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**DRAFT BYE-LAWS OF THE PROPOSED NEW ESOS**


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**1. NAME OF SCHEME**

This Scheme shall be called the “**KKB Engineering Berhad New Employees' Share Option Scheme**”.

**2. OBJECTIVES OF SCHEME**

The objectives of the Scheme are: -

- (a) to recognise the contribution of Eligible Employees and Executive Directors whose services are valued and considered vital to the operations and continued growth of the KKB Group;
- (b) to motivate employees and Executive Directors of the KKB Group towards better performance through greater productivity and loyalty;
- (c) to stimulate a greater sense of belonging and dedication since employees and Executive Directors are given the opportunity to participate directly in the equity of the Company;
- (d) to encourage employees to remain with the KKB Group thus ensuring that the loss of key personnel is kept to a minimum; and
- (e) to reward employees and Executive Directors by allowing them to participate in the Company's profitability and eventually realise capital gains arising from any appreciation in the value of the Company's shares.

**3. DEFINITIONS AND INTERPRETATION**

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

“ <b>Articles</b> ”	—	The Articles of Association of the Company
“ <b>Board</b> ”	—	The Board of the Company
“ <b>Bye-Laws</b> ”	—	The rules, terms and conditions of the Scheme (as may be amended, varied or supplemented from time to time in accordance with Bye-Law 22)
“ <b>CDS Account</b> ”	—	A CDS account established by the Central Depository for the recording of dealings in securities by a depositor
“ <b>Central Depository</b> ”	—	Malaysian Central Depository Sdn Bhd or its successor-in-title, or any other approved central depository under the Securities Industry (Central Depositories) Act 1991
“ <b>Date of Offer</b> ”	—	The date on which an Offer is made by the Option Committee to an Eligible Employee in the manner provided in Bye-Law 7
“ <b>Effective Date</b> ”	—	The date on which the Scheme comes into force as provided in Bye-Law 20.1

<b>“Eligible Employee”</b>	—	A natural person who is employed by and on the payroll of any company in the Group and who fulfils the conditions of eligibility stipulated in Bye-Law 5.1. Eligible Employee includes Executive Director
<b>“Executive Director”</b>	—	A natural person who holds a directorship in a full time executive capacity in any corporation in the Group and is involved in the day-to-day management and is on the payroll of such corporation or any other corporation in the Group
<b>“Grantee”</b>	—	An Eligible Employee who has accepted an Offer in the manner provided in Bye-Law 8
<b>“KKB” or the “Company”</b>	—	KKB Engineering Berhad (26495-D), a public limited company incorporated in Malaysia
<b>“KKB Group” or the “Group”</b>	—	KKB and its subsidiaries as defined in Section 5 of the Companies Act, 1965. Subsidiaries include subsidiaries which are existing as at the Effective Date and subsidiaries which are incorporated or acquired at any time during the duration of the Scheme but exclude subsidiaries which have been divested by KKB in the manner provided in Bye-Law 17.2
<b>“KLSE”</b>	—	Kuala Lumpur Stock Exchange (30632- P)
<b>“Market Day”</b>	—	A day on which the KLSE is open for the trading in securities
<b>“Maximum Allowable Allotment”</b>	—	The maximum number of Options that can be offered to an Eligible Employee in accordance with the provisions of the Bye-Laws
<b>“Offer”</b>	—	An offer made in writing by the Option Committee to any Eligible Employee in the manner provided in Bye-Law 7
<b>“Options”</b>	—	The right of a Grantee to subscribe for new Shares pursuant to the contract constituted by an acceptance by an Eligible Employee in accordance with the provisions of Bye-Law 8.
<b>“Option Certificate”</b>	—	A certificate issued by the Company pursuant to Bye-Law 8.3 hereof
<b>“Option Committee”</b>	—	A committee comprising senior management personnel and/or Board members appointed by the Board to administer the Scheme
<b>“Option Period”</b>	—	The period commencing from the Date of Offer and expiring five (5) years therefrom or upon the date of expiry of the Scheme as provided in Bye-Laws 20.1 and 20.3. In the event that the duration of the Scheme is extended, the date of expiry of the Scheme shall be the date of expiry as so extended
<b>“Other Schemes”</b>	—	Employees' share option schemes implemented by companies in the KKB Group other than the Scheme
<b>“SC”</b>	—	Securities Commission

“Scheme”	—	The scheme for the grant of Options to Eligible Employees to subscribe for new Shares upon the terms set out herein known as the “KKB Engineering Berhad New Employees’ Share Option Scheme”
“Shares”	—	Ordinary shares of RM1.00 each in the Company
“Subscription Price”	—	The price at which a Grantee shall be entitled to subscribe for each new Share as calculated in accordance with Bye-Law 11

- 3.2 Headings are for ease of reference only and do not affect the meaning of the Bye-Laws.
- 3.3 Any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision and any listing requirements, policies and/or guidelines of KLSE and/or SC respectively (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 to by KLSE and/or SC);
- 3.4 any reference to a statutory provision shall include that provision as from time to time modified or re-enacted whether before or after the date of these Bye-Laws so far as such modification or re-enactment applies or is capable of applying to any Options offered and accepted within the Offer Period as provided in Bye-Law 7.3 and shall include also any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced;
- 3.5 words importing the singular meaning where the context so admits include the plural meaning and vice versa;
- 3.6 words of the masculine gender include the feminine gender and all such words shall be construed interchangeably in that manner;
- 3.7 Any liberty or power which may be exercised or any determination which may be made hereunder by the Option Committee may be exercised in the Option Committee’s absolute and unfettered discretion and the Option Committee shall not be under any obligation to give any reasons therefore except as may be required by the relevant authorities; and
- 3.8 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 next Market Day.

