

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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pharmaniaga

PHARMANIAGA BERHAD

(467709-M)

(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED ESTABLISHMENT OF A SHARE ISSUANCE SCHEME

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



AFFIN HWANG
CAPITAL

AFFIN HWANG INVESTMENT BANK BERHAD (14389-U)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The notice of Extraordinary General Meeting (“**EGM**”) of Pharmaniaga Berhad (“**Pharmaniaga**”) and the Form of Proxy are enclosed with this Circular. The EGM will be held as follows:

Date and time of the EGM : Tuesday, 29 March 2016, at 10.30 a.m., or immediately after the conclusion or adjournment (as the case may be) of the 18th Annual General Meeting of Pharmaniaga which will be held at the same venue and on the same day at 9.30 a.m., whichever is later.

Venue of the EGM : The Royale Chulan Damansara Hotel, The Royale Ballroom, Level 2, No. 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan.

If you wish to appoint a proxy or proxies to attend the EGM and vote on your behalf, you must deposit the form of proxy with Pharmaniaga’s Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than 48 hours before the time appointed for holding the EGM. The deposit of the completed Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time for the deposit of the form of proxy : Sunday, 27 March 2016, at 10.30 a.m.

This Circular is dated 9 March 2016

DEFINITIONS

Unless the context otherwise requires, the following definitions shall apply throughout this Circular:

Affin Hwang IB or Principal Adviser	:	Affin Hwang Investment Bank Berhad
ABB	:	Affin Bank Berhad
AHB	:	AFFIN Holdings Berhad
AHIB Group	:	Affin Hwang IB and its related and associated companies in the financial services sector
Award	:	An Offer which has been accepted by a Selected Person
BHB	:	Boustead Holdings Berhad
Board	:	Board of Directors of Pharmaniaga
Bursa Securities	:	Bursa Malaysia Securities Berhad
By-Laws	:	By-Laws governing the Proposed Scheme as amended, modified, altered and/or supplemented from time to time
Chief Executive	:	A chief executive within the meaning provided in the Main Market Listing Requirements
Circular	:	This circular to shareholders dated 9 March 2016 in relation to the Proposed Scheme
Companies Act	:	Companies Act, 1965, as amended from time to time and includes any re-enactment thereof
Director	:	A director within the meaning of section 4 of the Companies Act
EGM	:	Extraordinary General Meeting
EHL	:	E*HealthLine.com Inc.
Eligible Person	:	(a) In respect of the Proposed Option Plan: <ul style="list-style-type: none">(i) a selected Senior Management Officer of a Pharmaniaga Group Member;(ii) an Executive Director of Pharmaniaga; or(iii) a Non-Executive Director of Pharmaniaga. (b) In respect of the Proposed LTIP: <ul style="list-style-type: none">(i) a selected Senior Management Officer of a Pharmaniaga Group Member; or(ii) an Executive Director of Pharmaniaga.
Effective Date	:	As defined under section 2.4.4 of this Circular
EPS	:	Earnings per share

DEFINITIONS (CONT'D)

Excluded Entities	: (i) The subsidiaries of Pharmaniaga which are foreign corporations; and (ii) The subsidiaries of Pharmaniaga which are dormant.
Executive Director	: A natural person who holds directorship in Pharmaniaga and performs an executive function
Form of Proxy	: The proxy form for the appointment of proxy or proxies by a member or members of Pharmaniaga
Initial Term	: As defined under section 2.4.4 of this Circular
Interested Directors	: As defined under section 8 of this Circular
Interested Persons	: As defined under section 2.4.3 of this Circular
LPD	: 15 February 2016, being the latest practicable date prior to the despatch of this Circular
LTAT	: Lembaga Tabung Angkatan Tentera
LTIP Offer	: An offer made in writing by the Scheme Committee to a Selected Person for the award of any Share Grant under the Proposed LTIP
LTIP Participant	: A Selected Person who has duly accepted an LTIP Offer
Main Market Listing Requirements	: Main Market Listing Requirements issued by Bursa Securities, as amended from time to time
Major Shareholder	: A major shareholder within the meaning provided in the Main Market Listing Requirements
Market Day	: A day on which Bursa Securities is open for trading in securities
Maximum Pharmaniaga Shares	: The maximum Pharmaniaga Shares that can be made available under the Proposed Scheme as defined in section 2.4.1 of this Circular
MFRS 2	: Malaysian Financial Reporting Standard 2 on Share-Based Payment as issued by the Malaysian Accounting Standards Board
Modern	: Modern Industrial Investment Holding Group Company Ltd.
NA	: Net assets
Non-Executive Director	: A Director of Pharmaniaga who is not an Executive Director
Offer	: An Option Offer or an LTIP Offer, as the case may be
Option	: A right to subscribe for new Pharmaniaga Shares under the Proposed Option Plan
Option Offer	: An offer made in writing by the Scheme Committee to a Selected Person for the award of any Option under the Proposed Option Plan

