either singly or collectively through persons connected with such Eligible Person, holds 20% or more of the total number of issued Shares (*excluding treasury shares*), shall not exceed 10% of the total number of new Shares to be issued under the Scheme.

Not more than 80%⁽¹⁾ of the total number of Shares available under the Scheme will be allocated in aggregate to the directors (*including non-executive directors and/or independent directors*) and senior management personnel of the companies in the Group (*excluding dormant subsidiaries*). As at the LPD, the Group has 4 senior management personnel who are eligible to participate in the Scheme.

Note:-

(1) *The threshold has been determined by the Company after taking into consideration, amongst others, the past contributions of the directors and senior management personnel of the Group whose contributions have steered the Group through difficult times especially during the COVID-19 pandemic. Further, the Board also recognises that high-calibre individuals are hard to attract and/or retain and hence, the allocation of ESOS Options to such individuals will allow them to have direct participation in the equity of the Company, giving them a sense of ownership, loyalty and belonging to the Group.*

Subject to the By-laws, the aggregate maximum number of Shares that may be offered to an Eligible Person under the Scheme shall be determined at the sole and absolute discretion of the ESOS Committee after taking into consideration, amongst others, the provisions of the Listing Requirements or other applicable regulatory requirements prevailing during the duration of the Scheme relating to employees' and/or directors' share issuance schemes and after taking into consideration the performance, targets, position, annual appraised performance, seniority and length of service, contribution, category or grade of employment of the Eligible Person or such other matters which the ESOS Committee may in its sole and absolute discretion deem fit. At the time an ESOS Offer is made, the ESOS Committee shall set out the basis of the allocation of the ESOS Offer made to the Eligible Person.

For the avoidance of doubt, the ESOS Committee shall have the sole and absolute discretion in determining whether the Shares available for vesting under the Scheme are to be offered to the ESOS Grantees via:-

- (i) 1 single ESOS Offer at a time determined by the ESOS Committee; or
- (ii) several ESOS Offers, where the vesting of the ESOS Options comprised in those ESOS Offers is staggered or made in several tranches at such times and on terms determined by the ESOS Committee.

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3.3 Eligibility to participate in the Scheme

Only Eligible Persons who fulfill the following conditions on the ESOS Offer Date shall be eligible to participate in the Scheme:-

- (i) in respect of an employee of the Group, the employee must fulfill the following criteria as at the ESOS Offer Date:-
 - (a) he/she is at least 18 years of age and he/she is not an undischarged bankrupt or subject to any bankruptcy proceedings;
 - (b) he/she is employed on the ESOS Offer Date:-
 - (aa) on a full time basis and is on the payroll of any company in the Group (*excluding any dormant subsidiary*) for a continuous period of at least 1 year and his/her employment has been confirmed by any company in the Group on the ESOS Offer Date; or
 - (bb) under an employment contract for a continuous fixed period of at least 1 year as may be determined by the ESOS Committee; and
 - (c) such employee falls within any other eligibility criteria (*including variations to the eligibility criteria under Section 3.3(i)(a) or (b) above*) that may be determined by the ESOS Committee from time to time at its sole discretion, whose decision shall be final and binding;
- (ii) in respect of a director of the Group, the director must fulfill the following criteria as at the ESOS Offer Date:-
 - (a) he/she is at least 18 years of age and he/she is not an undischarged bankrupt or subject to any bankruptcy proceedings;
 - (b) he/she has been appointed as a director (*including non-executive directors and/or independent directors*) of the Company or any other company in the Group (*excluding any dormant subsidiary*); and
 - (c) such director fulfils any other criteria as may be determined by the ESOS Committee from time to time at its sole discretion, whose decision shall be final and binding;
- (iii) in respect of a director, a chief executive officer, major shareholders of the Company or a person connected with a director, chief executive officer or major shareholder, the specific allocation of ESOS Options granted under the Scheme must have been approved by the Shareholders at a general meeting; and
- (iv) if the Eligible Person is employed by a company which is acquired by the Group during the duration of the Scheme and becomes a subsidiary whether directly or indirectly held by the Company upon such acquisition, the Eligible Person must fulfill the following as at the ESOS Offer Date:-
 - (a) he/she is at least 18 years of age and he/she is not an undischarged bankrupt or subject to any bankruptcy proceedings; and
 - (b) he/she is employed on a full time basis and is on the payroll of the newly acquired company for a continuous period of at least 1 year and his/her employment has been confirmed by the newly acquired company.

The Eligible Person must fulfill any other criteria and/or fall within such category / designation of employment as may be determined by the ESOS Committee from time to time at its sole discretion, whose decision shall be final and binding.

Eligibility under the Scheme does not confer upon the Eligible Person a claim or right to participate in or any rights whatsoever under the Scheme and an Eligible Person does not acquire or have any rights over or in connection with the ESOS Options unless an ESOS Offer has been made by the ESOS Committee to the Eligible Person and the Eligible Person has accepted the ESOS Offer in accordance with the By-laws.

Except as may be prescribed by the ESOS Committee or as stipulated in an ESOS Offer, there are no performance targets to be achieved by the ESOS Grantee before ESOS Options can be exercised and the Shares arising from the exercise of ESOS Options can be vested.

Eligible Persons shall not participate in the deliberation or discussion of their own allocation.

3.4 Duration of the Proposed ESOS

The Scheme shall be in force for a duration of 5 years from the ESOS Effective Date subject however to any extension of the Scheme as provided under the By-laws.

On or before the expiry of the Scheme, the Board shall have the discretion, without having to obtain approval of the Shareholders, to extend the duration of the Scheme provided that the initial period of the Scheme and such extension of the Scheme made pursuant to the By-laws shall not in aggregate exceed the duration of 10 years from the ESOS Effective Date.

In the event the Scheme is extended in accordance with the provision of the By-laws, the ESOS Committee shall furnish a written notification to all ESOS Grantees and the Company shall make necessary announcements to Bursa Securities prior to the proposed extension of the Scheme. For the avoidance of doubt, no further sanction, approval, consent or authorisation of the Shareholders in a general meeting is required for any such extension.

The Scheme may be terminated by the ESOS Committee at any time before its expiry provided that the Company shall make an announcement immediately through Bursa Securities. The announcement shall include the effective date of termination of the Scheme ("**ESOS Termination Date**"), the number of ESOS Options exercised under ESOS and the reasons and justification for termination.

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

- (i) no further ESOS Offers shall be made by the ESOS Committee from the ESOS Termination Date;
- (ii) all ESOS Offers which have yet to be accepted by the Eligible Persons shall automatically lapse on the ESOS Termination Date;
- (iii) all ESOS Offers which have yet to be vested in the Eligible Persons shall automatically lapse on the ESOS Termination Date; and
- (iv) all outstanding ESOS Options which have yet to be exercised by the ESOS Grantees and/or vested (*if applicable*) shall be automatically terminated on the ESOS Termination Date.

Approval or consent of Shareholders by way of a resolution in a general meeting and written consent of the ESOS Grantees who have yet to exercise their ESOS Options are not required to effect a termination of the Scheme.

No Eligible Persons shall be entitled to any compensation for damages arising from the termination of any ESOS Options or the Scheme pursuant to the provisions of the By-laws.

3.5 Exercise of ESOS Options

Each ESOS Option shall be exercisable into 1 new Share, in accordance with the provisions of the By-laws.

Subject to any adjustments that may be made in accordance with the By-laws, the ESOS Exercise Price shall be a price to be determined by the Board upon recommendation of the ESOS Committee based on the VWAP of the Shares for the 5 Market Days immediately preceding the ESOS Offer Date with a discount of not more than 10% during the duration of the Scheme. Such ESOS Exercise Price shall be conclusive and binding on the ESOS Grantees.

3.6 Ranking of the new Shares to be issued pursuant to the exercise of the ESOS Options

The Shares to be allotted and issued upon the exercise of any ESOS Options granted under the Scheme will be subject to the provisions of the Constitution and will, upon allotment and issuance, rank *pari passu* in all respects with the then existing issued Shares, save and except that the Shares so allotted and issued will not be entitled to any dividends, rights, allotments or other distributions, which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment and issuance of such new Shares.

The ESOS Options shall not carry any rights to vote at any general meeting of the Company. The new Shares allotted and credited into the ESOS Grantee's CDS Account upon the exercise of the ESOS Options would carry rights to vote at any general meeting of the Company, provided that the ESOS Grantee is registered on the Record of Depositors on the entitlement date as at the close of business to be entitled to attend and vote at the general meeting.

3.7 Retention period

The Shares to be allotted and issued and/or transferred to an ESOS Grantee pursuant to the exercise of an ESOS Option under the Scheme will not be subject to any retention period or restriction on transfer unless otherwise stated in the ESOS Offer as may be determined by the ESOS Committee from time to time at its discretion. The Company encourages ESOS Grantees to hold the Shares subscribed for by them as an investment rather than for any speculative purposes and/or for the realisation of any immediate gain.

Notwithstanding the above, pursuant to Paragraph 8.20 of the Listing Requirements, an ESOS Grantee who is a non-executive director of any company within the Group (*excluding any dormant subsidiary*) must not sell, transfer or assign his/her Shares obtained through the exercise of the ESOS Options offered to him/her pursuant to the Scheme within 1 year from the ESOS Offer Date of such ESOS Options.

3.8 Alteration of share capital

In the event of any alteration in the capital structure of the Company during the duration of the Scheme, whether by way of rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of Shares or reduction or any other alteration in the capital structure of the Company or otherwise howsoever, the ESOS Committee may, in its discretion, determine whether the ESOS Exercise Price and/or the number of unexercised ESOS Options shall be adjusted, and if so, the manner in which such adjustments should be made.

Such adjustments must be confirmed in writing by the external auditors or principal adviser (*acting as expert and not arbitrator*) that the adjustments are, in their opinion, fair and reasonable. The opinion of the external auditors or principal adviser shall be final, binding and conclusive.

This provision shall not be applicable where an alteration in the capital structure of the Company arises from any of the following:-

- (i) an issue of Shares pursuant to the exercise of ESOS Options under the Scheme;
- (ii) an issue of securities as consideration or part consideration for an acquisition of any other securities, assets or business;
- (iii) an issue of securities as a private placement;
- (iv) any special issuance of new Shares or other securities to Bumiputera investors nominated by the Malaysian government and/or any other relevant authority of the Malaysian government to comply with the Malaysian government's policy on Bumiputera capital participation;
- (v) a restricted issue of securities;
- (vi) an issue of warrants, convertible loan stocks or other instruments by the Company which give a right of conversion into new Shares arising from the conversion of such securities; or
- (vii) a purchase by the Company of its own Shares of all or a portion of such Shares purchased pursuant to the Act.

3.9 Modification, variation and/or amendment to the Scheme

Subject to the compliance with the Listing Requirements and any other relevant authorities, the ESOS Committee may at any time and from time to time recommend to the Board any additions, modifications or amendments to or deletions of the By-laws as it shall at its discretion think fit. The approval of the Shareholders in a general meeting shall not be required in respect of the additions or amendments to or modifications or deletion of the By-laws provided that no additions, modifications or amendments to or deletions shall be made which will:-

- (i) prejudice any rights which have accrued to any ESOS Grantee without the prior consent or sanction of that ESOS Grantee; or
- (ii) increase the number of Shares available under the Scheme beyond the ESOS Maximum Shares; or
- (iii) alter any matter which are required to be contained in the By-laws by virtue of the Listing Requirements to the advantage of the Eligible Person and/or ESOS Grantee.

3.10 Use of proceeds

The proceeds arising from the exercise of the ESOS Options will depend on, amongst others, the number of ESOS Options granted and exercised at the relevant point of time as well as the ESOS Exercise Price. As such, the actual amount of proceeds arising from the exercise of the ESOS Options as well as the timeframe for the use of such proceeds could not be determined at this juncture.

The Company intends to use the proceeds arising from the exercise of the ESOS Options, if any, for working capital of the Group. The working capital raised from the exercise of the ESOS Options will be used to finance the Group's day-to-day operations, including the purchase of raw materials as well as defrayment of operating and administrative expenses (*such as staff cost, rental cost, utilities and office expenses*). The actual breakdown of these expenses cannot be determined at this juncture as it will depend on, amongst others, the actual proceeds to be raised from the exercise of ESOS Options as well as the working capital requirements of the Group at the relevant time.

Pending the use of proceeds from the exercise of the ESOS Options, the proceeds shall be placed in interest-bearing deposits and/or invested in money market instruments as the Board may deem fit. Any interests and/or gains arising therefrom shall be used for the Group's working capital purposes.

4. RATIONALE FOR THE PROPOSALS

4.1 Proposed Private Placement

The Proposed Private Placement is undertaken to raise funds which shall be channelled towards the proposed use as set out in Section 2.6 of this Circular.

After due consideration of the various methods of fund raising, the Board is of the opinion that the Proposed Private Placement is the most appropriate avenue of fund raising at this juncture as it would enable the Group to raise additional funds expeditiously without having to incur interest costs or service principal repayments as compared to bank borrowings, thereby allowing the Group to preserve its cash flow.

The Board is of the opinion that the Group would be able to raise funds more expeditiously and cost effectively via a private placement as opposed to a pro-rata issuance of securities such as a rights issue. A rights issue will also require the Company to identify certain Shareholders to provide irrevocable undertakings to subscribe for a minimum number of rights shares or alternatively, procure underwriting arrangements (*which will incur additional cost*) in order to achieve a minimum subscription level to raise the requisite funds. In addition, a rights issue is likely to take a longer time to complete as compared to a private placement.

Although the Proposed Private Placement is expected to result in dilution to the shareholdings of existing Shareholders, the use of proceeds from the Proposed Private Placement for the Group's businesses is expected to contribute positively to the future earnings of the Group.

Upon completion of the Proposed Private Placement, the enlarged capital base is also expected to further strengthen the financial position of the Group.

4.2 Proposed ESOS

The Scheme to be established and implemented under the Proposed ESOS serves to achieve the following objectives:-

- (i) to drive and motivate the Eligible Persons to work towards achieving the Group's goals and objectives;
- (ii) to reward the Eligible Persons in recognition of their accumulated contribution to the operations and continued growth of the Group;
- (iii) to retain the Eligible Persons by giving the Eligible Persons a sense of ownership, loyalty and belonging to the Group by enabling them to participate directly in the equity of the Company and thereby provides an incentive for the Eligible Persons to participate in the future growth of the Group and motivate them towards better performance through greater productivity and loyalty;
- (iv) to align the interests of the Eligible Persons, including management personnel of the Group, with the interests of the Shareholders via direct participation in the equity of the Company; and
- (v) to attract and retain high-calibre Eligible Persons.

The allocation of ESOS Options to non-executive Directors is to recognise the contributions and efforts made by the non-executive Directors as they play a constructive role in contributing towards the growth and performance of the Group. Their participation in the equity of the Company is expected to enhance their level of commitment and contribution as well as to enable the Company to attract and retain capable individuals to act as non-executive Directors of the Company who will assist in the overall strategic decisions of the Group.

Further, any proceeds to be received by the Company pursuant to the exercise of the ESOS Options (*which will depend on, amongst others, the number of ESOS Options granted and exercised at the relevant point of time as well as the ESOS Exercise Price*) will be used for the Group's working capital purposes.

5. INDUSTRY OVERVIEW AND PROSPECTS

5.1 Malaysian economy

The Malaysian economy improved in 2021, registering a growth of 3.1%. The recovery momentum in the early part of the year was affected by the reimposition of nationwide containment measures from June to September 2021, following a rapid resurgence of cases due to the Delta variant. However, unlike the movement restrictions in the second quarter of 2020, more essential economic sectors were allowed to operate, while businesses and households were better adapted to the containment measures and standard operating procedures (SOPs).

Notwithstanding this, some sectors, such as high-touch services, tourism-related industries and construction, were slower to recover due to continued restrictions on movement and operating capacity. As these restrictions were eventually lifted in October 2021 amid rapid progress in domestic vaccinations, economic activities picked up and labour market conditions improved.

The expansion in employment and subsequent increase in private sector wages contributed towards increased household spending. Private investment growth was supported by expansion in productive capacity, especially in the manufacturing sector, alongside higher capital spending by firms on automation and digitalisation. In addition, external demand also provided additional support to the economic growth in 2021.

The Malaysian economy is expected to improve further, with growth projected to be between 5.3% and 6.3% in 2022. The economic recovery is underpinned by the continued expansion in external demand, full upliftment of containment measures, reopening of international borders, and further improvement in labour market conditions. In addition, the implementation of investment projects and targeted policy measures will provide further support to economic activity and aggregate demand.