#### **4. TOTAL NUMBER OF NEW SHARES AVAILABLE UNDER THE SCHEME**

- 4.1 The maximum number of new Shares which may be allotted pursuant to the exercise of Options under the Scheme shall not exceed ten percent (10%) of the issued and paid-up share capital of the Company at any point in time during the duration of the Scheme as provided in Bye-Law 20, or such additional number of Shares that may be permitted by the SC from time to time during the duration of the Scheme.
- 4.2 Bye-Law 4.1 shall not apply where the total number of new Shares which may be made available under the Scheme exceeds ten percent (10%) of the issued and paid-up share capital of the Company during the existence of the Scheme resulting from the cancellation of the Company’s own Shares purchased by the Company in accordance with the provisions of Section 67A of the Companies Act, 1965. In such event, the provisions of Bye-Law 15.3 (f) shall be complied with and the Options shall remain valid and exercisable in accordance with the Bye-Laws of the Scheme.

- 4.3 The Company will keep available sufficient unissued Shares in its authorised share capital to satisfy all outstanding Options which may be exercisable from time to time throughout the duration of the Scheme.

## 5. ELIGIBILITY

- 5.1 Only Eligible Employees and Executive Directors who fulfill the following conditions shall be eligible to participate in the Scheme :-
- (a) They must be at least eighteen (18) years of age on the Date of Offer;
  - (b) They must be full time employees of the Group, and in the case of an Executive Director, he must hold a directorship in a full time executive capacity in and be involved in the day-to-day management and be on the payroll of any company in the Group;
  - (c) They must have been employed for a continuous period of at least one (1) year in the Group including probation period and their employment as Eligible Employees must have been confirmed in writing on the Date of Offer;
  - (d) If an Eligible Employee is employed by a company which is acquired by the Group during the duration of the Scheme and becomes a subsidiary of the Company upon such acquisition, the Eligible Employee must have completed a continuous period of at least one (1) year in the Group following the date such company becomes or is deemed to be a subsidiary; and
  - (e) If an employee is serving under an employment contract for a fixed duration, the contract should be for a duration of at least one (1) year and provided that he shall have completed at least three (3) years of continuous services.
- 5.2 No Eligible Employee shall participate at any time in more than one (1) employees share option scheme implemented by any company within the Group.
- 5.3 Eligible Employees who represent the Government or Government institutions/agencies and Government employees who are serving in the public service scheme as defined under Article 132 of the Federal Constitution are not eligible to participate in the Scheme.
- 5.4 Transfers of Eligible Employees within the Group shall be dealt with in the following manner:-
- (a) An Eligible Employee who is eligible to participate in Other Schemes and is subsequently transferred to KKB or any company within the KKB Group which does not have its own employees share option scheme (“**New Company**”), shall be entitled to participate in the Scheme, provided that he duly fulfils the criteria set out in Bye-Laws 5.1(a), (b) and (c) and he ceases to be eligible to participate in the Other Schemes and surrenders all unexercised options under the Other Schemes and all the unexercised options granted to him under the Other Schemes shall become null and void.
  - (b) An Eligible Employee who is eligible to participate in the Scheme and is subsequently transferred to any company within the KKB Group which has its own employees share option scheme is subject to the following:-
    - (i) if the said Eligible Employee has already exercised all or part of the Options granted to him under the Scheme, he shall not be eligible to participate in the Other Schemes; or

(ii) if the said Eligible Employee has not exercised any Options granted to him under the Scheme, he shall be entitled to either:-

- (1) participate in the Scheme, in which event he shall not be eligible to participate in the Other Schemes; or
- (2) participate in the Other Schemes, in which event he shall cease to be eligible to participate in the Scheme and surrender all unexercised Options under the Scheme and all the unexercised Options granted to him under the Scheme shall become null and void.

The Option Committee shall be entitled to determine the applicability of (1) or (2) at their discretion.

- 5.5 Each Executive Director can only be offered Options under one Scheme irrespective of their sitting on more than one (1) board of directors.
- 5.6 Employees of dormant companies (being companies which are not in operation or have ceased operations) within the Group are not eligible to participate in the Scheme.
- 5.7 An employee who during the tenure of the Scheme becomes an Eligible Employee may be eligible for Options (to be decided by the Option Committee) subject to the Maximum Allowable Allotment for the category to which he has been admitted.
- 5.8 The allotment of Options under Bye-Law 5.7 shall be from the balance of the Options available under the Scheme subject to the provisions of Bye-Laws 4.1, 6.3 and 6.4. The Option Committee has the discretion not to make additional allotment in the event the balance of the Options is inadequate to make a meaningful additional allotment.
- 5.9 Eligibility under the Scheme does not confer on an Eligible Employee a claim or right to participate in or any rights whatsoever under the Scheme and an Eligible Employee does not acquire or have any rights over or in connection with the Options or the Shares comprised herein unless an Offer has been made by the Option Committee to the Eligible Employee and the Eligible Employee has accepted the Offer in accordance with the terms of the Offer and the Scheme.