DEFINITIONS (CONT'D)

Option Plan Participant	:	A Selected Person who has duly accepted an Option Offer
Option Price	:	The price payable for each Pharmaniaga Share upon exercise of any Option granted under the Proposed Option Plan
Person Connected	:	A person connected within the meaning provided in the Main Market Listing Requirements
Pharmaniaga or Company	:	Pharmaniaga Berhad
Pharmaniaga Group or Group	:	Collectively Pharmaniaga and its subsidiaries (excluding Excluded Entities)
Pharmaniaga Group Member	:	Any corporation comprised in the Pharmaniaga Group
Pharmaniaga Shares	:	Ordinary shares of RM0.50 each in Pharmaniaga
Proposed LTIP	:	A proposed long term incentive plan comprised in the Proposed Scheme pursuant to which Share Grants may be awarded to the Selected Persons
Proposed Option Plan	:	A proposed share option plan comprised in the Proposed Scheme pursuant to which Options may be awarded to the Selected Persons
Proposed Scheme	:	A proposed share issuance scheme comprising the Proposed Option Plan and the Proposed LTIP to be established under and governed by the By-Laws
RM	:	Ringgit Malaysia
Scheme Committee	:	Committee comprising Directors and/or other officers or executives of Pharmaniaga appointed by our Board to implement and administer the Proposed Scheme
Scheme Participant	:	A Selected Person who has duly accepted an Option Offer and/or an LTIP Offer, as the case may be, in accordance with the By-Laws
Selected Person	:	An Eligible Person to whom Offer is or is to be made pursuant to the Proposed Scheme
Senior Management Officer	:	An employee of a Pharmaniaga Group Member occupying the position of a deputy general manager or above, as determined by the Scheme Committee
Share Grant	:	An entitlement to receive new Pharmaniaga Shares at no cash consideration under the Proposed LTIP
Share Grant Price	:	A price which is used to determine the number of Pharmaniaga Shares to be granted pursuant to an award of Share Grant under the Proposed LTIP

DEFINITIONS (CONT'D)

All references in this Circular to “we”, “us”, “our” and “ourselves” are to Pharmaniaga, and where the context requires, to Pharmaniaga and its subsidiaries collectively. All references to “you” in this Circular are to the shareholders of Pharmaniaga.

In this Circular, words importing the singular shall, where applicable, include the plural and vice versa and words importing any gender shall, where applicable, include all genders. All references to a person shall include a reference to corporations.

All references to time in this Circular are references to Malaysian time, unless otherwise stated.

Unless otherwise expressly provided herein, references in this Circular to sections and appendices are to the relevant sections and appendices of and to this Circular.

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NOTICE OF EGM **Enclosed**

FORM OF PROXY **Enclosed**

pharmaniaga

PHARMANIAGA BERHAD

(467709-M)

(Incorporated in Malaysia under the Companies Act, 1965)

Registered office:

28th Floor, Menara Boustead
69, Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

9 March 2016

The Board:

Tan Sri Dato' Seri Lodin Wok Kamaruddin (Non-Independent Non-Executive Chairman)
Dato' Farshila Emran (Managing Director)
Daniel Ebinesan (Non-Independent Non-Executive Director)
Mohd Suffian Haji Haron (Senior Independent Non-Executive Director)
Izzat Othman (Independent Non-Executive Director)
Lieutenant General Dato' Seri Panglima Dr. Sulaiman Abdullah (Retired) (Independent Non-Executive Director)