Stronger private sector recovery, supported by labour market improvements, are to be the main driver of growth in 2022. As economic activity picks up, the unemployment rate is expected to decline further in 2022 to around 4% of the labour force. The recovery in the labour market will be further supported by targeted measures to boost labour demand, facilitate re-skilling and up-skilling and reduce labour market frictions. A sustained recovery in employment and income is expected to drive an improvement in household spending.

Additionally, progress in vaccinations and upliftment of containment measures will lead to an improvement in consumer confidence and some materialisation of pent-up demand. As a result, private consumption is expected to grow by 9.0% (2021: 1.9%). Private investment is also expected to recover, growing by 5.3% (2021: 2.6%), supported by the continued expansion in global demand and the implementation of new and ongoing investment projects.

(Source: Economic and Monetary Review 2021, Bank Negara Malaysia)

5.2 Steel and manufacturing industries in Malaysia

Malaysia's iron and steel trade value in February 2022 was recorded at RM5.0 billion, grew by 24.2% compared to RM4.0 billion in February 2021. Trade balance has improved from trade deficit of RM397.8 million in February 2021 to trade deficit of RM32.5 million in February 2022.

Malaysia's export in February 2022 has expanded by 37.0% to RM2.5 billion from RM1.8 billion in February 2021. Three main export destinations in February 2022 were seen to China, Korea and the United States, representing 38%, 12% and 11% of the total export value in the month, respectively.

Malaysia's import in February 2022 grew by 13.7% to RM2.5 billion from RM2.2 billion in February 2021. Top three Malaysia's import countries in February 2022 were China, Japan and Korea, representing 16%, 13% and 12% of the total import value in the month, respectively.

From January to February 2022, the trade value of the iron and steel products stood at RM11.1 billion in 2022 compared to RM8.1 billion in the same period of 2021, expanded by 36.8%. Trade balance has narrowed from trade deficit of RM675.7 million in January to February 2021 to trade deficit of RM283.6 million during the same period of 2022.

(Source: The Steel Noticeboard February 2022, Malaysia Steel Institute)

The manufacturing sector expanded by 9.5% (2020: -2.6%) as the recovery in global and domestic demand supported production activity. The overall effect of global supply chain disruptions on production activity was partly mitigated as manufacturers were able to implement measures to cushion the impact. This included building inventory buffers, negotiating with clients to spread orders, paying for expedite fees and using alternative modes of transportation to avoid shipment delays.

For the year as a whole, growth was mainly driven by the expansion in electrical and electronics (“**E&E**”), primary, and consumer-related clusters. Aided by structural shifts towards digitalisation, the E&E sector recorded a robust growth of 14.6% (average: 2010-2019: 6.4%) driven by strong demand for products associated with remote working, e-commerce, cloud-based services, and medical devices. In addition, E&E firms’ ability to adapt to standard operating procedures and the highly automated nature of many large semiconductor firms lessened the impact of operating restrictions imposed during the National Recovery Plan, enabling firms to continuously meet demand.

Meanwhile, production in the primary sector benefited from pandemic-induced demand (e.g. *rubber gloves and pharmaceuticals*) while the consumer-related cluster (e.g. *food and beverages and passenger cars*) was supported by improvement in domestic household spending and continued fiscal support (e.g. *PEMERKASA+ extended Sales & Service Tax exemption on passenger cars*).

While growth in the manufacturing sector is projected to increase at a more moderate pace (2022: 5.2%), it will still be above the long-term average. Malaysia’s E&E cluster, which is highly integrated in global value chains, will benefit from continued demand for E&E products globally. Additionally, E&E growth will be further reinforced by ongoing expansions in domestic production capacity. In the Bank Negara Malaysia’s regional economic surveillance, E&E firms indicated strong order books for the year. The primary-related cluster is also projected to expand. Demand for refined petroleum products is expected increase in line with higher mobility and economic activity, while continued health and hygiene awareness will support demand for rubber and chemical products. Meanwhile, production in the construction-related manufacturing clusters is also expected to grow following the resumption of construction projects and improvement in the residential property market. In addition, growth in the consumer-related manufacturing cluster is projected to improve, in tandem with the recovery in consumption activity. Amid strong external and domestic demand, the increase in production in certain manufacturing subsectors such as E&E and chemical products could be affected by pockets of labour shortages and global supply disruptions. Nevertheless, higher adoption of automation and productivity improvements since the onset of COVID-19 pandemic will help to partly offset these factors.

(Source: Economic and Monetary Review 2021, Bank Negara Malaysia)

5.3 Prospects and future plans of the Group

The Group is principally involved in the manufacturing and distribution of steel products and trading and processing of minerals. The primary market for its steel products is Malaysia, whereas the mineral products are mainly exported to China. The Group has 3 manufacturing facilities across Malaysia and an office in Hong Kong Special Administrative Region of the People’s Republic of China (“**Hong Kong**”) to serve its international customers.

The Group’s steel products segment is focused on production, operations and trading of steel related products. Its product range includes steel pipes and tubes, hollow section, angle bar, flat bar, square bar, steel plates, u-channel, and trolley track.

The Group plans to further expand its steel products business in Selangor. On 22 January 2020, Ferronet Asia Sdn Bhd (*a wholly-owned subsidiary of the Company*) had entered into a conditional sale and purchase agreement with Kapar Holding Sdn Bhd for the acquisition of a piece of land measuring approximately 3.5 million square feet located in Klang, Selangor ("**Land**") for a total cash consideration of approximately RM30.7 million. The Land is strategically located and is advantageous to the Group's business expansion plan to other regions in Peninsular Malaysia as well as the export market due to the excellent public infrastructure in the location as well as its proximity to Port Klang, Selangor. The Group intends to build manufacturing and warehouse facility on the Land to accommodate future expansion of business activities. As at the LPD, the Group has paid a total amount of RM15.3 million to Kapar Holding Sdn Bhd in accordance with the terms of the agreement, pending the completion of the sale and purchase transaction.

In the Group's effort to add value to its services, the Group intends to invest in technology to create new value propositions through service-based manufacturing which involves sourcing, designing and fabricating of steel products which are customised according to customers' needs, thereby differentiating itself from its competition. To remain competitive in this challenging environment, the steel products segment's strategies are improving product excellence to drive revenue growth, improving profitability via effective cost control, continual investment in developing work force and upgrading of production facilities to improve the business sustainability.

The Group's minerals segment focuses on processing and export of steel-related mineral products such as manganese ore. This segment's strategies are geared towards expanding the export market and cost control.

The demand and supply of commodity and commodity related products remain heavily influenced by measures taken by various governments to contain the COVID-19 pandemic and the resultant global supply chain disruption. The Group anticipates that the supply, demand and the prices of steel and steel related products will remain volatile. Nevertheless, the management will monitor closely the market trend and will take prudent measures to mitigate those risks.

The additional funds for working capital from the Proposals will strengthen the Group's financial position, according the Group with better control and flexibility over its cash flow management. This is especially important in view of the ever-changing business environment amidst the on-going COVID-19 pandemic.

Premised on the above as well as the outlook and prospects of the steel and manufacturing industries in Malaysia set out in Section 5.2 of this Circular, the Board is cautiously optimistic of the prospects of the Group.

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6. EFFECTS OF THE PROPOSALS

6.1 Share capital

The Proposed ESOS is not expected to have an immediate effect on the issued share capital of the Company until and unless new Shares are issued pursuant to the exercise of the ESOS Options. Any potential effect on the issued share capital of the Company pursuant to the Proposed ESOS will depend on the number of new Shares to be issued pursuant to the exercise of the ESOS Options and the ESOS Exercise Price.

For illustration purposes, the pro forma effects of the Proposals on the issued share capital of the Company as at the LPD are as follows:-

	No. of Shares	Share capital (RM)
Issued share capital as at the LPD (<i>excluding 5,802,400 treasury shares</i>)	134,532,560	67,218,370
Placement Shares to be issued pursuant to the Proposed Private Placement	40,359,700	18,576,059 ⁽¹⁾
Enlarged issued share capital after the Proposed Private Placement	174,892,260	85,794,429
New Shares to be issued assuming full granting and exercise of the ESOS Options	26,233,800	14,281,681 ⁽²⁾
Enlarged issued share capital after the Proposals	201,126,060	100,076,110

Notes:-

- (1) *Based on an illustrative issue price of RM0.4839 per Placement Share and after accounting for the estimated expenses for the Proposals of approximately RM0.95 million.*
- (2) *Based on an illustrative ESOS Exercise Price of RM0.5444 per ESOS Option (calculated based on approximately 10% discount to the 5-Market Day VWAP of the Shares up to and including the LPD of RM0.6048 (Source: Bloomberg)).*

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6.2 NA and gearing

6.2.1 Proposed Private Placement

The pro forma effects of the Proposed Private Placement on the NA and gearing of the Group are as follows:-

	Audited as at 31 December 2021 (RM'000)	After the Proposed Private Placement ⁽¹⁾ (RM'000)
Share capital	67,218	85,794
Treasury shares	(2,210)	(2,210)
Revaluation reserve	68,882	68,882
Retained earnings	52,001	52,001
Shareholders' equity / NA	185,891	204,467
Non-controlling interests	57	57
Total equity	185,948	204,524
No. of Shares in issue, net of treasury shares ('000)	134,533	174,892
NA per Share (RM)	1.38	1.17
Total borrowings (including lease liabilities) (RM'000)	87,965	87,965
Gearing (times)	0.47	0.43

Note:-

(1) Assuming all 40,359,700 Placement Shares are issued at an illustrative issue price of RM0.4839 per Placement Share and after accounting for the estimated expenses for the Proposals of approximately RM0.95 million.

6.2.2 Proposed ESOS

The Proposed ESOS is not expected to have an immediate effect on the NA and gearing of the Group until such time when the ESOS Options granted under the Scheme are exercised. Any potential effects on the NA and gearing of the Group will depend on the number of new Shares to be issued upon the exercise of the ESOS Options granted under the Scheme and the ESOS Exercise Price.

For illustrative purposes, upon exercise of the ESOS Options under the Proposed ESOS, the NA per Share is expected to:-

- (i) increase if the ESOS Exercise Price is higher than the NA per Share; or
 - (ii) decrease if the ESOS Exercise Price is lower than the NA per Share,
- at the point of exercise of such ESOS Options.

6.3

Substantial Shareholders' shareholdings

6.3.1 Proposed Private Placement

The pro forma effects of the Proposed Private Placement on the substantial Shareholders' shareholdings in the Company based on the register of substantial Shareholders of the Company as at the LPD are as follows:-

Substantial Shareholders	As at the LPD				After the Proposed Private Placement			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽²⁾	No. of Shares	% ⁽²⁾
Dato' Goh Cheng Huat	11,877,894	8.83	56,622,974 ⁽³⁾	42.09	11,877,894	6.79	56,622,974 ⁽³⁾	32.38
Datin Tan Pak Say	1,375,006	1.02	67,125,862 ⁽³⁾	49.90	1,375,006	0.79	67,125,862 ⁽³⁾	38.38
Bischart Sdn Bhd	54,035,868	40.17	-	-	54,035,868	30.90	-	-

Notes:-

(1) Based on the issued share capital of 134,532,560 Shares (excluding 5,802,400 treasury shares) as at the LPD.

(2) Based on the enlarged issued share capital of 174,892,260 Shares (excluding 5,802,400 treasury shares) after the Proposed Private Placement.

(3) Deemed interested pursuant to spouse's and children's interest and by virtue of their interest in Bischart Sdn Bhd pursuant to Section 8(4) and Section 59(1)(c) of the Act.

6.3.2 Proposed ESOS

The Proposed ESOS is not expected to have any effect on the substantial Shareholders' shareholdings in the Company until and unless new Shares are issued pursuant to the exercise of the ESOS Options. Any potential effect on the substantial Shareholders' shareholdings in the Company will depend on the number of new Shares to be issued pursuant to the exercise of the ESOS Options at the relevant point of time.

6.4 Earnings and EPS

6.4.1 Proposed Private Placement

The potential effects of the Proposed Private Placement on the consolidated earnings and EPS of the Company for the FYE 31 December 2022 will depend on, amongst others, the number and issue price of Placement Shares to be issued and the level of returns generated from the use of the proceeds to be raised from the Proposed Private Placement.

Assuming that the consolidated earnings of the Company remain unchanged, the EPS of the Company will be diluted as a result of the increase in the number of Shares in issue following the issuance of the Placement Shares. For illustration purposes, assuming that the Proposed Private Placement had been completed at the beginning of the FYE 31 December 2021, the pro forma effects of the Proposed Private Placement (*based on an illustrative issue price of RM0.4839 per Placement Share*) on the consolidated earnings and EPS of the Company are as follows:-

	Audited FYE 31 December 2021 (RM'000)	After the Proposed Private Placement (RM'000)
Profit attributable to the owners of the Company	26,401	26,401
Weighted average number of Shares in issue ('000)	130,118	170,478
EPS (sen)	20.29	15.49

6.4.2 Proposed ESOS

The Proposed ESOS is not expected to have any immediate material effect on the earnings and EPS of LSH until such time when the ESOS Options are granted and exercised.

Any potential effect on the earnings and EPS of LSH in the future will depend on the number of ESOS Options granted and exercised, the ESOS Exercise Price, the returns to be generated from use of the proceeds and the non-cash expenses arising from the granting of the ESOS Options under Malaysian Financial Reporting Standards 2 ("**MFRS 2**").

The quantum of the impact of MFRS 2 cannot be determined at this juncture as it will be measured at the date of granting the ESOS Options based on, amongst others, the share price volatility, risk-free interest rate and pricing model. The fair value of the ESOS Options will be recognised as an expense in the profit or loss account of the Group over the vesting period of such ESOS Options. However, it should be noted that the estimated cost does not represent a cash outflow by the Group as it is merely an accounting treatment.

The Board takes note of the potential impact of MFRS 2 on the Group's future earnings and shall take into consideration such impact in the allocation and granting of ESOS Options to the Eligible Persons.

6.5 Convertible securities

As at the LPD, the Company does not have any outstanding convertible securities.

7. TENTATIVE TIMELINE

Subject to all relevant approvals being obtained, the Proposals are expected to be completed in the second half of 2022. The tentative timeline for the implementation of the Proposals is as follows:-

Date	Events
30 May 2022	<ul style="list-style-type: none"> EGM for the Proposals
June 2022	<ul style="list-style-type: none"> Establishment of the ESOS
June 2022 - October 2022	<ul style="list-style-type: none"> Listing and quotation of the Placement Shares on the Main Market of Bursa Securities and completion of the Proposed Private Placement

8. APPROVALS REQUIRED AND CONDITIONALITY

The Proposals are subject to approvals and/or consents being obtained from the following:-

- (i) Bursa Securities for the listing and quotation of:-
- (a) up to 40,359,700 new Shares to be issued pursuant to the Proposed Private Placement; and
 - (b) such number of additional new Shares, representing up to 15% of the total number of issued Shares (*excluding treasury shares*) to be issued pursuant to the Proposed ESOS

on the Main Market of Bursa Securities.

The approval of Bursa Securities was obtained vide a letter dated 29 April 2022, subject to the following conditions:-

Conditions imposed	Status of compliance
(1) LSH and Mercury Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposals;	To be complied
(2) LSH and Mercury Securities to inform Bursa Securities upon the completion of the Proposed Private Placement;	To be complied
(3) LSH to furnish Bursa Securities with a certified true copy of the resolutions passed by the Shareholders in general meeting approving the Proposals;	To be complied
(4) LSH and Mercury Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposals are completed;	To be complied
(5) LSH to furnish Bursa Securities on a quarterly basis a summary of the total number of Shares listed pursuant to the issuance of new Shares under the Proposed ESOS at the end of each quarter together with a detailed computation of listing fees payable;	To be complied
(6) Mercury Securities is required to submit a confirmation to Bursa Securities of full compliance of the Proposed ESOS pursuant to Paragraph 6.43(1) of the Listing Requirements and stating the effective date of implementation, together with the letter of compliance in relation to the By-Laws pursuant to Paragraph 2.12 of the Listing Requirements together with a copy of the final By-Laws; and	To be complied
(7) To incorporate Bursa Securities' comments made in the Circular.	Complied

- (ii) the Shareholders at the forthcoming EGM; and
- (iii) any other relevant authorities and/or parties, if required.

The Proposed Private Placement and Proposed ESOS are not conditional upon each other.

The Proposals are not conditional upon any other corporate exercise / scheme being or proposed to be undertaken by the Company.

9. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals and the acquisition of the Land as detailed in Section 5.3 of this Circular, there are no other corporate exercises which have been announced by the Company but are pending completion as at the LPD.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

10.1 Proposed Private Placement

None of the Directors, major Shareholders, chief executive of the Company and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Private Placement.

10.2 Proposed ESOS

All Directors are eligible to participate in the Proposed ESOS and hence, are deemed interested in the Proposed ESOS to the extent of their respective allocations as well as allocations to persons connected with them, if any.

They have abstained and will continue to abstain from deliberating and making any recommendations at all relevant Board meetings on the resolutions pertaining to their respective allocations as well as allocations to persons connected with them, if any, under the Proposed ESOS.

They will also abstain and ensure that persons connected with them, if any, abstain from voting in respect of their direct and/or indirect interests in the Company, if any, on the resolutions pertaining to their respective allocations as well as allocations to persons connected with them, if any, under the Proposed ESOS at the forthcoming EGM to be convened.

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As at the LPD, the direct and indirect interests of the Directors in LSH are as follows:-

Name	Direct		Indirect	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Tan Sri Dato' Mohd Desa bin Pachi	-	-	-	-
Dato' Goh Cheng Huat	11,877,894	8.83	56,622,974 ⁽²⁾	42.09
Datin Tan Pak Say	1,375,006	1.02	67,125,862 ⁽²⁾	49.90
Goh Wan Jing	-	-	-	-
Lim Leng Han	18,000	0.01	-	-
Datuk Abdullah bin Haji Kuntom	-	-	-	-
Mohd. Arif bin Mastol	-	-	-	-
Abdull Sukor bin Ismail	-	-	-	-

Notes:-

(1) Based on the issued share capital of 134,532,560 Shares (excluding 5,802,400 treasury shares) as at the LPD.

(2) Deemed interested pursuant to spouse's and children's interest and by virtue of their interest in Bischart Sdn Bhd pursuant to Section 8(4) and Section 59(1)(c) of the Act.

Save as disclosed above, none of the Directors, major Shareholders, chief executive of the Company and/or persons connected with them have any interest, whether direct or indirect, in the Proposed ESOS.

11. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered the current and prospective financial position, needs and capacity of the Group and after careful deliberation and taking into consideration the rationale and all other aspects of the Proposals, is of the opinion that the Proposals are in the best interests of the Company.

Accordingly, the Board recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

However, in view that all Directors are eligible to participate in the Proposed ESOS, they have abstained and will continue to abstain from deliberating and making any recommendations at all relevant Board meetings on the resolutions pertaining to their respective allocations as well as allocations to persons connected with them, if any, under the Proposed ESOS. They will also abstain and ensure that persons connected with them, if any, abstain from voting in respect of their direct and/or indirect interests in the Company, if any, on the resolutions pertaining to their respective allocations as well as allocations to persons connected with them, if any, under the Proposed ESOS at the forthcoming EGM to be convened.

Where the resolutions are not related to their respective allocations or to the persons connected with them, if any, the Directors, after having considered all aspects of the Proposed ESOS, are of the opinion that the Proposed ESOS is in the best interest of the Company.

12. EGM

The EGM, the notice of which is enclosed in this Circular, will be held at 2nd Floor, Wisma Leader Steel, Plot 85, Lorong Perusahaan Utama, Kawasan Perusahaan Bukit Tengah, 14000 Bukit Tengah, Seberang Perai Tengah, Pulau Pinang, Malaysia on Monday, 30 May 2022 at 1.00 p.m. or immediately after the conclusion or adjournment of the Twenty-Ninth Annual General Meeting of the Company to be held at the same venue on the same day at 12.15 p.m., whichever is later, for the purpose of considering and, if thought fit, passing the resolutions, with or without any modifications, to give effect to the Proposals.

If you are unable to attend and vote in person at the EGM, you may appoint a proxy to attend and vote on your behalf by completing, signing and returning the enclosed Form of Proxy in accordance with the instructions contained therein as soon as possible, so as to arrive at the registered office of the Company at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia not less than 48 hours before the time set for holding the EGM or at any adjournment thereof. The completion and lodgement of the Form of Proxy shall not preclude you from attending and voting in person at the EGM should you subsequently wish to do so and in such an event, your Form of Proxy shall be deemed to have been revoked.

13. FURTHER INFORMATION

You are advised to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board of
LEADER STEEL HOLDINGS BERHAD

TAN SRI DATO' MOHD DESA BIN PACHI
Chairman / Independent Non-Executive Director

APPENDIX I – FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and the Directors, collectively and individually, accept full responsibility for the completeness and accuracy of the information contained in this Circular. They confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or information contained in this Circular, or other facts, the omission of which would make any statement in this Circular false or misleading.

2. CONSENT AND CONFLICT OF INTEREST

Mercury Securities, being the Principal Adviser for the Proposals and Placement Agent for the Proposed Private Placement, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

As at the LPD, Mercury Securities confirms that it is not aware of any conflict of interest which exists or is likely to exist in relation to its role as the Principal Adviser for the Proposals and Placement Agent for the Proposed Private Placement.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**Material commitments**

As at the LPD, the Board confirmed that save as disclosed below, there are no material commitments incurred or known to be incurred by the Group that have not been provided for, which upon becoming due or enforceable, may have a material impact on the financial position or financial performance of the Group:-

Capital commitments	Amount (RM'000)
In respect of property, plant and equipment	15,333

Contingent liabilities

As at the LPD, the Board confirmed that save as disclosed below, there are no contingent liabilities incurred or known to be incurred by the Group which, upon becoming due or enforceable, may have a material impact on the financial position or financial performance of the Group:-

Contingent liabilities	Amount (RM'000)
In respect of corporate guarantee given to banks for credit facilities granted to a third party	14,900

4. MATERIAL LITIGATION

As at the LPD, the Board confirmed that the Company and its subsidiaries are not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, which has or would have a material and adverse effect on the financial position or financial performance of the Group and the Board confirmed that there are no proceedings, pending or threatened against the Group or any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or financial performance of the Group.

APPENDIX I – FURTHER INFORMATION (cont'd)

5. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of the Shares as transacted on Bursa Securities for the past 12 months preceding the date of this Circular as well as the last transacted market prices of the Shares on the relevant dates are as follows:-

	High RM	Low RM
<u>2021</u>		
May	0.855	0.570
June	0.760	0.650
July	0.680	0.605
August	0.705	0.625
September	0.710	0.620
October	0.705	0.615
November	0.670	0.590
December	0.640	0.590
<u>2022</u>		
January	0.635	0.600
February	0.655	0.605
March	0.645	0.600
April	0.640	0.600
Last transacted market price on 14 April 2022, being the last Market Day immediately prior to the announcement of the Proposals on 15 April 2022	0.610	
Last transacted market price on the LPD	0.600	

(Source: Bloomberg)

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia during normal business hours from Monday to Friday (*except public holidays*) from the date of this Circular up to and including the date of the forthcoming EGM:-

- (i) Constitution of the Company;
- (ii) audited consolidated financial statements of the Company for the FYE 31 December 2020 and FYE 31 December 2021;
- (iii) letter of consent referred to in Section 2 of this Appendix I; and
- (iv) draft By-laws as set out in Appendix II of this Circular.

LEADER STEEL HOLDINGS BERHAD
BY-LAWS OF THE EMPLOYEES' SHARE OPTION SCHEME

PART I

1. NAME OF THE SCHEME

This Scheme (as defined herein) shall be called the “Leader Steel Holdings Berhad Employees’ Share Option Scheme”.

2. OBJECTIVES OF SCHEME

The objectives of the ESOS (as defined herein) are as follows:

- (a) to drive and motivate the Eligible Persons (as defined herein) to work towards achieving the Group’s (as defined herein) goals and objectives;
- (b) to reward the Eligible Persons in recognition of their accumulated contribution to the operations and continued growth of the Group;
- (c) to retain the Eligible Persons by giving the Eligible Persons a sense of ownership, loyalty and belonging to the Group by enabling them to participate directly in the equity of the Company (as defined herein) and thereby provides an incentive for the Eligible Persons to participate in the future growth of the Group and motivate them towards better performance through greater productivity and loyalty;
- (d) to align the interests of the Eligible Persons, including management personnel of the Group, with the interests of the shareholders of the Company via direct participation in the equity of the Company;
- (e) to attract and retain high-calibre Eligible Persons.; and
- (f) the allocation of Options (as defined herein) to non-executive Directors is to recognise the contributions and efforts made by the non-executive Directors as they play a constructive role in contributing towards the growth and performance of the Group. Their participation in the equity of the Company is expected to enhance their level of commitment and contribution as well as to enable the Company to attract and retain capable individuals to act as non-executive directors of the Company who will assist in the overall strategic decisions of the Group.

3. DEFINITIONS AND INTERPRETATION

3.1. In these By-Laws, unless the context otherwise requires, the following terms and expressions shall have the following meanings:

Act	The Companies Act 2016 as amended from time to time including all regulations made thereunder and any re-enactment thereof
Board	The Board of Directors for the time being of the Company
Bursa Depository	Bursa Malaysia Depository Sdn Bhd [Registration No. 198701006854 (165570-W)]
Bursa Securities	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))

By-Laws	The rules, terms and conditions of the Scheme (as may be modified, varied and/or amended from time to time in accordance with By-Law 24)
CDS	Central Depository System
CDS Account	An account established by Bursa Depository for the recording of deposits and withdrawal of securities and for dealings in such securities by a depositor
Company or LSH	Leader Steel Holdings Berhad [Registration No: 199301012471 (267209-K)]
Constitution	The Company's constitution, as amended from time to time
Date of Expiry	Last day of the Duration of the Scheme as defined in By-Law 22.1
Date of Offer	The date of the letter of which an Offer is offered by the ESOS Committee to the Eligible Persons to participate in the Scheme
Director	Director(s) within the meaning stipulated in the Act
Disciplinary Proceedings	Proceedings instituted by a company in the LSH Group against an Employee for any alleged misbehaviour, misconduct and/or any other act of the Employee deemed to be unacceptable by that company in the LSH Group in the course of that Employee's employment, whether or not such proceedings may give rise to a dismissal or termination of the contract of service of such Employee
Duration of the Scheme	The duration of the Scheme as defined in By-Law 22 and includes any extension of the duration
Effective Date	The date on which the Scheme comes into force as provided in By-Law 22.1
EGM	Extraordinary General Meeting
Eligible Director(s)	Director(s) who fulfill(s) the eligibility criteria for participation in the Scheme as set out in By-Law 5
Eligible Employee(s)	Employee(s) who fulfill(s) the eligibility criteria for participation in the Scheme as set out in By-Law 5
Eligible Person(s)	Collectively, the Eligible Director(s) and the Eligible Employee(s)
Employee	A natural person who is employed by, and who is on the payroll of, any company in the Group
Entitlement Date	The date as at the close of business on which the names of shareholders must appear in the Company's Record of Depositors and/or Register of Members in

	order to be entitled to any dividends, rights, allotments and/or other distributions
ESOS Committee	The committee appointed by the Board to administer the ESOS in accordance with By-Law 25, comprising such number of the Directors and/or other persons appointed/identified from time to time by the Board
ESOS Options or Options	The right of a Grantee to subscribe for Shares at the Exercise Price pursuant to an Offer duly accepted by a Grantee in the manner provided in By-Law 8
ESOS or Scheme	Leader Steel Holdings Berhad Employees' Share Option Scheme, as may be modified or altered from time to time
Exercise Price	The price at which a Grantee shall be entitled to subscribe for each new Share from the Company upon the exercise of the ESOS Options, as initially determined and as may be adjusted pursuant thereto in accordance with the provisions of By-Law 10
Grantee	Any Eligible Person who has accepted an Offer in the manner provided in By-Law 8
Group or LSH Group	The Company and its subsidiary company(ies) as defined in Section 4 of the Act, which are not dormant. Subject to the foregoing, subsidiaries include subsidiaries which are existing as at the Effective Date and subsidiaries which are incorporated or acquired at any time during the duration of the ESOS but exclude subsidiaries which have been divested in the manner provided in By-Law 20
Listing Requirements	The Main Market Listing Requirements of Bursa Securities, including any amendments thereto that may be made from time to time
Market Day	A day on which Bursa Securities is open for trading of securities
Maximum Allowable Allotment	The maximum number of new Shares to be allotted and issued pursuant to the exercise of the Options by an Eligible Person in accordance with the provisions of By-Law 6
Maximum Limit	The maximum number of Shares that may be offered and issued under the ESOS which shall not exceed fifteen percent (15%) of the total number of issued Shares of the Company (excluding treasury shares, if any) at any point of time during the existence of the ESOS, as stipulated in By-Law 4.1
Offer	An award of ESOS Options made in writing by the ESOS Committee from time to time to an Eligible Person to participate in the ESOS in the manner provided in By-Law 7

Offer Period	A period of thirty (30) days from the Date of Offer or such longer period as may be determined by the ESOS Committee at its sole and absolute discretion during which an Offer is valid as stipulated in By-Law 7.5
Option Certificate	The certificate issued by the ESOS Committee confirming the grant of the Options to the Grantee and the Exercise Price together with the number of Shares comprised in the ESOS Options.
Option Period	The period commencing from the Effective Date to a date not exceeding five (5) years or such other date as stipulated by the ESOS Committee in the Offer or upon the date of termination or expiry of the ESOS as provided in By-Laws 14 and 22 respectively
Persons Connected	Shall have the same meaning given in relation to persons connected with a Director or persons connected with a major shareholder as defined in Paragraph 1.01 of the Listing Requirements
Principal Adviser	A corporate finance adviser licensed to make submissions to the SC for corporate proposals
Rules of Bursa Depository	The rules of Bursa Depository, as issued pursuant to SICDA
SC	Securities Commission Malaysia
Shares	Ordinary shares in the relevant ordinary share capital of the Company from time to time
SICDA	Securities Industry (Central Depositories) Act 1991, as amended from time to time
Vesting Conditions	The conditions determined by the ESOS Committee and stipulated in the Offer which must be fulfilled for the Options under an ESOS to be vested in a Grantee

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

3.3. Any reference to a statutory provision or an applicable law shall include a reference to:

- (a) any and all subsidiary legislation made from time to time under that provision or law;
- (b) any and all Listing Requirements, policies and/or guidelines of Bursa Securities and/or Bank Negara Malaysia and/or the SC (in each case, whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies and/or guidelines are addressed by Bursa Securities and/or Bank Negara Malaysia and/or the SC);
- (c) 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 an Offer made, offered and/or accepted within the Duration of the Scheme; and

- (d) any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced.
- 3.4. Words importing the masculine gender shall include the feminine and neuter genders.
- 3.5. Words importing the singular number shall include the plural number and *vice versa*.
- 3.6. 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; and/or if an event is to occur on a stipulated day which falls after the Date of Expiry then the stipulated day shall be taken to be the last Market Day of the Duration of the Scheme.
- 3.7. Any liberty or power or discretion which may be exercised, and/or any decision or determination which may be made, under these By-Laws:
 - (a) by the Board may be exercised in the Board's sole and absolute discretion and the Board shall not be under any obligation to give any reasons therefor; or
 - (b) by the ESOS Committee may be exercised in the ESOS Committee's sole and absolute discretion and the ESOS Committee shall not be under any obligation to give any reason therefor, but subject always to the Board's power to overrule any decision of the ESOS Committee.
- 3.8. In the event of any change in the name of the Company from its present name, all reference to "*Leader Steel Holdings Berhad*" in these By-Laws and all other documents pertaining to the Scheme shall be deemed to be references to the Company's new name.

PART II

4. MAXIMUM NUMBER OF SHARES AVAILABLE UNDER THE SCHEME

- 4.1. The aggregate maximum number of Shares which may be made available under the Scheme, shall not in aggregate exceed fifteen percent (15%) of the total number of issued Shares of the Company (excluding treasury shares, if any) at any point of time over the Duration of the Scheme.
- 4.2. Notwithstanding By-Law 4.1 above nor any other provision herein contained, in the event the number of Shares to be issued pursuant to the exercise of the ESOS Options granted under the Scheme exceeds in aggregate fifteen percent (15%) of the total number of issued Shares of the Company (excluding treasury shares, if any) as a result of the Company purchasing its own Shares pursuant to Section 127 of the Act or the Company undertaking any corporate proposal and thereby diminishing the total number of issued Shares of the Company, then such ESOS Options granted prior to the adjustment of the total number of issued Shares (excluding treasury shares, if any) of the Company shall remain valid and exercisable in accordance with these By-Laws. However, in such a situation, the ESOS Committee shall not make any further Offer unless the total number of Shares to be issued pursuant to the exercise of the ESOS Options under the Scheme falls below fifteen percent (15%) of the total number of issued Shares of the Company (excluding treasury shares, if any) at any point of time over the Duration of the Scheme after such adjustment.
- 4.3. The Company shall during the Duration of the Scheme use its reasonable effort to make available sufficient unissued Shares in the capital of the Company to satisfy all outstanding ESOS Options which may be exercisable in accordance with the Scheme.