## 6. MAXIMUM ALLOWABLE ALLOTMENT AND BASIS OF ALLOTMENT

- 6.1 The categories of Eligible Employees who are eligible to participate in the Scheme and their respective grading and Maximum Allowable Allotment are as follows:-

Staff Categorisation *	Grade	Maximum Allowable Allotment (No. of Option)
Group Managing Director	A1	400,000
Executive Director	A2	250,000
General Manager/ Senior Manager	A3	100,000
Group Manager	A4	80,000
Assistant Group Manager	A5	60,000
Manager	B1	50,000
Assistant Manager	B2	30,000
Senior Executive / Assistant Engineer	C1	20,000
Executive	C2	15,000
Assistant Supervisor/ Secretary	C3	12,000
Senior Clerk/ Senior Operator	D1	10,000
Clerk/ Operator	D2	8,000
General	D3	5,000

*\* Note - Where a subsidiary of KKB employs a different grading system than that adopted by the Company, the Maximum Allowable Allotment of such employee of that subsidiary shall be as the Option Committee determines, from time to time in their discretion based on the employee's equivalent grade within the system utilised by the Company taking into account, inter alia, the Eligible Employee's designation, job description, responsibilities and seniority.*

- 6.2 (a) In the event that an Eligible Employee is moved to a higher category, his Maximum Allowable Allotment shall be increased in accordance with the scale provided in Bye-Law 6.1 subject always to Bye-Laws 6.3 and 6.4.
- (b) In the event that an Eligible Employee is moved to a lower category, the following provisions shall apply:-
- (i) his Maximum Allowable Allotment shall be reduced in accordance with the scale provided in Bye-Law 6.1;
- (ii) in the event that the total number of Options which has been accepted by him up to the date he is moved to the lower category is greater than his Maximum Allowable Allotment under such lower category, he shall be entitled to continue to hold and to exercise all unexercised Options held by him on such date but he shall not be entitled to be offered any further Options unless and until he is subsequently moved to a higher category so that his Maximum Allowable Allotment is increased to an amount greater than the total number of Options which has been accepted by him; and
- (iii) in the event that the total number of Options which has been accepted by him up to the date he is moved to the lower category is less than his Maximum Allowable Allotment under such lower category, he shall be entitled to continue to hold and to exercise all unexercised Options held by him on such date and, subject to Bye-Laws 6.3 and 6.4, to be offered further Options up to his Maximum Allowable Allotment under such lower category.
- 6.3 The maximum number of shares allocated to Executive Directors and senior management (that is Categories A1, A2, A3 and A4 as referred to in Bye-Law 6.1 above) of the KKB Group in aggregate shall not exceed fifty percent (50%) of the Shares available under the Scheme.
- 6.4 The maximum number of shares allocated to any individual director or employee who, either singly or collectively through his/her associates, holds twenty percent (20%) or more in the issued and paid-up capital of the Company, shall not exceed ten percent (10%) of the Shares available under the Scheme. The term 'associates' will bear the same meaning as that in the Companies Act, 1965.
- 6.5 Notwithstanding Bye-Law 5.1, the number of Options to be offered to each Eligible Employee shall, subject to Bye-Laws 6.1, 6.3 and 6.4, be at the discretion of the Option Committee. In exercising its discretion, the Option Committee shall take into consideration the seniority, performance and length of service of each Eligible Employee. The decision of the Option Committee shall be final and binding.
- 6.6 An Eligible Employee who holds more than one (1) position within the Group, and by virtue of such positions is an Eligible Employee in more than one (1) category, shall only be entitled to the Maximum Allowable Allotment of any one (1) category. The Option Committee shall be entitled at its discretion to determine the applicable category.
- 6.7 The Option Committee may make more than one (1) Offer to an Eligible Employee provided that the aggregate number of Options offered to an Eligible Employee throughout the entire

duration of the Scheme does not exceed his Maximum Allowable Allotment, subject always to Bye-Laws 6.3 and 6.4.

- 6.8 The Option Committee may, subject to the approval of the Board, introduce additional categories of employees who are eligible to participate in the Scheme, which it deems necessary, during the duration of the Scheme.

## 7. OFFER

- 7.1 Subject always to Bye-Laws 6.3 and 6.4, the Option Committee may at its discretion at any time and from time to time within the duration of the Scheme, as it shall deem fit select and shall be entitled in its discretion to determine the number of Shares to be comprised in an Offer and make such an Offer in writing to any Eligible Employee to subscribe for new Shares in accordance with the terms of this Scheme PROVIDED ALWAYS that any such Offer by the Option Committee to the Eligible Employee shall not be less than one thousand (1,000) Shares nor more than the Maximum Allowable Allotment as set out in Bye-Law 6 above and shall be in multiples of one thousand (1,000).

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

- (a) the number of Options that are being offered to the Eligible Employee;
- (b) the number of Shares which the Eligible Employee shall be entitled to subscribe for upon the exercise of the Options being offered;
- (c) the Option Period;
- (d) the Subscription Price; and
- (e) the closing date for acceptance of the Offer.

- 7.3 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 Option Committee on a case-by-case basis at its discretion ("**Offer Period**").