To: Our shareholders

Dear Sir/Madam,

ESTABLISHMENT OF THE PROPOSED SCHEME

1. INTRODUCTION

On 13 January 2016, Affin Hwang IB had on behalf of our Board, announced that our Company proposes to establish the Proposed Scheme comprising the Proposed Option Plan and the Proposed LTIP. The Proposed Scheme would allow our Company to grant the Eligible Persons with Pharmaniaga Shares and/or right to subscribe for Pharmaniaga Shares of up to 15% of our then issued and paid-up ordinary share capital (excluding treasury shares) at any point of time, from time to time, during the duration of the Proposed Scheme.

On 4 March 2016, Affin Hwang IB had on behalf of our Board, announced that Bursa Securities has vide its letter dated 4 March 2016, approved the listing of and quotation for such number of new Pharmaniaga Shares, representing up to 15% of our issued and paid-up share capital, which may be issued pursuant to the Proposed Scheme on the Main Market of Bursa Securities subject to the conditions as set out in section 6 of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED SCHEME AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS IN RELATION TO THE PROPOSED SCHEME THAT WILL BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED WITH THIS CIRCULAR.

PLEASE READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR AND THE APPENDICES OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSED SCHEME AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED SCHEME

The Proposed Scheme is intended to attract, retain, motivate and reward the selected employees of a Pharmaniaga Group Member and the Directors of our Company through the award of Pharmaniaga Shares and/or the rights to subscribe for Pharmaniaga Shares. The Proposed Scheme will be administered by the Scheme Committee in accordance with the By-Laws.

The Proposed Scheme comprises the Proposed Option Plan and the Proposed LTIP. The details of the Proposed Option Plan and the Proposed LTIP are as follows:

2.1 Proposed Option Plan

The Proposed Option Plan would allow us to award the Eligible Persons with the right to subscribe for new Pharmaniaga Shares at a subscription price to be prescribed by the Scheme Committee (in accordance with the By-Laws and subject to section 2.3.1 of this Circular), subject to the attainment of certain performance targets to be prescribed by the Scheme Committee.

2.2 Proposed LTIP

The Proposed LTIP would allow us to award the Eligible Persons with new Pharmaniaga Shares at no cash consideration, subject to the attainment of certain performance targets to be prescribed by the Scheme Committee.

2.3 Salient terms and conditions of the Proposed Option Plan and the Proposed LTIP

Proposed Option Plan	Proposed LTIP
2.3.1 Pricing	
The Option Price will be determined based on the volume weighted average market price of Pharmaniaga Shares for the 5 Market Days immediately preceding the date of the Option Offer, subject to a discount of not more than 10% thereof but shall not be less than the par value of the Pharmaniaga Shares.	The Pharmaniaga Shares to be awarded under the Proposed LTIP will be awarded at no cash consideration.
2.3.2 Vesting period	
<p>The Options may be vested to the Option Plan Participants in tranches over a period of up to 5 years, the vesting conditions of which are to be determined by the Scheme Committee.</p> <p>The minimum period during which an Option must be held before it can be exercised by the Option Plan Participants is also to be determined by the Scheme Committee.</p> <p>The exercise of Options and vesting of Options to the Option Plan Participants are subject to the fulfilment of vesting conditions to be determined by the Scheme Committee which include but not limited to performance targets to be achieved by the Option Plan Participants.</p>	The Share Grants may be vested to the LTIP Participants in tranches over a period of up to 3 years, the vesting conditions of which are to be determined by the Scheme Committee.