5. ELIGIBILITY

- 5.1. Only Eligible Persons who fulfil the following conditions on the Date of Offer shall be eligible to participate in the Scheme:
- (a) in respect of an Employee, the Employee must fulfil the following criteria as at the Date of Offer:
 - (i) he/she is at least eighteen (18) years of age and he/she is not an undischarged bankrupt or subject to any bankruptcy proceedings;
 - (ii) he/she is employed on the Date of Offer –
 - (1) on a full time basis and is on the payroll of any company in the Group for a continuous period of at least 1 year and his/her employment has been confirmed by any company in the Group on the Date of Offer; or
 - (2) under an employment contract for a continuous fixed period of at least 1 year as may be determined by the ESOS Committee; and
 - (iii) such Employee falls within any other eligibility criteria (including variations to the eligibility criteria under By-Law 5.1(a)(i) or (ii) above) that may be determined by the ESOS Committee from time to time at its sole discretion, whose decision shall be final and binding.
 - (b) in respect of a Director, the Director must fulfil the following criteria as at the Date of Offer:
 - (i) he/she is at least eighteen (18) years of age and he/she is not an undischarged bankrupt or subject to any bankruptcy proceedings;
 - (ii) he/she has been appointed as a Director or any other company in the Group; and
 - (iii) such Director fulfils any other criteria as may be determined by the ESOS Committee from time to time at its sole discretion, whose decision shall be final and binding.
 - (c) In respect of a Director, a chief executive officer, major shareholders of the Company or a person connected with a Director, chief executive officer or major shareholder, the specific allocation of ESOS Options granted under the Scheme must have been approved by the shareholders of the Company at a general meeting.
 - (d) If the Eligible Person is employed by a company which is acquired by the Group during the Duration of the Scheme and becomes a subsidiary whether directly or indirectly held by the Company upon such acquisition, the Eligible Person must fulfil the following as at the Date of Offer:
 - (i) he/she is at least eighteen (18) years of age and he/she is not an undischarged bankrupt or subject to any bankruptcy proceedings; and
 - (ii) he/she is employed on a full time basis and is on the payroll of the newly acquired company for a continuous period of at least one (1) year and his/her employment has been confirmed by the newly acquired company.

The Eligible Person must fulfil any other criteria and/or fall within such category/designation of employment as may be determined by the ESOS Committee from time to time at its sole discretion, whose decision shall be final and binding.

- 5.2. Except as may be prescribed by the ESOS Committee or as stipulated in an Offer, there are no performance targets to be achieved by the Grantee before ESOS Options can be exercised and the Shares arising from the exercise of ESOS Options can be vested.
- 5.3. Without prejudice to the generality of the foregoing and subject to the ESOS Committee's discretion otherwise, any Offer made by the ESOS Committee that has not been accepted or exercised by a Grantee shall automatically terminated in the following circumstances:
- (a) the Eligible Person's death;
 - (b) the Eligible Person having received a letter of termination or ceasing to be an Employee/Director (as the case may be) of the LSH Group, for any reason whatsoever;
 - (c) the Eligible Person giving notice of his/her resignation from service/employment;
 - (d) bankruptcy of the Grantee, in which event the Option shall be automatically terminated on the date a receiving order is made against the Grantee by a court of competent jurisdiction;
 - (e) the corporation which employs the Eligible Person ceasing to be part of the LSH Group;
 - (f) the corporation which employs the Eligible Person becomes dormant;
 - (g) a disciplinary action is taken on the Grantee pursuant to By-Law 14.10; or
 - (h) winding up or liquidation of the Company, in which event the Option shall be automatically terminated on the following date:
 - (i) in the case of a voluntary winding up, the date on which a provisional liquidator is appointed by the Company; or
 - (ii) in the case of an involuntary winding up, the date on which a petition for winding up is served on the Company; or
 - (i) termination of the Scheme pursuant to By-Law 14,
- whichever shall be applicable.
- 5.4. The ESOS Committee may from time to time at its absolute discretion select and identify suitable Eligible Persons to be offered the Offer. In the event that any Eligible Persons are a member of the ESOS Committee, such Eligible Persons shall not participate in the deliberation or discussion of their own allocation.
- 5.5. Any eligible Employee (including a Director) who holds more than one (1) position within the LSH Group and by holding such position is an Eligible Person, shall only be entitled to the Maximum Allowable Allotment of any one (1) category/designation of employment. The ESOS Committee shall be entitled at its discretion to determine the applicable category/designation of employment.

- 5.6. Subject to By-Law 11.3, no Eligible Persons shall participate, at any time, in more than one (1) employees' share option scheme implemented by any company within the Group during the Duration of the Scheme.
- 5.7. An Employee of a dormant company within the Group is not eligible to participate in the Scheme.
- 5.8. Eligibility under the Scheme does not confer upon the Eligible Person a claim or right to participate in or any rights whatsoever under the Scheme and an Eligible Person does not acquire or have any rights over or in connection with the ESOS Options unless an Offer has been made by the ESOS Committee to the Eligible Person and the Eligible Person has accepted the Offer in accordance with By-Law 8 hereof.

6. BASIS OF ALLOTMENT AND MAXIMUM ALLOWABLE ALLOCATION OF SHARES

- 6.1 Subject to By-Law 4.1 and any adjustments which may be made under By-Law 18, the aggregate maximum number of Options that may be granted to any one (1) category/designation of employment of the Eligible Person shall be determined entirely at the discretion of the ESOS Committee.
- 6.2 The number of new Shares to be allocated to any Eligible Person who, either singly or collectively through Persons Connected with such Eligible Person, holds twenty percent (20%) or more of the total number of issued Shares of the Company (excluding treasury shares, if any), shall not exceed ten percent (10%) of the total number of new Shares to be issued under the Scheme.
- 6.3 Not more than eighty percent (80%) of the total number of Shares available under the Scheme will be allocated in aggregate to the Director(s) and senior management personnel of the companies in the Group.
- 6.4 Subject to By-Law 6.2, the aggregate maximum number of Shares that may be offered to an Eligible Person under the Scheme shall be determined at the sole and absolute discretion of the ESOS Committee after taking into consideration, amongst others, the provisions of the Listing Requirements or other applicable regulatory requirements prevailing during the Duration of the Scheme relating to employees' and/or directors' share issuance schemes and after taking into consideration the performance, targets, position, annual appraised performance, seniority and length of service, contribution, category or grade of employment of the Eligible Person or such other matters which the ESOS Committee may in its sole and absolute discretion deem fit.

At the time an Offer is made, the ESOS Committee shall set out the basis of the allocation of the Offer(s) made to the Eligible Person(s) having the further particulars as set out in By-Law 7.4.

- 6.5 The ESOS Committee may make more than one (1) Offer to an Eligible Person **PROVIDED THAT** the aggregate number of Offer so offered to an Eligible Person throughout the entire Duration of the Scheme does not exceed the Maximum Allowable Allotment of such Eligible Person.
- 6.6 The Company shall ensure that allocation of Shares pursuant to the Scheme is verified by the Audit Committee of the Company at the end of each financial year as being in compliance with the criteria for allocation of Shares which have been disclosed to the Employees and Directors.
- 6.7 For the avoidance of doubt, the ESOS Committee shall have sole and absolute discretion in determining whether the Shares available for vesting under this Scheme are to be offered to the Grantees via:
 - (a) one (1) single Offer at a time determined by the ESOS Committee; or

- (b) several Offer, where the vesting of Options comprised in those Offer is staggered or made in several tranches at such times and on terms determined by the ESOS Committee.
- 6.8 In the event the ESOS Committee decides that the Offer is to be staggered, the number of Shares to be offered in each Offer and the timing for the vesting of the same and if so, the Vesting Conditions shall be decided by the ESOS Committee at its sole and absolute discretion and each Offer shall be separate and independent from the others.
- 6.9 No Directors or Employees shall participate in the deliberation and/or discussion of their own respective allocations under the Scheme.

PART III

7. ESOS OFFER

- 7.1 During the Duration of the Scheme, the ESOS Committee may at its discretion at any time from the Effective Date and from time to time make an Offer in writing for acceptance in accordance with By-Law 7 to an Eligible Person based on the criteria for allotment as set out in By-Law 6 above and otherwise in accordance with the terms of this Scheme.
- 7.2 The actual number of ESOS Options which may be offered to any Eligible Person shall be at the sole and absolute discretion of the ESOS Committee, subject to any adjustments that may be made under By-Law 18, provided that the number of ESOS Options so offered which may be exercised in respect of all or any part of the Shares shall not be less than one hundred (100) Shares nor more than the Maximum Allowable Allocation of such Eligible Person and shall be in multiples of one hundred (100) Shares.
- 7.3 In the event the ESOS Committee decides that the Offer is to be offered in tranches, the number of ESOS Options to be offered in each Offer shall be decided by the ESOS Committee at its sole and absolute discretion and each Offer shall be separate and independent from the others.
- 7.4 The ESOS Committee shall state the following particulars in the letter of an Offer:
 - (a) the number of ESOS Options that are being granted to the Eligible Person;
 - (b) the number of Shares which the Eligible Person shall be entitled to subscribe for upon the exercise of the ESOS Options being granted;
 - (c) the date of the Offer;
 - (d) the Option Period;
 - (e) the Exercise Price;
 - (f) the Vesting Conditions (if any/if applicable);
 - (g) the vesting date(s) (if any/if applicable); and
 - (h) the Offer Period as mentioned in By-Law 7.5;
 - (i) the basis of the allocation of the Offer(s) made having regard to the Eligible Person(s)' annual appraised performance, category or grade of employment, Maximum Allowable Allocation; and
 - (j) any other information deemed necessary by the ESOS Committee.

- 7.5 An Offer shall be valid for a period of thirty (30) days from the Date of Offer or such longer period as may be determined by the ESOS Committee at its sole and absolute discretion (“**Offer Period**”).
- 7.6 No Offer shall be made to any Director, chief executive officer, major shareholders of the Company or a person connected with any Director, chief executive officer or major shareholder who are Eligible Persons unless such Offer and the related allotment of Shares have previously been approved by the shareholders of the Company in general meeting.
- 7.7 Without prejudice to By-Law 25, in the event of an error on the part of the Company in stating any of the particulars referred to in By-Law 7.4, the following provisions shall apply:
- (a) as soon as possible but in any event no later than one (1) month after the discovery of the error, the Company shall issue a supplemental letter of Offer, stating the correct particulars referred to in By-Law 7.4;
 - (b) in the event that the error relates to particulars other than the Exercise Price, the Exercise Price applicable in the supplemental letter of Offer shall remain as the Exercise Price as per the original letter of Offer; and
 - (c) in the event that the error relates to the Exercise Price, the Exercise Price applicable in the supplemental letter of Offer shall be the Exercise Price applicable as at the date of the original letter of Offer, save and except with respect to any ESOS Options which have already been exercised as at the date of issue of the supplemental letter of Offer.
- 7.8 The Company shall keep and maintain at its own expenses, a register of Grantees and shall enter in that register the names and addresses of the Grantees, the Maximum Allowable Allotment, the number of ESOS Options offered, the number of ESOS Options exercised, the Date of Offer and the Exercise Price in accordance with Section 129 of the Act.

8. ACCEPTANCE OF OFFER AND VESTING CONDITIONS

- 8.1 An Offer shall be accepted by an Eligible Person within the Offer Period by written notice to the Company accompanied by a payment to the Company of a nominal non-refundable consideration of Ringgit Malaysia One (RM1.00) only or such other amount as may be determined by the ESOS Committee for the grant of the ESOS Options (regardless of the number of Shares comprised therein).
- 8.2 If an Offer is not accepted in the manner set out in By-Law 8.1 above, the Offer shall automatically lapse upon the expiry of the Offer Period and be null and void and be of no further force and effect. The Shares comprised in such Options may, at the discretion of the ESOS Committee, be re-offered to other Eligible Persons at any time after the expiry of the Offer Period but within the Option Period.
- 8.3 The number of ESOS Options offered in the lapsed Offer shall be deducted from the Maximum Allowable Allotment or the balance of the Maximum Allowable Allotment of the Eligible Person, and the Eligible Person shall not be entitled to be offered the number of ESOS Options offered in the lapsed Offer, in any Offer made in the future. However, ESOS Options not taken up resulting from the non-acceptance of Offer within the Offer Period shall thereafter form part of the balance of ESOS Options available under the ESOS for future Offer.
- 8.4 The Company shall within thirty (30) days of the acceptance of the Offer by the Eligible Person (“**Acceptance Date**”), issue to the Eligible Person an Option Certificate in such

form as may be determined by the ESOS Committee for all valid acceptances of the Offer in accordance with By-Law 8.1.

- 8.5 An administrative cost of Ringgit Malaysia Thirty (RM30.00) only and any administrative cost determined by the ESOS Committee or the Board for the replacement of any lost Option Certificate shall be fully borne by the Grantee and such Grantee shall have to execute a statutory declaration in respect of the loss of the Option Certificate.
- 8.6 The Options or such part thereof as may be satisfied in the Offer will only vest with the Grantee on the ESOS vesting date if the Vesting Conditions are fully and duly satisfied, including the following:
- (a) the Grantee remains an Eligible Person and shall not have given notice of resignation or received a notice of termination as at the ESOS vesting date or has otherwise ceased or had his/her employment terminated;
 - (b) the Grantee has not been adjudicated a bankrupt; and/or
 - (c) any other conditions which are determined by the ESOS Committee.
- 8.7 The ESOS Committee shall have full discretion to determine whether any Vesting Condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, the ESOS Committee shall have the right to make reference to, amongst others, the audited financial results of the Company or the Group (as the case may be) and to take into account such factors as the ESOS Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend and/or waive any Vesting Condition if the ESOS Committee decides that a changed performance target would be a fairer measure of performance.
- 8.8 The ESOS Committee may cancel any ESOS Options awarded under this Scheme that has not been exercised and any unvested ESOS Options awarded under this Scheme. In the event of any such cancellation, the ESOS Committee may, at its discretion, authorise the granting of new ESOS Options (which may or may not cover the same number of Shares that had been the subject of any prior ESOS Option) in such manner, at such Exercise Price and subject to such terms, conditions and discretion as would have been applicable under this Scheme had the cancelled ESOS Options not been awarded.

9. EXERCISE OF ESOS OPTIONS

- 9.1 Each ESOS Option shall be exercisable into one (1) new Share, in accordance with the provisions of these By-Laws.
- 9.2 Subject to By-Laws 14, 19, 20, 21 and 22, a Grantee shall be allowed to exercise the ESOS Options granted to him/her (subject to By-Law 9.4) as provided in these By-Laws whilst he/she is in the employment of the LSH Group and within the Option Period.
- 9.3 A Grantee shall exercise the Options granted to him/her in whole or part in multiples of one hundred (100) Shares. Notwithstanding anything herein to the contrary in the event of any alteration in the share capital of the Company during the Option Period in accordance with By-Law 18 which result in the number of Shares comprised in an Option not being in multiples of not less than one hundred (100), then the requirement that an Option shall be exercised in multiples of not less than one hundred (100) Shares shall not be applicable for the Grantee's final exercise of the Option.
- 9.4 A Grantee shall exercise his/her ESOS Options in such form and manner as the ESOS Committee may prescribe or approve ("**Notice of Exercise**"), which will be attached to the letter of the Offer. The procedure for the exercise of ESOS Options to be complied

with by the Grantee shall be determined by the ESOS Committee from time to time. Any ESOS Options which remain unexercised at the expiry of the Option Period shall be automatically terminated and lapse without any claim against the Company.