- 7.4 No Offer shall be made to any Executive Director of the Company unless such Offer and the related allotment of Shares have previously been approved by the shareholders of the Company in a general meeting.

## 8. ACCEPTANCE

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

- 8.2 If an Offer is not accepted in the manner aforesaid, 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.

- 8.3 The Company shall within thirty (30) days of the acceptance of the Offer by the Eligible Employee ("**Acceptance Date**"), issue to the Eligible Employee an Option Certificate stating, inter alia, the number of Options granted, the Subscription Price and the Option Period.

## 9. NON-TRANSFERABILITY

- 9.1 An Option is personal to the Grantee and subject to the provisions of Bye-Laws 14.2 to 14.9 and 17, is exercisable only by the Grantee personally during his lifetime whilst he is in the employment of any company in the Group and within the Option Period.
- 9.2 An Option shall not be transferred, assigned or otherwise disposed of by the Grantee save and except in the event of the death of the Grantee as provided under Bye-Law 14.9.

## 10. EXERCISE OF OPTIONS

- 10.1 An Option granted to a Grantee under the Scheme is, subject to the provisions of Bye-Laws 14, 16, 17 and 18, exercisable only by that Grantee during his lifetime and whilst he is in the employment of the Group and within the Option Period.
- 10.2 Upon acceptance of the Offer, the Grantee may during the period commencing from the Acceptance Date, exercise the Options in the manner set out in Bye-Law 10.6 subject to the maximum percentage of Options exercisable in each year commencing from the Date of Offer being less than the limit set out below:-

No. of Option Granted	Maximum Percentage of Option Exercisable within each particular year of the Scheme from Acceptance Date				
	Year 1	Year 2	Year 3	Year 4	Year 5
Below 5,000	100%	-	-	-	-
5,000 to less than 10,000	50%	50%	-	-	-
10,000 to less than 60,000	35%	35%	30%	-	-
60,000 and above	25%	25%	25%	25%	-

- 10.3 A Grantee shall exercise the Options granted to him in multiples of one thousand (1,000) ordinary 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 Bye-Law 15 which result in the number of Shares comprised in an Option not being in multiples of one thousand (1,000), then the requirement that an Option shall be exercised in multiples of not less than one thousand (1,000) new Shares shall not be applicable for the Grantee's final exercise of the Option.
- 10.4 Options which are exercisable in a particular year but are not exercised may be carried forward to subsequent years subject to the Option Period. All unexercised Options shall be exercisable in the last year of the Option Period. Any Options which remain unexercised at the expiry of the Option Period shall automatically lapse.
- 10.5 An Eligible Employee serving under an employment contract may exercise any remaining unexercised Options within sixty (60) days before the expiry of the employment contract if the remaining duration of the contract as at the date on which the Options are granted is less than the Option Period.
- 10.6 A Grantee shall exercise his Options on the 20th day of every calendar month during the Option Period or as may be amended from time to time by the Option Committee, by notice in writing to the Company in such form as the Option Committee may prescribe or approve ("Notice of Exercise") as attached to the Offer Letter. The procedure for the exercise of Options to be complied with by a Grantee shall be determined by the Option Committee from time to time.



- 10.7 Every Notice of Exercise shall state the number of new Shares an Eligible Employee intends to subscribe and be accompanied with the remittance for the full amount of the subscription monies payable in respect thereof Provided That the number of new Shares stated therein shall not exceed the amount granted to such Eligible Employee and be subject to Bye-Laws 10.2 to 10.5 above.
- 10.8 The Grantee shall state his CDS Account number in the Notice of Exercise. Within ten (10) Market Days of receipt of such notice and payment or such other period as may be prescribed by the KLSE, the Company shall issue and allot the relevant number of Shares and despatch notices of allotment to the Grantee subject to the Articles. The said Shares will be credited directly into the CDS Account of the Grantee or his financier, as the case may be. No physical share certificates will be issued.
- 10.9 Any failure to comply with the foregoing provisions and/or to state the CDS Account number in the Notice of Exercise or inaccuracy in the CDS Account number shall result in the Notice of Exercise being rejected at the discretion of the Option Committee. In the case of rejection of the Notice of Exercise for any reason whatsoever, the Grantee shall be informed of such rejection. The Option Committee shall inform the Grantee of the rejection of the Notice of Exercise within ten (10) Market Days from the date of receipt thereof and the Grantee shall then be deemed not to have exercised his Option and the Grantee concerned shall be entitled to exercise his Option in accordance with Bye-Law 10.2.
- 10.10 Notwithstanding anything to the contrary herein contained in these Bye-Laws, the Option Committee shall have the right at its sole and absolute discretion by notice in writing to that effect, in respect of any Grantee who is being subjected to disciplinary proceedings by or on behalf of the Company or any company within the Group (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 (i) suspend the right of such Grantee to exercise his Option pending the outcome of such disciplinary proceedings; or (ii) impose such terms and conditions as the Option Committee shall deem appropriate in its sole and absolute discretion, on the right to exercise such Grantee's Option having regard to the nature of the charges made or brought against such Grantee. In the event that:
- i) such Grantee is found not guilty of the charges which gave rise to such disciplinary proceedings and such disciplinary proceedings are dismissed, the Option Committee shall reinstate the right of such Grantee to exercise his Option;
  - ii) such Grantee is found guilty resulting in the dismissal or termination of service of such Grantee, the Option shall immediately cease without notice, upon such Grantee being notified of his dismissal or termination of service;
  - iii) such Grantee is found guilty but no dismissal or termination of service of such Grantee is imposed as a consequence thereof, the Option Committee shall have the right to determine at its absolute discretion whether or not the Grantee may continue to exercise his Option or any part thereof and if so, to impose such terms and conditions as it deems appropriate, on such exercise; and
  - iv) no decision is made and/or disciplinary proceedings are not concluded prior to the expiry of the Option Period, the Option of such Grantee shall immediately lapse on the expiry of the Option Period without notice;