Proposed Option Plan	Proposed LTIP
2.3.3 Retention period	
<p>The rights of the Option Plan Participants to the vesting of the Options or Pharmaniaga Shares pursuant to the Proposed Option Plan shall be personal to them and cannot be assigned, transferred or disposed of unless otherwise expressly provided in the By-Laws.</p> <p>An Option Plan Participant who is a Non-Executive Director is restricted from selling, transferring or assigning the Pharmaniaga Shares obtained by him through the exercise of any Option awarded to him, within one year from the date of the Option Offer.</p> <p>Other than the foregoing restriction on the Non-Executive Directors, there is no restriction for other Option Plan Participants from selling, transferring or assigning the Pharmaniaga Shares obtained by them pursuant to the exercise of any Option under the Proposed Option Plan, unless the Scheme Committee prescribes otherwise in the Option Offer.</p>	<p>The rights of the LTIP Participants to the vesting of the Share Grants or Pharmaniaga Shares pursuant to the Proposed Scheme shall be personal to them and cannot be assigned, transferred or disposed of unless otherwise expressly provided in the By-Laws.</p> <p>There is no restriction for the LTIP Participants from selling, transferring or assigning the Pharmaniaga Shares which have been vested to them under the Proposed LTIP, unless the Scheme Committee prescribes otherwise in the LTIP Offer.</p>
2.3.4 Eligible Persons	
<p>Subject always to the eligibility criteria set out in section 2.4.3 of this Circular, the persons eligible to participate in the Proposed Option Plan are as follows:</p> <p>(a) a selected Senior Management Officer of a Pharmaniaga Group Member;</p> <p>(b) an Executive Director of Pharmaniaga; and</p> <p>(c) a Non-Executive Director of Pharmaniaga.</p>	<p>Subject always to the eligibility criteria set out in section 2.4.3 of this Circular, the persons eligible to participate in the Proposed LTIP are as follows:</p> <p>(a) a selected Senior Management Officer of a Pharmaniaga Group Member; and</p> <p>(b) an Executive Director of Pharmaniaga.</p>
2.3.5 Maximum allocation	
<p>Please refer to section 2.4.2 of this Circular.</p>	<p>The value of the allocation per year to the Eligible Persons under the Proposed LTIP shall not exceed 6% of the audited profit after tax of our Group for the preceding financial year.</p> <p>Please also refer to section 2.4.2 of this Circular.</p>

2.4 Other salient terms and conditions of the Proposed Scheme

The other salient terms and conditions of the Proposed Scheme that are applicable to both the Proposed Option Plan and the Proposed LTIP include (but not limited to) the following:

2.4.1 Maximum number of Pharmaniaga Shares available under the Proposed Scheme

The maximum number of Pharmaniaga Shares which may be issued under the Proposed Scheme shall not, when aggregated with the total number of new Pharmaniaga Shares issued and/or to be issued under any other scheme involving new issuance of Pharmaniaga Shares which may be implemented from time to time by our Company, exceed 15% of our then issued and paid-up ordinary share capital (excluding treasury shares) at any such point of time, from time to time, during the duration of the Proposed Scheme (“**Maximum Pharmaniaga Shares**”).

2.4.2 Basis of allocation and maximum allowable allotment

The allocation of Pharmaniaga Shares to be made available under the Offers is to be determined by the Scheme Committee on an annual basis.

The total number of Pharmaniaga Shares to be comprised in any Option or Share Grant to be awarded to any Eligible Person shall be determined at the absolute discretion of the Scheme Committee, after taking into consideration, among others:

- (a) the Eligible Person’s performance, seniority (denoted by job grade), potential for future development and contribution to the success and development of our Group;
- (b) in respect of an Eligible Person who is a Director of our Company, the Eligible Person’s contributions towards the growth of our Company, positions in the various board committees of our Company and directorships in a Pharmaniaga Group Member; and/or
- (c) such other criteria as the Scheme Committee may deem relevant.

Notwithstanding the foregoing, the Scheme Committee will ensure that the allocation to an Eligible Person, who either singly or collectively through Persons Connected with the Eligible Person holds 20% or more of the our issued and paid-up share capital (excluding treasury shares), does not exceed 10% of the total number of Pharmaniaga Shares to be awarded under the Proposed Scheme.

The award of Options or Share Grants under the Proposed Scheme may be staggered over the duration of the Proposed Scheme to encourage the Scheme Participants to remain in our Group and to foster a greater sense of involvement, dedication and loyalty to our Group.

All of the Pharmaniaga Shares to be comprised in any Option or Share Grant under the Proposed Scheme shall only be allocated to the Directors of our Company and selected Senior Management Officers of our Group.