- 9.5 Where an ESOS Option is exercised only in part, a new Option Certificate for the balance of the ESOS Options not exercised shall be issued accordingly by the ESOS Committee to the Grantee within thirty (30) days after receipt by the Company of the Notice of Exercise together with the requisite remittance.
- 9.6 Subject to By-Law 9.4, a Grantee shall exercise his/her ESOS Options by executing and delivering to the Company the Notice of Exercise, stating the number of ESOS Options to be subscribed and be accompanied with the remittance for the full amount of the subscription monies payable in respect thereof in Ringgit Malaysia in the form of a banker's draft or cashier's order drawn and payable in Malaysia or any other mode acceptable to the ESOS Committee for the full amount of the Exercise Price in relation to the number of Shares in respect of which the notice is given **PROVIDED THAT** the number of Shares stated therein shall not exceed the amount granted to such Grantees and be subject to By-Laws 9.2 and 9.3 above. The ESOS Committee may pursuant to By-Law 24 hereof, at any time and from time to time, before or after the ESOS Option is granted, limit the exercise of the ESOS Option to a maximum number of Shares and/or such percentage of total Shares comprised in the ESOS Option during such periods within the Option Period and impose any other terms and/or conditions deemed appropriate by the ESOS Committee in its sole discretion including amending or varying any terms and conditions imposed earlier. The exercise by a Grantee of some but not all of the ESOS Options which have been offered to and accepted by him/her shall not preclude the Grantee from subsequently exercising any other ESOS Options which have been or will be offered to and accepted by him/her, during the Option Period.
- 9.7 The Grantee shall provide all information as required in the Notice of Exercise. Within eight (8) Market Days of the receipt by the Company of such notice and payment, or such other period as may be prescribed by Bursa Securities, and subject to the Constitution, in the event that the Shares are delivered to the Grantee via issuance of new Shares, the Company shall allot and issue the relevant number of Shares to the Grantee and apply to Bursa Securities for the quotation for such new Shares arising from the exercise of the ESOS Options. The said Shares will be credited directly into the CDS Account of the Grantee or his/her financier, as the case may be, and a notice of allotment stating the number of Shares so credited will be issued to the Grantee. No physical share certificates will be issued to the Grantee or his authorised nominee (as the case may be).
- 9.8 The Group, the Board (including Directors that had resigned but were on the Board during the Option Period) and the ESOS Committee shall not under any circumstances be held liable to any person for any costs, losses, expenses, damages or liabilities, gains or profits foregone, howsoever arising in the event of any delay on the part of the Company in allotting and issuing and/or transferring the Shares or in procuring Bursa Securities to list and quote the Shares subscribed for by a Grantee or any delay in receipt or non-receipt by the Company of the Notice of Exercise in respect of the ESOS Options or for any errors in any Offer.
- 9.9 Any failure to comply with the procedures specified by the ESOS Committee or to provide information as required by the Company in the Notice of Exercise or inaccuracy in the CDS Account number provided shall result in the Notice of Exercise being rejected at the discretion of the ESOS Committee, and the ESOS Committee shall inform the Grantee of the rejection of the Notice of Exercise within fourteen (14) Market Days from the date of rejection and the Grantee shall be deemed to not have exercised his/her Option.
- 9.10 Every ESOS Options shall be subjected to the condition that no new Shares shall be issued pursuant to the ESOS Options if such issue would be contrary to any law,

enactment, rule and/or regulation of any legislative or non-legislative body which may be in force during the Duration of the Scheme or such period as may be extended.

10. EXERCISE PRICE

The Exercise Price of each new Share comprised in any ESOS Option shall, subject always to the provisions of By-Law 18 hereof, be a price to be determined by the Board upon recommendation of the ESOS Committee based on the volume weighted average market price of the Shares for the five (5) Market Days immediately preceding date of the Offer with a discount of not more than ten percent (10%) during the Duration of the Scheme.

The Exercise Price as determined by the Board upon recommendation of the ESOS Committee shall be conclusive and binding on the Grantees and shall be subject to any adjustments in accordance with By-Law 18.

PART IV**11. NON-TRANSFERABILITY**

11.1 An ESOS Option is personal to the Grantee and subject to the provisions of By-Laws 11.2, 11.3 and 14.3, is exercisable only by the Grantee personally during his/her lifetime whilst he/she is in the employment of any company in the Group.

11.2 An ESOS Option shall not be transferred, assigned, disposed of or subject to any encumbrances by the Grantee save and except in the event of the death of the Grantee as provided under By-Law 14.8. Any such attempt to transfer, assign, dispose or encumber any ESOS Option shall result in the automatic cancellation of the ESOS Option.

11.3 Notwithstanding By-Law 11, in the event a Grantee is transferred to another company within the Group which has its own share issuance scheme, the Grantee shall be entitled to continue to exercise all unexercised ESOS Options granted under this Scheme, in accordance with these By-Laws, but such Grantee shall not upon such transfer taking effect be eligible to participate for further ESOS Options under the Scheme.

12. RIGHTS ATTACHING TO SHARES AND ESOS OPTIONS

12.1 The Shares to be allotted and issued upon the exercise of any ESOS Options granted under the Scheme will be subject to the provisions of the Constitution and will, upon allotment and issuance, rank *pari passu* in all respects with the then existing issued Shares of the Company, save and except that the Shares so allotted and issued will not be entitled to any dividends, rights, allotments or other distributions, which may be declared, made or paid to shareholders, the Entitlement Date of which is prior to the date of allotment and issuance of such new Shares.

12.2 The ESOS Options shall not carry any rights to vote at any general meeting of the Company. The new Shares allotted and credited into the Grantee's CDS Account upon the exercise of the ESOS Options would carry rights to vote at any general meeting of the Company, provided that the Grantee is registered on the Record of Depositors on the entitlement date as at the close of business to be entitled to attend and vote at the general meeting.

12.3 For the avoidance of doubt, a Grantee shall not in any event be entitled to any dividends, rights or other entitlements on his/her unexercised Options.

13. RESTRICTION ON DEALING/RETENTION PERIOD

The Shares to be allotted and issued and/or transferred to a Grantee pursuant to the exercise of an Option under the Scheme will not be subject to any retention period or restriction on transfer unless otherwise stated in the Offer as may be determined by the ESOS Committee from time to time at its discretion. The Company encourages Grantees to hold the Shares subscribed for by them for as long as possible although a Grantee or his/her financier, as the case may be, may sell the Shares subscribed for by the Grantee at any time after such Shares have been credited to the Grantee's or his/her financier's CDS Account. A Grantee should note that the Shares are intended for him/her to hold as an investment rather than for any speculative purposes and/or for the realisation of any immediate gain.

Notwithstanding the above, pursuant to Paragraph 8.20 of the Listing Requirements, a Grantee who is a non-executive director of any company within the Group (excluding any dormant subsidiary) must not sell, transfer or assign his/her Shares obtained through the exercise of the Options offered to him/her pursuant to the Scheme within 1 year from the Date of Offer of such Options.

14. TERMINATION OF THE OFFER

14.1 Prior to the full vesting of any ESOS Option and/or the allotment or satisfaction by any other means of an ESOS Option in the manner as provided for under By-Law 25.2, such ESOS Options that remain unexercised or unsatisfied (as the case may be) shall be automatically terminated and cease or deemed to cease to be valid without any claim against the Group in the following circumstances:

- (a) termination or cessation of employment of the Grantee with the Group for any reason whatsoever, in which event the ESOS Options shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Company or any other member of the Group on the day the Grantee's employer accepts his/her notice of resignation or the Grantee's employer notifies the Grantee of termination of his/her employment or on the day the Grantee notifies his/her employer of his/her resignation or on the Grantee's last day of employment, whichever is the earlier; or
- (b) bankruptcy of the Grantee, in which event the ESOS Options shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Group on the date a receiving order is made against the Grantee by a court of competent jurisdiction; or
- (c) upon the happening of any other event which results in the Grantee being deprived of the beneficial ownership of the ESOS Options, in which event the ESOS Options shall be automatically terminated and cease or be deemed to cease to be valid without any claim against the Group on the date such event occurs; or
- (d) winding up or liquidation of the Company, in which event the ESOS Options shall be automatically terminated and/or cease to be valid on the following date:
 - (i) in the case of a voluntary winding up, the date on which a provisional liquidator is appointed by the Company; or
 - (ii) in the case of an involuntary winding up, the date on which a petition for winding up is served on the Company; or
- (e) termination of the Scheme pursuant to By-Law 22.5, in which event the ESOS Options shall be automatically terminated and cease or cease to be valid without any claim against the Group on the Termination Date (as defined in By-Law 22.5),

whichever shall be applicable.

Upon the termination of the ESOS Options pursuant to By-Laws 14.1(a), (b), (c), (d) or (e) above, the Grantee shall have no right to compensation or damages or any claim against the Company or any other member of the Group for any loss of any right or benefit or prospective right or benefit under the Scheme which he/she might otherwise have enjoyed, whether for wrongful dismissal or breach of contract or loss of office or otherwise howsoever arising from him/her ceasing to hold office or employment or from the suspension of his/her entitlement to the award of, acceptance or vesting of any ESOS Option or right to exercise his/her ESOS Option(s) or his/her ESOS Option ceasing to be valid.

- 14.2 A Grantee will be allowed to continue to hold and to exercise any unexercised Options held by him/her upon retirement on or after attaining normal retirement age.
- 14.3 Notwithstanding By-Law 14.1 above, the ESOS Committee may at its discretion allow an Option to remain exercisable during the Option Period on such terms and conditions as it shall deem fit if the cessation of employment occurs as a result of:
- (a) ill-health, injury, physical or mental disability;
 - (b) retirement at or after attaining the normal retirement age under the Group's retirement policy;
 - (c) retirement before attaining the normal retirement age with the consent of his/her employer;
 - (d) redundancy, retrenchment or voluntary separation scheme;
 - (e) transfer to any company outside the Group at the direction of the Company; or
 - (f) any other circumstance as may be deemed as acceptable to the ESOS Committee in its sole and absolute discretion.
- 14.4 Applications under By-Law 14.3 shall be made:
- (a) in a case where By-Law 14.3(a) is applicable, within one (1) month after the Grantee notifies his/her employer of his/her resignation due to ill health, injury, physical or mental disability, the Grantee may exercise all his/her unexercised Options within the said one (1) month period. In the event that no application is received by the ESOS Committee within the said period, any unexercised Options held by the Grantee at the expiry of the said period shall be automatically terminated;
 - (b) in a case where By-Laws 14.3(b), (c) or (d) is applicable, within six (6) months after the Grantee's last day of employment, the Grantee may exercise all his/her unexercised Options within the said six (6) months period. In the event that no application is received by the ESOS Committee within the said period, any unexercised Options held by the Grantee at the expiry of the said period shall be automatically terminated;
 - (c) in a case where By-Law 14.3(e) is applicable, the Grantee may exercise his/her unexercised Options within one (1) month after he/she is notified, subject to the provisions of By-Law 9. Thereafter, any unexercised Options held by the Grantee at the expiry of the said period shall be automatically terminated.
- 14.5 In the event that a Grantee is notified that he will be retrenched or where he/she is given an offer by his/her employer as to whether he/she wishes to accept retrenchment upon certain terms, the Grantee may exercise his/her unexercised Options within one (1) month after he/she receives such notice or accepts such offer, as the case may be,

subject to the provisions of By-Law 9. Thereafter, any Options held by the Grantee at the expiry of the said period shall be automatically terminated.

- 14.6 The ESOS Committee shall consider applications under By-Law 14.3 on a case-by-case basis and may at its discretion approve or reject any 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 ESOS Committee shall be final and binding. In the event that the ESOS Committee approves an application in whole or in part, the Grantee may exercise the Options which are the subject of the approval within the period so approved by the ESOS Committee 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 14.4 or on the date of the ESOS Committee's decision, whichever is the later.
- 14.7 In the event that the ESOS Committee receives an application under By-Law 14.3 after the expiry of the relevant period under By-Law 14.4, the ESOS Committee shall take into account the reasons given by the Grantee for the delay in making the application, in exercising the ESOS Committee's discretion and powers under By-Law 14.6. In the event that the ESOS Committee approves the application in whole or in part, the Company shall make an Offer in respect of the unexercised Options which are the subject of approval to the Grantee and such Options offered, if accepted by the Grantee shall be exercisable:
- (a) only within the 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 subscription price applicable in respect of such terminated Options.
- 14.8 In the event that a Grantee dies before the Date of Expiry and, at the date of death, holds any ESOS Options which are unexercised, the following provisions shall apply:
- (a) such ESOS Options may be exercised by the personal or legal representative of the deceased Grantee ("**Representative**") within twelve (12) months after the Grantee's death ("**Permitted Period**") or within the Date of Expiry, whichever expires first, subject to the approval of the ESOS Committee;
 - (b) in the event that the Date of Expiry expires before the Permitted Period, any Options which have not been exercised by the Representative at the Date of Expiry 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 Date of Expiry, the following provisions shall apply:
 - (i) the Representative may, at any time before the expiry of the Permitted Period, apply in writing to the ESOS Committee for an extension of the Permitted Period, stating the reasons as to why the extension is required. In the event no application is received by the ESOS 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 ESOS Committee shall consider such applications on a case-by-case basis and may at 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 ESOS Committee shall be final and binding. In the event that the ESOS Committee approves an application in whole or in part, the Representative may exercise the Options which are the subject of the approval within such extension of the Permitted Period as is approved (which shall not exceed the Date of Expiry) and in accordance with the provisions of By-Law 9.4. Any ESOS Option in respect of which an application is rejected shall be automatically terminated at the expiry of the Permitted Period or on the date of the ESOS Committee's decision, whichever is the later.

- (iii) in the event that the ESOS Committee receives an application after the expiry of the Permitted Period, the ESOS Committee shall take into account the reasons given by the Representative for the delay in making the application, in exercising the ESOS Committee's discretion and powers under sub-paragraph (ii) above. In the event that the ESOS Committee approves an application in whole or in part, the Company shall make an Offer in respect of the Options which are the subject of the approval to the Representative and such Options shall be exercisable -
- (1) within such period as may be stipulated in the Offer which shall not exceed the Date of Expiry of those Options and/or Shares which were terminated pursuant to sub-paragraph (i) above;
 - (2) in accordance with the provisions of By-Law 9.4; and
 - (3) at the subscription price applicable in respect of the Options which were terminated pursuant to sub-paragraph (i) above.

14.9 The provisions of By-Law 14.7 and 14.8 constitute exceptions to the provisions of By-Law 5.1.

14.10 Notwithstanding anything to the contrary herein contained in these By-Laws, the ESOS Committee shall have the right, at its absolute discretion by notice in writing to that effect to the Grantee, to suspend the right of any Grantee who is being subjected to Disciplinary Proceedings (whether or not such Disciplinary Proceedings may give rise to a dismissal or termination of service of such Grantee or are found to have had no basis or justification) to exercise his/her ESOS Options pending the outcome of such Disciplinary Proceedings. In addition to this right of suspension, the ESOS Committee may impose such terms and conditions as the ESOS Committee shall deem appropriate at its sole and absolute discretion, on the Grantee's right to exercise his/her ESOS Options having regard to the nature of the charges made or brought against such Grantee, **PROVIDED ALWAYS** that:

- (a) in the event such Grantee is found not guilty of the charges which gave rise to such Disciplinary Proceedings, the ESOS Committee shall reinstate the right of such Grantee to their ESOS Options;
- (b) in the event the disciplinary proceedings result in a recommendation for the dismissal or termination of service of such Grantee, all unexercised and partially exercised ESOS Options of the Grantee shall immediately lapse and be null and void and of no further force and effect, without notice to the Grantee, upon pronouncement of the dismissal or termination of service of such Grantee notwithstanding that such recommendation, dismissal and/or termination of service may be subsequently challenged or disputed by the Grantee in any other forum;

- (c) in the event the Grantee is found guilty but no dismissal or termination of service is recommended, the ESOS Committee shall have the right to determine at its absolute discretion whether or not the Grantee may continue to exercise his/her ESOS Options or any part thereof and if so, to impose such terms and conditions as it deems appropriate, on such exercise rights; and
- (d) in the event that no decision is made and/or Disciplinary Proceedings are not concluded prior to the Date of Expiry, the ESOS Options of such Grantee shall immediately lapse on the Date of Expiry without notice,

and nothing herein shall impose any obligation on the ESOS Committee to enquire into or investigate the substantiveness and/or validity of such Disciplinary Proceeding(s) and the ESOS Committee shall not under any circumstances be held liable for any costs, losses, expenses, damages or liabilities, gains or profits foregone, arising from the ESOS Committee's exercise of or failure to exercise any of its rights under this By-Law.

15. INSPECTION OF THE AUDITED FINANCIAL STATEMENTS

All Grantees shall be entitled to inspect a copy of the latest annual audited consolidated financial statements of the Company, which shall be made available on Bursa Securities' website as well as the Company's website.