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

10.11 The Group, the Board (including Directors that had resigned but were on the Board during the Option Period) and the Option 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 procuring the KLSE to list the Shares subscribed for by a Grantee.

## **11. SUBSCRIPTION PRICE**

The Subscription Price shall be the higher of the following:-

- (a) the weighted average market price of the Shares for the five (5) Market Days immediately preceding the Date of Offer, with a discount of not more than ten percent (10%) (if deemed appropriate); and
- (b) the par value of the Shares.

## **12. RIGHTS ATTACHING TO NEW SHARES**

12.1 The new Shares to be allotted and issued upon any exercise of the Options will, upon such allotment and issuance, rank pari passu in all respects with the then existing and issued Shares except that the new Shares so issued will not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid to shareholders prior to the date of allotment of the new Shares. The new Shares will be subject to all the provisions of the Articles in relation to their transfer, transmission or otherwise of the Shares.

12.2 The Options shall not carry any right to vote at a general meeting of the Company.

## **13. RETENTION PERIOD**

The Shares to be issued and allotted to a Grantee pursuant to the exercise of Options under the Scheme will not be subject to any retention period or restriction on transfer. The Company encourages Grantees to hold the Shares subscribed by them for as long as possible although a Grantee or his financier, as the case may be, may sell the Shares subscribed by the Grantee at any time after such Shares have been credited to the Grantee's or his financier's CDS Account.

## **14. LAPSE/ TERMINATION OF OPTION**

14.1 Subject to Bye-Laws 14.2 to 14.8, an Option which has not been exercised by the Grantee shall be deemed to have been terminated in the following circumstances:-

- (a) termination or cessation of employment of the Grantee with the Group for any reason whatsoever, in which event the Option shall be deemed terminated on the day the Grantee's employer accepts his notice of resignation or on the day his employer notifies the Grantee of termination of his employment or on the Grantee's last day of employment, whichever is the earlier;
- (b) bankruptcy of the Grantee, in which event the Option shall be deemed terminated on the date a receiving order is made against the Grantee by a court of competent jurisdiction;
- (c) winding up or liquidation of the Company, in which event the Option shall be deemed terminated on the following date:-
  - (i) in the case of a voluntary winding up:-

- aa) the date on which a provisional liquidator is appointed by the Company; or
- bb) the date on which the shareholders of the Company passed a resolution to voluntarily wind-up 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; and
- (d) termination of the Scheme pursuant to Bye-Law 20.3;

whichever shall be applicable.

- 14.2 A Grantee will be allowed to continue to hold and to exercise any unexercised Options held by him upon retirement on or after attaining normal retirement age for a period of one (1) year after the last day of his employment provided that the Options are exercised within the Option Period.

For the avoidance of doubt, it is hereby stated that Bye-Laws 10.2 and 10.4 shall not be applicable in this event but Bye-Law 10.6 shall be applicable.

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

- (a) ill health, injury or disability; or
- (b) any other circumstances as may be determined by the Option Committee from time to time.

- 14.4 Applications under Bye-Law 14.3 shall be made in a case where paragraph 14.3(a) is applicable, within one (1) month after the Grantee notifies his employer of his resignation due to ill health, injury or disability, the Grantee may exercise all his unexercised Options within the said one (1) month period. In the event that no application is received by the Option Committee within the said period, any unexercised Options held by the Grantee at the expiry of the said period shall automatically lapse.

- 14.5 In the event that a Grantee is notified that he will be retrenched or where he is given an offer by his employer as to whether he wishes to accept retrenchment upon certain terms, the Grantee may exercise his unexercised Options within one (1) month after he receives such notice or accepts such offer, as the case may be, subject to the provisions of Bye-Law 10. Thereafter, any Option held by the Grantee at the expiry of the said period shall automatically lapse.

- 14.6 In the event that a Grantee is notified that he will be transferred to a company outside the Group, the Grantee may exercise his unexercised Options within three (3) months after he is notified, subject to the provisions of Bye-Law 10. Thereafter, any unexercised Option held by the Grantee at the expiry of the said period shall automatically lapse.