16. SCHEME NOT A TERM OF EMPLOYMENT

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

17. TAXES

For the avoidance of doubt, all other costs, fees, levies, charges and/or taxes (including, without limitation, income taxes) that are incurred by a Grantee pursuant to or relating to the exercise of any ESOS Options, and any holding or dealing of such Shares (such as (but not limited to) brokerage commissions and stamp duty) shall be borne by that Grantee for his own account and the Company shall not be liable for any one or more of such costs, fees, levies, charges and/or taxes.

PART V

18. ALTERATION OF SHARE CAPITAL AND ADJUSTMENTS

18.1 In the event of any alteration in the capital structure of the Company during the Duration of the Scheme, whether by way of rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of Shares or reduction or any other alteration in the capital structure of the Company or otherwise howsoever, the ESOS Committee may, in its discretion, determine whether the Exercise Price and/or the number of unexercised ESOS Options shall be adjusted, and if so, the manner in which such adjustments should be made.

18.2 The provisions of this By-Law 18 shall not be applicable where an alteration in the capital structure of the Company arises from any of the following:

- (a) an issue of Shares pursuant to the exercise of ESOS Options under this Scheme; or

- (b) an issue of securities as consideration or part consideration for an acquisition of any other securities, assets or business; or
 - (c) an issue of securities as a private placement; or
 - (d) any special issuance of new Shares or other securities to Bumiputera investors nominated by the Malaysian government and/or any other relevant authority of the Malaysian government to comply with the Malaysian government's policy on Bumiputera capital participation; or
 - (e) a restricted issue of securities; or
 - (f) an issue of warrants, convertible loan stocks or other instruments by the Company which give a right of conversion into new Shares arising from the conversion of such securities; or
 - (g) a purchase by the Company of its own Shares of all or a portion of such Shares purchased pursuant to Section 127 of the Act.
- 18.3 Save as expressly provided for herein, the external auditors or Principal Adviser (acting as expert and not arbitrator) must confirm in writing that the adjustments are in their opinion fair and reasonable. The opinion of the external auditors or Principal Adviser shall be final, binding and conclusive.
- 18.4 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to Subdivision 2 of Division 7 of Part III of the Act, By-Law 18.1 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 18.1 is applicable, but By-Law 18.1 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 18.1 is not applicable as described in By-Law 18.2.
- 18.5 An adjustment pursuant to By-Law 18.1 shall be made according to the following terms:
- (a) in the case of a rights issue, bonus issue or other capitalisation issue, on the next Market Day immediately following the Entitlement Date in respect of such issue; or
 - (b) in the case of a consolidation or subdivision of Shares or reduction of capital, on the next Market Day immediately following the date of allotment of shares of the Company in respect of such consolidation, subdivision or reduction.
- 18.6 Upon any adjustment required to be made pursuant to this By-Law 18, the Company shall notify the Grantee (or his/her duly appointed personal representatives where applicable) in writing within ten (10) Market Days from the adjustment date and deliver to him/her (or his/her duly appointed personal representatives where applicable) a statement setting out the Exercise Price or number of ESOS Options which are the subject of the adjusted ESOS Options and any adjustment shall take effect upon such written notification being given or such date as may be specified in such written notification.

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18.7 In respect of the Options or the ESOS, any adjustment pursuant to this By-Law 18 shall be made in accordance with the following formula below:

(a) **Consolidation, Subdivision or Conversion**

If and whenever Shares shall be consolidated, subdivided or converted, the Exercise Price and/or the number of Options to be issued shall be adjusted, calculated or determined in the following manner:

$$\text{New Exercise Price} = S \times \left(\frac{P}{Q} \right)$$

(1) For consolidation of Shares,

$$\text{Adjusted number of Options} = T \times \left(\frac{Q}{P} \right)$$

(2) For subdivision of Shares,

$$\text{Additional number of Options to be issued} = T \times \left(\frac{Q}{P} \right) - T$$

Where:

P = the aggregate number of issued Shares immediately before such consolidation, subdivision or conversion;

Q = the aggregate number of issued Shares immediately after the consolidation, subdivision or conversion;

S = Existing Exercise Price; and

T = Number of existing Options held

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the date on which the consolidation, subdivision, conversion or reduction becomes effective.

(b) **Capitalisation of Profits or Reserves**

If and whenever the Company shall make any issue of new Shares to ordinary shareholders, by way of bonus issue or capitalisation of profits or reserves of the Company (whether of a capital or income nature), in respect of ESOS Options, the Exercise Price shall be adjusted by multiplying it by the following fraction:

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

and the additional number of Options to be issued shall be calculated as follows:

$$\text{Additional number of Options} = T \times \left(\frac{A+B}{A} \right) - T$$

Where:

- A = the aggregate number of issued Shares immediately before such bonus issue or capitalisation issue;
- B = the aggregate number of Shares to be issued pursuant to any allotment to ordinary shareholders of the Company by way of bonus issue or capitalisation of profits or reserves of the Company (whether of a capital or income nature); and
- T = T as in By-Law 18.7(a) above

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for such issue.

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

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

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

and in respect of the case referred to in By-Law 18.7(c)(2) hereof, the number of additional Options to be issued shall be calculated as follows:-

$$\text{Additional number of Options} = T \times \left(\frac{C}{C - D^*} \right) - T$$

Where:

- T = T as in By-Law 18.7(a) above;
- C = the prevailing market price of each Share on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation or (where appropriate) any relevant date as may be determined by the Company; and
- D = (aa) in the case of an offer or invitation to acquire or subscribe for new Shares under By-Law 18.7(c)(2) above or for securities convertible into Shares or securities with rights to acquire or

subscribe for new Shares under By-Law 18.7(c)(3) above, the value of rights attributable to one (1) existing Share (as defined below); or

- (bb) in the case of any other transaction falling within By-Law 18.7(c) hereof, the fair market value as determined by the external auditors or Principal Adviser of that portion of the Capital Distribution attributable to one (1) existing Share.

D* = The value of rights attributable to one (1) Share (as defined below).

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

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

Where:

C = C as in By-Law 18.7(c) above;

E = the subscription price for one (1) additional Share under the terms of such offer or invitation to acquire or subscribe for Shares or subscription price of one (1) Share upon conversion of the convertible securities or exercise of such rights to acquire or subscribe for one (1) Share under the offer or invitation; and

F = the number of existing Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Shares or security convertible into Shares or one (1) additional security with right to acquire or subscribe for one (1) additional Shares; and

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

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

Where:

C = C as in By-Law 18.7(c) above;

E* = the subscription price for one (1) additional Share under the terms of such offer or invitation to acquire or subscribe for Shares; and

F* = the number of existing Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share.

For the purpose of By-Law 18.7(c) hereof, “**Capital Distribution**” shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of new Shares (not falling under By-Law 18.7(b) hereof) or other securities by way of capitalisation of profits or reserves of the Company (whether of a capital or income nature).

Any dividend charged or provided for in the audited financial statements of the Company for any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the ordinary shareholders as shown in the audited

consolidated statement of comprehensive income of the Company for any period as shown in the audited consolidated profit and loss accounts of the Company.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day (or such other period as may be prescribed by Bursa Securities) immediately following the Entitlement Date for such issue or the closing date for the acceptance of the rights, as the case may be, for such issue.

(d) **Capitalisation of Profits/Reserves and Rights Issue of Shares or Convertible Securities**

If and whenever the Company makes any allotment to its ordinary shareholders as provided in By-Law 18.7(b) above and also makes any offer or invitation to its ordinary shareholders as provided in By-Law 18.7(c)(2) or (3) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the Exercise Price shall be adjusted by multiplying it by the following fraction:-

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

and where the Company makes any allotment to its ordinary shareholders as provided in By-Law 18.7(b) above and also makes any offer or invitation to its ordinary shareholders as provided in By-Law 18.7(c)(2) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the number of additional Options to be issued shall be calculated as follows:

$$\text{Additional number of Options} = T \times \left(\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right) - T$$

Where:

B = B as in By-Law 18.7(b) above;

G = the aggregate number of issued Shares on the Entitlement Date;

C = C as in By-Law 18.7(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 rights to acquire or subscribe for Shares, as the case may be;

H* = the aggregate number of Shares under an offer or invitation to acquire or subscribe for Shares by way of rights;

I = the subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share, as the case may be;

I* = the subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares;

T = T as in By-Law 18.7(a) above.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day (or such other period as may be prescribed by Bursa Securities) immediately following the Entitlement Date for such issue or the closing date for the acceptance of the rights, as the case may be, for such issue.

(e) **Rights Issue of Shares and Convertible Securities**

If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for Shares as provided in By-Law 18.7 (c)(2) above together with an offer or invitation to acquire or subscribe for securities convertible into new Shares or securities with rights to acquire or subscribe for Shares as provided in By-Law 18.7(c)(3) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the Exercise Price shall be adjusted by multiplying it by the following fraction:-

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

and the number of additional Options to be issued shall be calculated as follows:-

$$\text{Additional number of Options} = T \times \left(\frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*)} \right) - T$$

Where:

G = G as in By-Law 18.7(d) above;

C = C as in By-Law 18.7(c) above;

H = H as in By-Law 18.7(d) above;

H* = H* as in By-Law 18.7(d) above;

I = I as in By-Law 18.7(d) above;

I* = I* as in By-Law 18.7(d) above;

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

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

T = T as in By-Law 18.7(a) above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for the above transactions or the closing date for the acceptance of the rights, as the case may be, for such issue.

(f) **Capitalisation of Profits/Reserves and Rights Issue of Shares and Convertible Securities**

If and whenever the Company makes an allotment to its ordinary shareholders as provided in By-Law 18.7(b) above and also makes an offer or invitation to acquire or subscribe for Shares to its ordinary shareholders as provided in By-Law 18.7(c)(2) above, together with rights to acquire or subscribe for securities convertible into new Shares or with rights to acquire or subscribe for Shares as provided in By-Law 18.7(c)(3) above, and the Entitlement Date for the purpose of allotment is also the Entitlement Date for the purpose of the offer or invitation, the Exercise Price shall be adjusted by multiplying it by the following fraction:-

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

and the number of additional Options to be issued shall be calculated as follows:

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

Where:

G = G as in By-Law 18.7(d) above;

C = C as in By-Law 18.7(c) above;

H = H as in By-Law 18.7(d) above;

H* = H* as in By-Law 18.7(d) above

I = I as in By-Law 18.7(d) above;

I* = I* as in By-Law 18.7(d) above

J = J as in By-Law 18.7(e) above;

T = T as in By-Law 18.7(a) above;

K = K as in By-Law 18.7(e) above; and

B = B as in By-Law 18.7(b) above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day (or such other period as may be prescribed by Bursa) immediately following the Entitlement Date for the above transactions or the closing date for the acceptance of the rights, as the case may be, for such issue.

(g) **Others**

If and whenever (otherwise than pursuant to a rights issue available to all ordinary shareholders and requiring an adjustment under By-Laws 18.7(c)(2), 18.7(c)(3), 18.7(d), 18.7(e) or 18.7(f) above) the Company shall issue either any Shares or any security convertible into new 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 percent (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, the Exercise Price shall be adjusted by multiplying it by the following fraction:

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

Where:

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

For the purpose of this By-Law 18.7(g), “**Total Effective Consideration**” shall be determined by the ESOS Committee with the concurrence of the external auditors or Principal Adviser and shall be:-

- (i) in case of the issue of Shares, the aggregate consideration receivable by the Company on payment in full for such Shares; or
- (ii) in the case of the issue by the Company of securities wholly or partly convertible into new 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
- (iii) 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 commission, discount 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 new Shares issued as aforesaid or, in the case of securities convertible into new Shares or securities with rights to acquire or subscribe for new Shares, by the maximum number of new Shares issuable on full conversion of such securities or on exercise in full of such rights.

For the purpose of By-Law 18.7(g), “**Average Price**” of a Share shall be the average market price of one (1) Share as derived from the last traded prices for one or more board lots of Shares as quoted on Bursa Securities on the Market Days comprised in the period used as a basis upon which the issue price of such Shares is determined.

Such adjustment will be calculated (if appropriate, retroactively) from the close of business on Bursa Securities on the next Market Day immediately following

the date on which the issue is announced, or (failing any such announcement) on the next Market Day immediately following the date on which the Company determines the subscription price of such Shares. Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the completion of the above transaction.

- (h) For the purpose of By-Laws 18.7(c), (d), (e) and (f), the current market price in relation to one (1) existing Share for any relevant day shall be the average of the last traded prices 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 relevant authorities.
- 18.8 If an event occurs that is not set out in By-Law 18.7 or if the application of any of the formula set out in By-Law 18.7 to an event results in a manifest error or does not, in the opinion of the ESOS Committee, achieve for any reason whatsoever the desired result of preventing the dilution or enlargement of the Eligible Person’s rights or providing a fair and reasonable entitlement, the ESOS Committee may effect an adjustment in such manner deemed appropriate by the ESOS Committee provided that the Eligible Persons shall be notified of the adjustment through an announcement to all Eligible Persons to be made in such manner deemed appropriate by the ESOS Committee.
- 18.9 Notwithstanding the provisions of this By-Law, the ESOS Committee may exercise its discretion to determine whether any adjustments to the Exercise Price, the number of Options and/or Shares (as the case may be) be calculated on a different basis or date or should take effect on a different date or that such adjustments be made to the Exercise Price and/or the number of Options notwithstanding that no such adjustment formula has been explicitly set out in this By-Law.
- 18.10 Any adjustment to the Exercise Price shall be rounded down to the nearest RM0.01.
- 18.11 In the event that a fraction of a Share arises from the adjustments pursuant to this By-Law 18, the number of Shares comprised in an Offer shall automatically be rounded down to the nearest whole number.
- 19. TAKE-OVER OFFER, SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION, ETC**
- 19.1 In the event of:
- (a) a takeover offer being made for the Company through a general offer to acquire the whole of the issued share capital (or such part of the issued share capital not at the time owned by the person making the general offer (“**Offeror**”) or any persons acting in concert with the Offeror), a Grantee shall be entitled within such period to be determined by the ESOS Committee to exercise all or any part of his/her unexercised ESOS Options and the Directors of the Company shall use their best endeavours to procure that such offer be extended to the new Shares that may be issued pursuant to the exercise of the ESOS Options under this By-Law; or
- (b) the Offeror becoming entitled or bound to exercise the right of compulsory acquisition of Shares under the provisions of any statutes, rules and/or regulations applicable at that point of time and gives notice to the Company that it intends to exercise such right on a specific date (“**Specific Date**”), a Grantee shall be entitled to exercise all or any part of his/her unexercised ESOS Options until the expiry of the Specific Date.
- 19.2 In the event of the court sanctioning a compromise or arrangement between the Company and its members for the purpose of, or in connection with, a scheme of arrangement and reconstruction of the Company under Subdivision 2 of Division 7 of

Part III of the Act or its amalgamation with any other company or companies under the Act, a Grantee shall be entitled to exercise all or any part of his/her unexercised ESOS Options at any time commencing from the date upon which the compromise or arrangement is sanctioned by the court and up to but excluding the date upon which such compromise or arrangement becomes effective.

- 19.3 In the event that the Grantee elects not to so exercise some or all of the Options held by him/her, the unexercised Options shall be automatically terminated and lapse by the dates prescribed in By-Laws 19.1 and 19.2 and be null and void and of no further force and effect.

20. DIVESTMENT FROM THE GROUP, ETC

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

- (a) shall be entitled to continue to hold and to exercise all unexercised ESOS Options held by him/her from the date of completion of such divestment, within a period of three (3) months from the date of completion of such divestment or the Date of Expiry, whichever expires first, and in accordance with the provisions of By-Law 9.4. In the event that the Grantee does not so exercise some or all of such Options, the unexercised Options shall be automatically terminated upon the expiry of the relevant period; and
- (b) shall no longer be eligible to participate for further ESOS Options under the Scheme as from the date of completion of such divestment, unless approved by the ESOS Committee in writing.

- 20.2 For the purposes of By-Law 20.1, a company shall be deemed to be divested from the Group or disposed off from the Group in the event that the effective interest of the Company in such company is reduced from above 50% to 50% or below so that such company would no longer be a subsidiary of the Company pursuant to Section 4 of the Act or such company ceases to form part of the Group for such reason(s) as determined by the ESOS Committee as its absolute discretion.