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

- 14.8 In the event that the Option Committee receives an application under Bye-Law 14.3 after the expiry of the relevant period under Bye-Law 14.4, the Option Committee shall take into account the reasons given by the Grantee for the delay in making the application, in exercising the Option Committee's discretion and powers under Bye-Law 14.7. In the event that the Option Committee approves the application in whole or in part, the Company shall make an Offer in respect of the unexercised Options and such Options offered, if accepted by the Grantee shall be exercisable:-
- (a) only within the Option Period of those Options which were terminated due to the Grantee's delay in making the application;
  - (b) in accordance with the provisions of Bye-Law 10 as applicable in respect of such terminated Options; and
  - (c) at the Subscription Price applicable in respect of such terminated Options.
- 14.9 In the event that a Grantee dies before the expiration of the Option Period and at the date of his death held any Options, the following provisions shall apply:-
- (a) such Options may be exercised by the legal or personal representative of the Grantee ("**Representative**"):-
    - (i) within twenty-four (24) months after the Grantee's death ("**Permitted Period**"); or
    - (ii) within the Option Period;whichever expires first. For the avoidance of doubt, it is hereby stated that Bye-Laws 10.2 and 10.4 shall not be applicable in this event but Bye-Law 10.6 shall be applicable;
  - (b) In the event that the Option Period expires before the Permitted Period, any Options which have not been exercised by the Representative at the expiry of the Option Period shall automatically lapse and the Representative shall not be entitled to apply for any extension of time for exercising such unexercised Options; and
  - (c) In the event that the Permitted Period expires before the Option Period, the following provisions shall apply:-
    - (i) the Representative may, at any time before the expiry of the Permitted Period, apply in writing to the Option Committee for an extension of the Permitted Period, stating the reasons as to why the extension is required. In the event that no application is received by the Option Committee before the expiry of the Permitted Period, any Options which have not been exercised by the Representative at the expiry of the Permitted Period shall automatically lapse;
    - (ii) the Option Committee shall consider such applications on a case-by-case basis and may in its discretion approve or reject an application in whole or in part without giving any reasons therefor and may impose any terms and conditions in granting an approval. The decision of the Option Committee shall be final and binding. In the event that the Option Committee approves an application in whole or in part, the Representative may exercise the Options within such extension of the Permitted Period as is approved (which shall not exceed the Option Period) and in accordance with the provisions of Bye-Law 10.6. Any Options in respect of which an application is rejected shall automatically lapse at the expiry of the Permitted Period or on the date of the Option Committee's decision, whichever is the later;

14.10 The provisions of Bye-Law 14.8 constitute exceptions to the provisions of Bye-Law 5.1 and Bye-Law 11(a).

## 15. ALTERATION OF CAPITAL

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

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

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

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

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

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

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

- 15.4 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to Part VII of the Companies Act, 1965, Bye-Law 15.1 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 Bye-Law 15.1 is applicable, but Bye-Law 15.1 shall not be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which Bye-Law 15.1 is not applicable as described in Bye-Law 15.3.
- 15.5 An adjustment pursuant to Bye-Law 15.1 shall be made at the following times:-
- (a) in the case of a rights issue, bonus issue or other capitalisation issue, on the Market Day immediately following the date of entitlement in respect of such issue; or
  - (b) in the case of a consolidation of Shares or reduction of capital, on the Market Day immediately following the date of allotment of new shares of the Company in respect of such consolidation or reduction.

Upon any adjustment being made, the Option Committee shall give notice in writing within twenty one (21) Market Days from the date of adjustment to the Grantee, or his legal or personal representative where the Grantee is deceased, to inform him of the adjustment and the event giving rise thereto.

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

## **16. TAKEOVER AND COMPULSORY ACQUISITION**

- 16.1 A Grantee shall be entitled during the Option Period to exercise any unexercised Option either in full or in the part for any new Share in the event of any takeover of the Company by a general offer or otherwise.
- 16.2 In the event a company becomes entitled or bound to exercise rights of compulsory acquisition of the Shares of the Company under the provisions of the Companies Act, 1965 and gives notice to a Grantee that it intends to exercise such rights on a specific date ("Specific Date"), the Option shall remain exercisable by the Grantee till the expiry of the Specific Date. In the foregoing circumstance if the Grantee fails to exercise his Option or elects to exercise only in respect of a portion of such Shares by the Specific Date, then the Option, or as the case may be the Option in relation to the balance thereof, shall automatically lapse after the Specific Date and be null and void.

## **17. DIVESTMENT FROM GROUP**

- 17.1 In the event that a company within the Group shall be divested from the Group, a Grantee who is employed by such company:-
- (a) shall be entitled to continue to hold and to exercise all the Options held by him on the date of completion of such divestment, within a period of six (6) months from the date of completion of such divestment or the Option Period, whichever expires first, and in accordance with the provisions of Bye-Law 10.6. In the event that the Grantee does not so exercise some or all of such Options, the unexercised Options shall automatically lapse upon the expiry of the relevant period; and

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

17.2 For the purposes of Bye-Law 17.1, a company shall be deemed to be divested from the Group in the event that the effective interest of the Company in such company is reduced from above 50% to 50% or below so that such company would no longer be a subsidiary of the Company pursuant to Section 5 of the Companies Act, 1965.

## 18. TRANSFER FROM OTHER COMPANIES TO THE GROUP

In the event:-

- (a) an employee who was employed in a company which is related to KKB pursuant to Section 6(c) of the Companies Act, 1965 (that is to say, a company which does not fall within the definition of the "Group") and is subsequently transferred from such company to any company within the Group; or
- (b) an employee who was in the employment of a company which subsequently becomes a member of the Group as a result of a restructuring or divestment exercise or otherwise involving the Company and/or any company within the Group with any of the first mentioned company stated in sub-Clause (a) above; (the first mentioned company in sub-Clause (a) and (b) above are hereinafter referred to as the "Previous Company"), such an employee of the Previous Company (the "Affected Employee") will, if the Affected Employee satisfies all the conditions of these Bye-Laws, be eligible to participate in the Scheme Provided That the Affected Employee;
  - (i) shall be entitled to continue to exercise all such unexercised option(s) which were granted to him under the employees share option scheme (if any) which he was participating (the "Previous ESOS") whilst the Affected Employee was in the employment of the Previous Company in accordance with the Bye-Laws of such Previous ESOS but he shall not, upon such transfer or restructuring or divestment as the case may be, be eligible to participate for further options of such Previous ESOS; and
  - (ii) will only be eligible to participate in the Scheme for its remaining duration thereof.

## 19. WINDING UP

All outstanding Options shall be deemed to have been terminated in the event of the winding up or liquidation of the Company.

## 20. DURATION OF SCHEME

20.1 The Scheme is conditional upon:-

- (a) the approval by the SC;
- (b) the approval by the shareholders of the Company in a general meeting; and
- (c) the fulfilment of any conditions attached thereto and upon the adviser submitting to the SC the following additional requirements :-
  - (i) Final copy of the Bye-Laws; and
  - (ii) Confirmation letter from the adviser that the Company:

- (A) has fulfilled the SC's conditions of approval for the ESOS and that the Bye-Laws do not contravene the guidelines on ESOS as issued by the SC; and
- (B) has obtained other relevant approvals for the ESOS and has fulfilled any conditions imposed therein.

and shall take effect from the date of the letter of confirmation required to be issued by the adviser of the Company to the SC in accordance with the guidelines of the SC ("Effective Date"). The Scheme shall be in force for a duration of five (5) years from the Effective Date. However the Company may, if the Board deems fit, upon the recommendation of the Option Committee, extend the Scheme for up to a further period of five (5) years. Such extended Scheme shall be implemented in accordance with the terms of the Bye-Laws set out herein, save for any amendments and/or changes to the relevant statutes, guidelines and/or regulations currently in force and shall be valid and binding without further obtaining the approvals of the abovementioned parties provided that the Company shall serve appropriate notices on each Grantee and/or make necessary announcements to any and/or all the abovementioned parties within thirty (30) days prior to the expiry of the Scheme and that the SC shall have been informed of such extended Scheme.

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

20.3 The Company may terminate the Scheme at any time provided the following approvals/consents are obtained: -

- (a) Approval of the SC;
- (b) Consent of its shareholders at a general meeting, wherein at least a majority of the shareholders present should vote in favour of the termination; and
- (c) Written consent of all option-holders who have yet to exercise their Options, either in part or in whole.

Provided Further That the Options unexercised or partially exercised shall be deemed to have been terminated and be null and void.

20.4 The Company may establish a new employees share option scheme after the expiry or upon the termination of the Scheme. However, the new scheme shall be subject to the approval of the SC.

## **21. ADMINISTRATION**

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

21.2 Without limiting the generality of Bye-Law 21.1, the Option Committee may, for the purpose of administering the Scheme, do all acts and things, execute all documents and delegate any of its powers and duties relating to the Scheme as it may in its discretion consider to be necessary or desirable for giving effect to the Scheme including the powers to:-

- (a) subject to the provisions of the Scheme, construe and interpret the Scheme and Options granted under it, to define therein and to establish, amend and revoke rules and regulations relating to the Scheme and its administration. The Option Committee in the exercise of this power may correct any defect, supply any omission, or reconcile any inconsistency in the Scheme or in any agreement providing for an Option in a manner and to the extent it shall deem necessary to expedite and make the Scheme fully effective; and



- (b) determine all questions of policy and expediency that may arise in the administration of the Scheme and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interests of the Company.

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

## **22. AMENDMENT AND/OR MODIFICATION TO THE SCHEME**

22.1 Subject to Bye-Law 21.2, the Option Committee may at any time and from time to time recommend to the Board any additions, amendments and/or modifications to or deletions of these Bye-Laws as it shall in its discretion think fit and the Board shall at any time and from time to time have the power by resolution to add to, amend and/or modify or delete all or any part of these Bye-Laws upon such recommendation subject to the Company giving a letter of notification or confirmation to the SC and the approval of any other relevant regulatory authorities.

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

- (a) prejudice any rights which have accrued to any Grantee without his prior consent; or
- (b) increase the number of Shares available under the Scheme beyond the maximum imposed by Bye-Law 4.1; or
- (c) provide an advantage to any Grantee or group of Grantees or all Grantees.

## **23. INSPECTION OF FINANCIAL STATEMENTS**

All Grantees are entitled to inspect the latest audited financial statements of the Company at the Registered Office of the Company from Mondays to Fridays (except Public Holidays) during the normal business hours of the Company.

## **24. SCHEME NOT A TERM OF EMPLOYMENT**

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

## **25. COMPENSATION**

Notwithstanding any provisions of these Bye-Laws:-

- (i) this Scheme shall not form part of any contract of employment between any company of the Group and any employee of the Group and the rights of any Grantee under the terms of his office and employment with KKB or any company of the Group shall not be affected by his participation in the Scheme or afford such Grantee any additional rights to compensation or damages in consequence of the termination of such office or employment for any reason; and
- (ii) this Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against KKB or any company in the Group directly or indirectly or give rise to any cause of action at law or in equity against KKB or any company in the Group.