21. WINDING UP

All outstanding ESOS Options shall be automatically terminated and be of no further force and effect in the event that a resolution is passed or a court order is made for the winding up of the Company commencing from the date of such resolution or the date of the court order. In the event a petition is presented in court for the winding-up or liquidation of the Company, all rights to exercise the ESOS Options shall automatically be suspended from the date of the presentation of the petition. Conversely, if the petition for winding-up is dismissed by the court, the right to exercise the ESOS Options shall accordingly be unsuspended.

PART VI

22. EFFECTIVE DATE, DURATION, TERMINATION AND EXTENSION OF SCHEME

- 22.1 The Effective Date for the implementation of the Scheme shall be such date to be determined and announced by the Board following full compliance with all relevant requirements of the Listing Requirements, including the following:-

- (a) submission of the final copy of the By-Laws to Bursa Securities together with a letter of compliance pursuant to Paragraph 2.12 of the Listing Requirements and a checklist showing compliance with Appendix 6E of the Listing Requirements (and/or such other documents as may be determined by Bursa Securities from time to time);

- (b) receipt of the approval from Bursa Securities for the listing of and quotation for the new Shares to be issued pursuant to the exercise of ESOS Options granted under the Scheme;
- (c) procurement of shareholders’ approval for the Scheme;
- (d) receipt of approval of any other relevant authorities, where applicable; and
- (e) fulfilment or waiver (as the case may be) of all conditions attached to the above proposals, if any.

The Scheme shall be in force for a duration of five (5) years from the Effective Date subject however to any extension of the Scheme as provided under By-Law 22.3 below. The date of expiry of the Scheme shall be at the end of the five (5) years from the Effective Date or, if the Scheme shall be extended, shall be the date of expiry as so extended.

- 22.2 The Offer can only be made during the Duration of the Scheme before the Date of Expiry.
- 22.3 On or before the Date of Expiry, the Board shall have the discretion, without having to obtain approval of the Company’s shareholders, to extend the Duration of the Scheme provided that the initial period of the Scheme and such extension of the Scheme made pursuant to this By-Law shall not in aggregate exceed the duration of ten (10) years from the Effective Date. In the event the Scheme is extended in accordance with this provision, the ESOS Committee shall furnish a written notification to all Grantees and the Company shall make necessary announcements to Bursa Securities prior to the proposed extension of the Scheme. For the avoidance of doubt, no further sanction, approval, consent or authorisation of the shareholders of the Company in a general meeting is required for any such extension.
- 22.4 Notwithstanding anything to the contrary, all ESOS Options shall lapse on the Date of Expiry.
- 22.5 The Scheme may be terminated by the ESOS Committee at any time before the Date of Expiry **PROVIDED THAT** the Company makes an announcement immediately to Bursa Securities. The announcement shall include:-
 - (a) the effective date of termination (“**Termination Date**”);
 - (b) the number of Options exercised under ESOS; and
 - (c) the reasons and justification for termination.
- 22.6 The Company may implement more than one (1) employee share scheme provided that the aggregate number of Share available under all the employee share schemes implemented by the Company is not more than 15 percent (15%) of its total number of issued Shares (excluding treasury shares, if any) at any one time or any other limit in accordance with any prevailing guidelines issued by Bursa Securities or any other relevant authorities as amended from time to time.
- 22.7 In the event of termination as stipulated in By-Law 22.5 above, the following provisions shall apply:
 - (a) no further Offers shall be made by the ESOS Committee from the Termination Date;
 - (b) all Offers which have yet to be accepted by Eligible Persons shall automatically lapse on the Termination Date;

- (c) all Offers which have yet to be vested in the Eligible Persons shall automatically lapse on the Termination Date; and
- (d) all outstanding ESOS Options which have yet to be exercised by Grantees and/or vested (if applicable) shall be automatically terminated on the Termination Date.

22.8 Approval or consent of the shareholders of the Company by way of a resolution in a general meeting and written consent of Grantees who have yet to exercise their Options are not required to effect a termination of the Scheme.

23. NO COMPENSATION FOR TERMINATION

No Eligible Persons shall be entitled to any compensation for damages arising from the termination of any ESOS Options or this Scheme pursuant to the provisions of these By-Laws. Notwithstanding any provisions of these By-Laws:

- (a) this Scheme shall not form part of any contract of employment between the Company or any company within the Group and any Eligible Person of any company of the Group. The rights of any Eligible Person under the terms of his/her office and/or employment with any company within the Group shall not be affected by his/her participation in the Scheme, nor shall such participation or the Offer or consideration for the Offer afford such Eligible Person any additional rights to compensation or damages in consequence of the termination of such office or employment for any reason;
- (b) this Scheme shall not confer on any person any legal or equitable right or other rights under any other theory of law (other than those constituting the ESOS Options themselves) against the Company or any company of the Group, directly or indirectly, or give rise to any course of action in law or in equity or under any other theory of law against any company within the Group;
- (c) no Grantee or his/her Representative shall bring any claim, action or proceeding against any company of the Group, the ESOS Committee or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension/cancellation of his/her rights/exercise of his/her ESOS Options ceasing to be valid pursuant to the provisions of these By-Laws; and
- (d) the Company, the Board or the ESOS Committee shall in no event be liable to the Grantee or his/her personal or legal representative or any other person or entity for any third party claim, loss of profits, loss of opportunity, loss of savings or any punitive, incidental or consequential damage, including without limitation lost profits or savings, directly or indirectly arising from the breach or non-performance of these By-Laws or any loss suffered by reason of any change in the price of the Shares or from any other cause whatsoever whether known or unknown, contingent, absolute or otherwise, whether based in contract, tort, equity, indemnity, breach of warranty or otherwise and whether pursuant to common law, statute, equity or otherwise, even if any company of the Group, the Board or the ESOS Committee has been advised of the possibility of such damage.

24. MODIFICATION, VARIATION AND/OR AMENDMENT TO THE SCHEME

24.1 Subject to the compliance with the Listing Requirements and any other relevant authorities, the ESOS Committee may at any time and from time to time recommend to the Board any additions, modifications or amendments to or deletions of these By-Laws as it shall at its discretion think fit. The approval of the shareholders of the Company in a general meeting shall not be required in respect of additions or amendments to, or modifications and/or deletions of these By-Laws **PROVIDED THAT** no additions, modifications or amendments to or deletions of these By-Laws shall be made which will:

- (a) prejudice any rights which have accrued to any Grantee without the prior consent or sanction of that Grantee; or
 - (b) increase the number of Shares available under the Scheme beyond the maximum imposed by By-Law 4.1; or
 - (c) alter any matter which are required to be contained in these By-Laws by virtue of the Listing Requirements to the advantage of the Eligible Person and/or Grantee.
- 24.2 For the purpose of complying with the provisions of the Listing Requirements, By-Laws 4, 5, 6, 8, 9, 10, 11, 12, 13, 18, 21 and 22 shall not be amended or altered in any way whatsoever for the advantage of Eligible Persons and/or Grantees without the prior approval of shareholders obtained at a general meeting and subject to any applicable laws.
- 24.3 Upon amending and modifying all or any of the provisions of the Scheme, the Company shall within five (5) Market Days after the effective date of the amendments, cause to be submitted to Bursa Securities the amended By-Laws and a confirmation letter that the said amendment and/or modification complies and does not contravene any of the provisions of the Listing Requirements in relation to the Scheme.

PART VII

25. ADMINISTRATION AND TRUST

- 25.1 The Scheme shall be administered by the ESOS Committee. The ESOS Committee shall, subject to these By-Laws, administer the Scheme in such manner as it shall think fit and with such powers and duties as are conferred upon it by the Board. The decision of the ESOS Committee shall be final and binding.
- 25.2 In implementing the Scheme, the ESOS Committee may in its absolute discretion, after taking into consideration, amongst others, factors such as prevailing market price of the Shares, funding considerations and dilutive effects on the Company’s capital base, future returns and cash requirements of the Group, decide that the Shares to be awarded under this Scheme shall be satisfied by any of the following methods:
- (a) issuance of new Shares;
 - (b) acquisition and transfer of existing Shares;
 - (c) any other methods as may be permitted by the Act, as amended from time to time and any re-enactment thereof; or
 - (d) a combination of any of the above.
- 25.3 For the purposes of facilitating the implementation and administration of the Scheme, the Company and/or the ESOS Committee may (but shall not be obliged to) establish a trust to be administered by trustee(s) consisting of such trustee appointed by the Company from time to time (“**Trustee**”), if required, for the purposes of subscribing for new Shares and/or acquiring existing Shares from the Main Market of Bursa Securities and transferring them to Grantees at such times as the ESOS Committee shall direct (“**Trust**”). To enable the Trustee to subscribe for new Shares and/or acquire existing Shares for the purpose of the Scheme and to pay expenses in relation to the administration of the Trust, the Trustee will, to the extent permitted by law, be entitled from time to time to accept funding and/or assistance, financial or otherwise, from the Company and/or its subsidiaries or any third party to subscribe for Shares on behalf of Grantees and to release the relevant net gains arising from the sale of the Shares from

the exercise of the ESOS Options by a Grantee (after deducting the Exercise Price and the related transaction costs) to the relevant Grantee.

- 25.4 The Trustee if and when a Trust is established shall administer the Trust in accordance with the terms of the trust deed to be entered into between the Company and the trustee constituting the trust (“**Trust Deed**”). For the purpose of administering the Trust, the Trustee shall 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 Trust, as the ESOS Committee may in its sole and absolute discretion direct for the implementation and administration of the Trust.
- 25.5 The Company or ESOS Committee shall have power from time to time, at any time, to appoint or rescind/terminate the appointment of any Trustee as it deems fit in accordance with the provisions of the Trust Deed. The ESOS Committee shall have the power from time to time, at any time, to negotiate with the Trustee to amend the provisions of the Trust Deed.
- 25.6 Without limiting the generality of By-Law 25.1, the ESOS Committee may, for the purpose of administering the Scheme, do all acts and things, rectify any errors in an Offer, execute all documents and delegate any of its powers and duties relating to the Scheme as it may at its discretion consider to be necessary or desirable for giving effect to the Scheme.
- 25.7 The Board shall have power at any time and from time to time to approve, rescind and/or revoke the appointment of any person in the ESOS Committee as it shall deem fit.

26. DISPUTES

- 26.1 In case any dispute or difference shall arise between the ESOS Committee and an Eligible Person or a Grantee or in the event of an appeal by an Eligible Person, as the case may be, as to any matter of any nature arising hereunder, such dispute or appeal must have been referred to and received by the ESOS Committee during the Duration of the Scheme. The ESOS Committee shall then determine such dispute or difference by a written decision (without the obligation to give any reason therefor) given to the Eligible Person and/or Grantee, as the case may be, PROVIDED THAT where the dispute is raised by a member of the ESOS Committee, the said member shall abstain from voting in respect of the decision of the ESOS Committee in that instance.
- 26.2 In the event the Eligible Person or Grantee, as the case may be, shall dispute the same by written notice to the ESOS Committee within fourteen (14) days of the receipt of the written decision, then such dispute or difference shall be referred to the Board, whose decision shall be final and binding in all respects, provided that any Director of the Company who is also in the ESOS Committee shall abstain from voting and no person shall be entitled to dispute any decision or certification which is stated to be final and binding under these By-Laws. Under no circumstances shall a dispute or difference be brought to a court of law. Notwithstanding anything herein to the contrary, any costs and expenses incurred in relation to any dispute or difference or appeal brought by any party to the ESOS Committee shall be borne by such party.
- 26.3 Notwithstanding the foregoing provisions of By-Laws 26.1 and 26.2 above, matters concerning adjustments made pursuant to By-Law 18 shall be referred to external auditors of the Company or Principal Adviser, who shall act as experts and not as arbitrators and whose decision shall be final and binding in all respects.

27. COSTS AND EXPENSES

All fees, costs and expenses incurred in relation to the Scheme including but not limited to the fees, costs and expenses relating to the issue and allotment and/or transfer of the Shares pursuant to the ESOS Option, shall be borne by the Company. Notwithstanding this, the Grantee shall bear any fees, costs and expenses incurred in relation to his/her acceptance and exercise of the Options under the Scheme.

28. CONSTITUTION

In the event of a conflict between any of the provisions of these By-Laws and the Constitution, the Constitution shall at all times prevail.

29. NOTICE

29.1 Subject to By-Law 31.5, any notice or request which the Company is required to give, or may desire to give, to any Eligible Person or the Grantee pursuant to the Scheme shall be in writing and shall be deemed to be sufficiently given:

- (a) if it is sent by ordinary post by the Company to the Eligible Person or the Grantee at the last address known to the Company as being his/her address, such notice or request shall be deemed to have been received three (3) Market Days after posting;
- (b) if it is delivered by hand to the Eligible Person or the Grantee, such notice or request shall be deemed to have been received on the date of delivery; and
- (c) if it is sent by electronic media, including but not limited to electronic mail, to the Eligible Person or the Grantee, such notice or request shall be deemed to have been received by the recipient on the Market Day immediately following the day on which the electronic mail is sent or (in the case of communication by other digital means) on the Market Day immediately following the day on which such communication is effected or otherwise upon confirmation or notification received after the sending of notice or request by the Company.

Any change of address of the Eligible Person or the Grantee shall be communicated in writing to the Company.

29.2 Where any notice which the Company or the ESOS Committee is required to give, or may desire to give, in relation to matters which may affect all the Eligible Persons or all the Grantee (as the case may be) pursuant to the Scheme, the Company or the ESOS Committee may give such notice through an announcement to all employees of the Group to be made in such manner deemed appropriate by the ESOS Committee (including via electronic media). Upon the making of such an announcement, the notice to be made under By-Law 29.1 shall be deemed to be sufficiently given, served or made to all affected Eligible Persons or Grantee, as the case may be.

30. SEVERABILITY

Any term, condition, stipulation or provision in these By-Laws which is or becomes illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability without invalidating the remaining provisions hereof, and any such illegality, voidness, prohibition or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation or provision herein contained.

31. GOVERNING LAW AND JURISDICTION

31.1 These By-Laws shall be governed and construed in accordance with the laws of Malaysia and the Eligible Person and/or Grantee shall, subject to the provisions of By-

Law 26, submit to the exclusive jurisdiction of the courts of Malaysia in all matters connected with the obligations and liabilities of the parties hereto under or arising out of these By-Laws.

- 31.2 Any proceeding or action shall, subject to the provisions of By-Law 26, be instituted or taken in Malaysia and the Eligible Person and/or Grantee irrevocably and unconditionally waives any objection on the ground of venue or forum non-convenience or any other grounds.
- 31.3 Any notice/process required to be given to or served by the Board or the ESOS Committee to an Eligible Person and/or Grantee shall be deemed to be sufficiently given, served or made if it is given, served or made by hand, by facsimile transmission and/or by letter sent via ordinary post addressed to the Eligible Person and/or Grantee at his place of employment, at his last facsimile transmission number known to the Company, or to his last-known address. Any notice/process served by hand, by facsimile, by post as aforesaid shall be deemed to have been received at the time when such notice (if by hand) is received and duly acknowledged, (if by facsimile transmission) is transmitted with a confirmed log print-out for the transmission indicating the date, time and transmission of all pages, and (if by post) on the day the letter containing the same is posted and in proving such service by post, it shall be sufficient to prove that the letter containing the notice or documents was properly addressed, stamped and posted.
- 31.4 Any notice/process required to be given to or served upon the Board or the ESOS Committee by an Eligible Person and/or Grantee shall be given, served or made in writing and delivered by hand or by registered post to the registered office of the Company (or such other office or place which the ESOS Committee may have stipulated for this purpose). Any notice/process served by hand, or post as aforesaid shall be deemed to have been received at the time when such notice (if by hand) is received and duly acknowledged and (if by post) five (5) Market Days after postage.
- 31.5 Any Offer to be made and acceptances thereof, and normal correspondence (other than notice/process) under the Scheme (“**Normal Correspondence**”) to be given to or served upon the Board or the ESOS Committee or the Eligible Person and/or the Grantee, as the case may be, shall be given, served or made in writing and delivered by electronic mail to such e-mail address specified by the Company (if to be given to or served upon the Board or the ESOS Committee) or to such e-mail address of the employee provided by the Company (if to be given to or served upon the Eligible Person and/or Grantee) or such communication by other digital means as may be prescribed by the Board and/or ESOS Committee, and shall be deemed to have been received by the recipient (in the case of electronic mail) on the Market Day immediately following the day on which the electronic mail is dispatched or (in the case of communication by other digital means) on the Market Day immediately following the day on which such communication is effected.
- 31.6 Notwithstanding By-Law 31.5, where any Normal Correspondence is required to be given by the Company or the ESOS Committee or the Trustee under these By-Laws in relation to matters which may affect any or all of the Eligible Persons and/or Grantees, the Company or the ESOS Committee may give the Normal Correspondence through an announcement to all employees of the Group to be made in such manner deemed appropriate by the ESOS Committee. Upon the making of such an announcement, the Normal Correspondence to be made under By-Law 31.5 shall be deemed to be sufficiently given, served or made to all affected Eligible Persons and/or Grantee.
- 31.7 In order to facilitate the offer of any Offer (and/or the benefit thereof) under this Scheme, the ESOS Committee may provide for such special terms to the Eligible Persons who are employed by any corporation in the Group in a particular jurisdiction, or who are nationals of any particular jurisdiction, that is outside Malaysia, as the ESOS Committee may consider necessary or appropriate for the purposes of complying with differences in local law, tax, policy or custom of that jurisdiction. The ESOS Committee may further

approve such supplements to or amendments, restatements or alternative versions of the Scheme as it may consider necessary or appropriate for such purposes without affecting the terms of the Scheme as in effect for any other purpose, and the secretary of the Company or any other appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as the Scheme. No such special terms, supplements, amendments or restatements, however, shall include any provisions that are inconsistent with the terms of this Scheme, as then in effect unless this Scheme has been amended to eliminate such inconsistency. Notwithstanding the above, any Offer offered to such Eligible Person pursuant to the Scheme shall be valid strictly in Malaysia only unless specifically mentioned otherwise by the ESOS Committee in the Offer.

- 31.8 No action has been or will be taken by the Company to make an Offer valid in any country or jurisdiction other than Malaysia or to ensure compliance of the Offer with all applicable laws and regulations in any other country or jurisdiction other than Malaysia. No action has or will be taken also by the Company to ensure compliance by the Eligible Person to whom an Offer is offered, with all applicable laws and regulations in such other country or jurisdiction in which the Eligible Person accepts the Offer or will exercise the ESOS Option.
- 31.9 Any Eligible Person to whom an Offer is offered is required to ensure that they comply with all applicable laws and regulations in each country or jurisdiction in or from which they accept the Offer or exercise the ESOS Option. By their acceptance of an Offer, each Grantee has represented, warranted and agreed that they have and will continue to observe all applicable laws and regulations in the jurisdiction in which they accept the Offer and/or will exercise the ESOS Option.

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LEADER STEEL HOLDINGS BERHAD

(Registration No. 199301012471 (267209-K))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Leader Steel Holdings Berhad (“**LSH**” or the “**Company**”) will be held at 2nd Floor, Wisma Leader Steel, Plot 85, Lorong Perusahaan Utama, Kawasan Perusahaan Bukit Tengah, 14000 Bukit Tengah, Seberang Perai Tengah, Pulau Pinang, Malaysia on Monday, 30 May 2022 at 1.00 p.m. or immediately after the conclusion or adjournment of the Twenty-Ninth Annual General Meeting of the Company to be held at the same venue on the same day at 12.15 p.m., whichever is later, for the purpose of considering and, if thought fit, passing the following resolutions, with or without any modifications:-

ORDINARY RESOLUTION 1

PROPOSED PRIVATE PLACEMENT OF UP TO 40,359,700 NEW ORDINARY SHARES IN THE COMPANY (“LSH SHARES” OR THE “SHARES”) (“PLACEMENT SHARES”), REPRESENTING UP TO APPROXIMATELY 30% OF THE EXISTING TOTAL NUMBER OF ISSUED SHARES, TO INDEPENDENT THIRD PARTY INVESTOR(S) TO BE IDENTIFIED AND AT AN ISSUE PRICE TO BE DETERMINED LATER (“PROPOSED PRIVATE PLACEMENT”)

“**THAT** subject to all approvals and/or consents of the relevant authorities and/or parties being obtained, approval be and is hereby given to the Board of Directors of the Company (“**Board**”) to allot and issue up to 40,359,700 Placement Shares by way of private placement to independent third party investor(s) to be identified later in 1 or more tranches at an issue price for each tranche to be determined at a later date by the Board (“**Price-Fixing Date**”) upon such terms and conditions as disclosed in the circular to the shareholders of the Company dated 13 May 2022 (“**Circular**”);

THAT the issue price for each tranche of the Placement Shares will be determined based on a discount of not more than 20% to the 5-market day volume weighted average market price of the Shares up to and including the last trading day immediately prior to the Price-Fixing Date;

THAT the Board be and is hereby authorised to use the proceeds to be derived from the Proposed Private Placement for such purposes as set out in the Circular and the Board be and is hereby authorised with full power to vary the manner and/or purpose of the use of such proceeds from the Proposed Private Placement in the manner as the Board may deem fit, necessary and/or expedient, subject to the approval of the relevant authorities (*where required*) and in the best interest of the Company;

THAT such Placement Shares shall, upon allotment, issuance and full payment of the issue price, rank equally in all respects with the then existing issued Shares;

THAT the Directors be and are hereby empowered and authorised to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or arrangements as may be necessary to give effect and complete the Proposed Private Placement and to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities or as the Directors may deem necessary in the interest of the Company and to take such steps as they may deem necessary or expedient in order to implement, finalise, give full effect and to complete the Proposed Private Placement;

AND THAT this Ordinary Resolution 1 constitutes specific approval for the issuance of shares in the Company contemplated herein and shall continue in full force and effect until all Placement Shares to be issued pursuant to or in connection with the Proposed Private Placement have been duly allotted and issued in accordance with the terms of the Proposed Private Placement.”

ORDINARY RESOLUTION 2

PROPOSED ESTABLISHMENT AND IMPLEMENTATION OF AN EMPLOYEES’ SHARE OPTION SCHEME (“ESOS” OR THE “SCHEME”) INVOLVING UP TO 15% OF THE TOTAL NUMBER OF ISSUED SHARES (EXCLUDING TREASURY SHARES) FOR ELIGIBLE DIRECTORS AND EMPLOYEES OF LSH AND ITS SUBSIDIARIES (“GROUP”) (EXCLUDING DORMANT SUBSIDIARIES) (“PROPOSED ESOS”)

“**THAT** subject to all approvals and/or consents of the relevant authorities and/or parties being obtained, approval be and is hereby given for the Company to establish the Scheme involving up to 15% of the total number of issued Shares from time to time (*excluding treasury shares*) for the benefit of eligible directors and eligible employees of the Group (*excluding dormant subsidiaries*) and the Board be and is hereby authorised to:-

- (i) implement and administer the Scheme in accordance with the by-laws governing the Scheme (“**By-laws**”), a draft of which is set out in Appendix II of the Circular, to approve and adopt the By-laws and to give full effect to the Scheme with full powers to assent to any conditions, variations, modifications and/or amendments as may be required by the relevant authorities or as may be deemed fit or necessary by the Board at its discretion;
- (ii) make the necessary applications to Bursa Malaysia Securities Berhad (“**Bursa Securities**”) and do all the things necessary at the appropriate time or times for the listing and quotation of the new Shares which may from time to time be allotted and issued arising from the exercise of the options granted under the Scheme (“**ESOS Options**”);
- (iii) allot and issue from time to time such number of new Shares as may be required arising from the exercise of the ESOS Options provided that the aggregate number of new Shares to be allotted and issued under the Scheme shall not exceed 15% of the total number of issued Shares (*excluding treasury shares*) at any point of time over the duration of the Scheme. The Shares to be allotted and issued upon the exercise of any ESOS Options granted under the Scheme will be subject to the provisions of the Constitution of the Company and will, upon allotment and issuance, rank *pari passu* in all respects with the then existing issued Shares, save and except that the Shares so allotted and issued will not be entitled to any dividends, rights, allotments or other distributions, which may be declared, made or paid to shareholders of the Company, the entitlement date of which is prior to the date of allotment and issuance of such new Shares;
- (iv) modify and/or amend the By-laws from time to time as may be required or permitted by the authorities or deemed necessary by the authorities or the Board provided that such modifications and/or amendments are effected in accordance with the provisions of the By-laws relating to modifications and/or amendments and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Scheme;
- (v) extend the duration of the Scheme, provided always that such extension of the Scheme made pursuant to the By-laws shall not in aggregate exceed a duration of 10 years from the date on which the Scheme shall take effect following full compliance with all relevant requirements without having to obtain any further sanction, approval, consent or authorisation of the shareholders of the Company in a general meeting; and
- (vi) to do all such acts, deeds and things to execute, sign and deliver on behalf of the Company all such documents and enter into any arrangements, agreements and/or undertakings with any party or parties as the Board may deem fit, necessary or expedient or appropriate in order to give full effect to the Proposed ESOS and terms of the By-laws with full powers to assent to any terms, conditions, modifications, variations and/or amendments as may be required by the relevant authorities or deemed necessary by the Board in the best interest of the Company;

THAT the By-laws of the Scheme, a draft of which is set out in Appendix II of the Circular, be and is hereby approved and adopted;

AND THAT the Board be and is hereby authorised to give effect to the Proposed ESOS with full powers to consent to and to adopt and implement such conditions, modifications, variations and/or amendments as may be required by the relevant regulatory authorities or as the Board may deem fit or necessary at its absolute discretion.”

ORDINARY RESOLUTIONS 3 TO 10

PROPOSED ALLOCATION OF ESOS OPTIONS TO DIRECTORS

“**THAT** subject to the passing of the Ordinary Resolution 2 above and subject to all approvals and/or consents of the relevant authorities and/or parties being obtained, approval be and is hereby given to the Board to authorise the ESOS Committee, at any time and from time to time throughout the duration of the ESOS, to offer and grant to the following Directors, ESOS Options to subscribe for new Shares under the ESOS:-

(i)	Tan Sri Dato' Mohd Desa Bin Pachi	Ordinary Resolution 3
(ii)	Dato' Goh Cheng Huat	Ordinary Resolution 4
(iii)	Datin Tan Pak Say	Ordinary Resolution 5
(iv)	Goh Wan Jing	Ordinary Resolution 6
(v)	Lim Leng Han	Ordinary Resolution 7
(vi)	Datuk Abdullah bin Haji Kuntom	Ordinary Resolution 8
(vii)	Mohd. Arif bin Mastol	Ordinary Resolution 9
(viii)	Abdull Sukor bin Ismail	Ordinary Resolution 10

provided always that:-

- (i) he/she shall not participate in the deliberation or discussion of his/her own allocation as well as allocation to persons connected with him/her;
- (ii) the allocation to him/her, who singly or collectively through persons connected with him/her, holds 20% or more of the total number of issued Shares (*excluding treasury shares*), shall not exceed 10% of the total number of new Shares to be issued under the Scheme; and
- (iii) such offer and grant of ESOS Options are subject always to such terms and conditions and/or adjustments which may be made in accordance with the provisions of the By-laws, the Main Market Listing Requirements of Bursa Securities or any prevailing guidelines issued by Bursa Securities or any other relevant authority, as amended from time to time;

THAT the Board is authorised to allot and issue such number of new Shares arising from the exercise of the ESOS Options issued under the Scheme;

AND THAT the Shares to be allotted and issued upon the exercise of any ESOS Options granted under the Scheme will be subject to the provisions of the Constitution of the Company and will, upon allotment and issuance, rank *pari passu* in all respects with the then existing issued Shares, save and except that the Shares so allotted and issued will not be entitled to any dividends, rights, allotments or other distributions, which may be declared, made or paid to shareholders of the Company, the entitlement date of which is prior to the date of allotment and issuance of such new Shares.”

By Order of the Board

LEADER STEEL HOLDINGS BERHAD

Tai Yit Chan (MAICSA 7009143) (SSM PC No. 202008001023)

Ong Tze-En (MAICSA 7026537) (SSM PC No. 202008003397)

Joint Company Secretaries

Penang

13 May 2022

Notes:-

1. A member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint not more than two (2) proxies to attend and vote in his stead at the meeting, and that a proxy may but need not be a member. There shall be no restriction as to the qualification of the proxy. Where a member appoints more than one (1) proxy, he shall specify the proportion of his holdings to be represented by each proxy, failing which the appointment shall be invalid. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 (“**SICDA**”), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
3. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (“**Omnibus Account**”), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds. Where an Exempt Authorised Nominee appoints more than one (1) proxy in respect of each Omnibus Account, the appointment shall be invalid unless the Exempt Authorised Nominee specifies the proportion of its shareholding to be represented by each proxy. An Exempt Authorised Nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or, if the appointer is a corporation, either under its Common Seal, or under the hand of an officer or attorney duly authorised. A proxy must be of full age. An instrument appointing a proxy to vote shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointer. Members not resident in Malaysia may appoint and revoke proxies by cable.
5. For the proxy to be valid, the Form of Proxy duly completed must be deposited at the Company’s registered office at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
6. In respect of deposited securities, only a depositor whose name appears on the Record of Depositors on 23 May 2022 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

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**FORM OF PROXY**

LEADER STEEL HOLDINGS BERHAD
(Registration No. 199301012471 (267209-K))
(Incorporated in Malaysia)

No. of Shares Held	CDS Account No.

I*/We* _____
(Full Name in Block Letters and NRIC No./Passport No./Company No.)

of _____ and _____
(Address) (Tel. No./Email Address)
being a member/members of Leader Steel Holdings Berhad ("**Company**"), hereby appoint

Full Name and Address (in Block Letters)	NRIC/Passport No.	No. of Shares	% of Shareholding

* and/or (*delete if not applicable)

Full Name and Address (in Block Letters)	NRIC/Passport No.	No. of Shares	% of Shareholding

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Extraordinary General Meeting ("**EGM**") of the Company, to be held at 2nd Floor, Wisma Leader Steel, Plot 85, Lorong Perusahaan Utama, Kawasan Perusahaan Bukit Tengah, 14000 Bukit Tengah, Seberang Perai Tengah, Pulau Pinang, Malaysia on Monday, 30 May 2022 at 1.00 p.m. or immediately after the conclusion or adjournment of the Twenty-Ninth Annual General Meeting of the Company to be held at the same venue on the same day at 12.15 p.m., whichever is later.

Please indicate with an "x" in the appropriate space(s) provided below on how you wish your votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/her discretion.

Ordinary Resolutions		For	Against
1.	Proposed Private Placement		
2.	Proposed ESOS		
3.	Proposed allocation of ESOS Options to Tan Sri Dato' Mohd Desa Bin Pachi		
4.	Proposed allocation of ESOS Options to Dato' Goh Cheng Huat		
5.	Proposed allocation of ESOS Options to Datin Tan Pak Say		
6.	Proposed allocation of ESOS Options to Goh Wan Jing		
7.	Proposed allocation of ESOS Options to Lim Leng Han		
8.	Proposed allocation of ESOS Options to Datuk Abdullah bin Haji Kuntom		
9.	Proposed allocation of ESOS Options to Mohd. Arif bin Mastol		
10.	Proposed allocation of ESOS Options to Abdull Sukor bin Ismail		

Signed this _____ day of _____ 2022.

Signature of Shareholder(s)/ Common Seal
* Strike out whichever is not desired.

Notes:-

- A member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint not more than two (2) proxies to attend and vote in his stead at the meeting, and that a proxy may but need not be a member. There shall be no restriction as to the qualification of the proxy. Where a member appoints more than one (1) proxy, he shall specify the proportion of his holdings to be represented by each proxy, failing which the appointment shall be invalid. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("**SICDA**"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
- Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds. Where an Exempt Authorised Nominee appoints more than one (1) proxy in respect of each Omnibus Account, the appointment shall be invalid unless the Exempt Authorised Nominee specifies the proportion of its shareholding to be represented by each proxy. An Exempt Authorised Nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or, if the appointer is a corporation, either under its Common Seal, or under the hand of an officer or attorney duly authorised. A proxy must be of full age. An instrument appointing a proxy to vote shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointer. Members not resident in Malaysia may appoint and revoke proxies by cable.
- For the proxy to be valid, the Form of Proxy duly completed must be deposited at the Company's registered office at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
- In respect of deposited securities, only a depositor whose name appears on the Record of Depositors on 23 May 2022 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

Personal Data Privacy

By submitting the duly executed Form of Proxy, the member and his/her proxy consent to the Company and/or its agents / service providers to collect, use and disclose the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the EGM of the Company and any adjournment thereof.

Fold this flap for sealing

Then fold here

**Affix
Stamp**

JOINT COMPANY SECRETARIES
LEADER STEEL HOLDINGS BERHAD
(Registration No. 199301012471 (267209-K))
170-09-01, Livingston Tower
Jalan Argyll, 10050 George Town
Pulau Pinang

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