**26. DISPUTES**

In the case whereby any dispute or differences shall arise between the Option Committee and an Eligible Employee or in the event of an appeal by an Eligible Employee as to any matter or thing of any nature arising hereunder, such dispute or difference or appeal must have been referred to and received by the Option Committee during the duration of the Scheme, then the Option Committee shall determine such dispute or difference or appeal by a written decision given to the Eligible Employee Provided Always that the Option Committee shall have the right not to assign any reason to such decision. The said decision shall be final and binding on the parties. Notwithstanding anything herein to the contrary, any cost and expense incurred in relation to any dispute or difference or appeal brought by any party to the Option Committee shall be borne by such party. Under no circumstances shall a dispute or difference be brought to a court of law.

**27. COSTS AND EXPENSES**

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

**28. ARTICLES OF ASSOCIATION**

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

**29. QUOTATION OF SHARES**

Upon the exercise of any Options in accordance with Bye-Law 10, the Company shall apply to the KLSE for the listing of and quotation for such new Shares arising from the exercise of the Options within ten (10) Market Days of the date of receipt of the Notice of Exercise together with the requisite payment or such other period as may be prescribed by the KLSE, and shall use its best endeavours to obtain permission for the dealing of such new Shares.

**30. NOTICE**

Any notice under the Scheme required to be given to or served upon the Option Committee by an Eligible Employee or Grantee or any correspondence to be made between an Eligible Employee or Grantee to the Option Committee shall be given or made in writing and sent to the registered office of the Company by facsimile or registered letter.

Any notice which under the Scheme is required to be given to or served upon an Eligible Employee or Grantee or any correspondence to be made with an Eligible Employee or Grantee shall be deemed to be sufficiently given, served or made if it is given, served or made by facsimile or registered letter addressed to the Eligible Employee or Grantee at the place of employment or at the last address known to the Company as being his address. Any notice served by post as aforesaid shall be deemed to have been received at the time when such registered letter would in the ordinary course of post be delivered.

**31. SEVERABILITY**

Any term, condition, stipulation, provision in these Bye-Laws which is 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, provision herein contained.

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**FURTHER INFORMATION**


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**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Board and they individually and collectively accept full responsibility for the accuracy of the information given in this Circular and confirm that after making all reasonable enquiries and, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

**2. MATERIAL LITIGATION, CLAIMS OR ARBITRATION**

KKB Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board of KKB has no knowledge of any proceedings pending or threatened against the Group or of any facts likely to give rise to any proceedings which might materially and adversely affect the position or business of KKB Group.

**3. MATERIAL CONTRACTS AND COMMITMENTS FOR CAPITAL EXPENDITURE**

Save as disclosed below, there are no other material contracts which are or may be material which have been entered into by KKB Group (not being contracts entered into in the ordinary course of business) within the past two (2) years immediately preceding 21 April 2003 (being the latest practicable date prior to the printing of this Circular) :-

On 2 September 2002, Harum Bidang Sdn Bhd (a 80% owned subsidiary of the Company) entered into a Sale and Purchase Agreement with Kemajuan Kimia Sdn Bhd and DPI (Sarawak) Sdn Bhd to acquire 1,845,590 ordinary shares of RM1.00 each in DPI Coatings & Chemical Sdn Bhd ("DPI"), representing the entire issued and paid-up share capital of DPI for a total cash consideration of RM2,160,000 of which, except for the retention sum of RM129,600 for real property gains tax purpose, the purchase consideration of RM2,030,400 was settled by 9 January 2003.

**4. MARKET PRICE OF THE COMPANY'S SHARES**

The monthly high and low market prices of the Shares as traded on the KLSE for the past twelve (12) month are as follows: -

	High (RM)	Low (RM)
<b><u>2002</u></b>		
April	1.83	1.48
May	1.64	1.45
June	1.50	1.38
July	1.55	1.36
August	1.48	1.39
September	1.40	1.20
October	1.30	1.17
November	1.25	1.20
December	1.25	1.15
<b><u>2003</u></b>		
January	1.27	1.13
February	1.18	1.12
March	1.17	1.06

(Source : KLSE Daily Diary)

The last transacted price per Share on the KLSE on 27 February 2003, being the date of announcement of the Proposed New ESOS, was RM1.13.

The last transacted price per Share on the KLSE on 21 April 2003, being the latest practicable date prior to the printing of this Circular, was RM1.14.

**5. CONSENT**

The written consent of AmMerchant Bank to the inclusion of its name in this Circular in the form and context in which it appears has been given and has not been subsequently withdrawn prior to the issuance of this Circular.

**6. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION**

Save for the Proposed New ESOS and the Proposed Variation, there are no outstanding corporate proposals which has been announced but has yet to be completed as at 21 April 2003, being the latest practicable date prior to the printing of this Circular.

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of the Company following the date of this Circular from Mondays to Fridays (except Public Holidays) during normal office hours up to and including the date of the AGM:-

- (i) the Memorandum and Articles of Association of KKB;
- (ii) the audited financial statements of KKB for the two (2) financial years ended 31 December 2001 and 31 December 2002;
- (iii) the material contracts referred to in Section 3 of this appendix;
- (iv) the letter of consent referred to in Section 5 of this appendix; and
- (v) the draft Bye-laws of the Proposed New ESOS.