2.4.3 Eligibility

Any Eligible Person who fulfils the following criteria as of the date of an Offer, shall be eligible to be selected to participate in the Proposed Scheme:

- (a) if he has attained the age of 18 years, is not an undischarged bankrupt and is not subject to any bankruptcy proceedings;

- (b) if he, with the exception of a Non-Executive Director, entered into a full-time or fixed term contract with, and is on the payroll of our Company or any of our subsidiaries (excluding Excluded Entities), and whose service has been confirmed;
- (c) if he is serving in a specific designation under an employment contract, whether on a permanent contract or for a fixed duration (or any other contract as may be determined by the Scheme Committee); and
- (d) if he fulfils any other criteria and/or falls within such category as may be determined by the Scheme Committee from time to time.

If an Eligible Person is also a Director, a Major Shareholder or a Chief Executive of our Company (“**Interested Persons**”), or a Person Connected with any one of the Interested Persons, the approval of our shareholders will need to be obtained for the specific allocation of Pharmaniaga Shares to be comprised in any Option or Share Grant to be awarded to the said Eligible Person.

2.4.4 Duration of the Proposed Scheme

The Proposed Scheme shall continue to be in force for a period of 5 years commencing from the effective date of implementation of the Proposed Scheme (“**Effective Date**”), being the date of full compliance with the relevant requirements of the Main Market Listing Requirements in relation to the Proposed Scheme (“**Initial Term**”).

The Proposed Scheme may from time to time be extended by our Board for a period of up to another 5 years from the expiry of the Initial Term. For the avoidance of doubt, any extension shall not, in aggregate with the Initial Term, exceed a period of 10 years from the Effective Date thereof or such other period as may be allowed by the relevant authorities.

On the expiry or termination of the Proposed Scheme or on the winding-up or liquidation of our Company, any unaccepted Offer shall lapse and be null and void and any Option or Share Grant which has yet to be exercised or vested, whether fully or partially, shall be deemed cancelled, cease to be capable of vesting and be null and void.

2.4.5 Vesting and settlement

The vesting of Pharmaniaga Shares pursuant to the Proposed Scheme (either from the exercise of Options under the Proposed Option Plan or from the vesting of Share Grants under the Proposed LTIP) will be implemented by way of allotment and issuance of new Pharmaniaga Shares to the Scheme Participants.

2.4.6 Ranking and rights attaching to shares

Any new Pharmaniaga Shares to be allotted and issued pursuant to the Proposed Scheme shall, upon allotment and issuance, rank equally in all respects with existing Pharmaniaga Shares and shall:

- (a) be subject to all the provisions of our memorandum and articles of association; and
- (b) rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Pharmaniaga Shares, the record date for which is on or after the date on which the Pharmaniaga Shares are transferred to the central depository system account of the Scheme Participants and shall in all other respects rank pari passu with other existing Pharmaniaga Shares then in issue.

Notwithstanding any provision in the By-Laws, the Scheme Participants shall not be entitled to any right, dividend or other distribution attached to the Pharmaniaga Shares prior to the date on which the Pharmaniaga Shares are credited into their respective central depository system account.

2.4.7 Listing of and quotation for the new Pharmaniaga Shares

Bursa Securities had vide its letter dated 4 March 2016 granted its approval for the listing of such number of additional new Pharmaniaga Shares, representing up to 15% of our issued and paid-up share capital (excluding treasury shares), to be issued pursuant to the Proposed Scheme on the Main Market of Bursa Securities.

2.4.8 Alteration of share capital and adjustment

In the event of any alteration in our capital structure during the duration of the Proposed Scheme, whether by way of capitalisation of profits or reserves, rights issue, bonus issue, capital reduction (save for set off against accumulated losses), capital repayment, sub-division or consolidation of capital, declaration of any special dividend or distribution, the Scheme Committee may decide for corresponding alterations to be made in:

- (a) the Option Price and/or the Share Grant Price;
- (b) the number of Pharmaniaga Shares comprised in an Option that has not been exercised;
- (c) the number of unvested Pharmaniaga Shares comprised in an Award; and/or
- (d) the method and/or manner in the vesting of the Options, Share Grants or Pharmaniaga Shares comprised in an Award.

Save for adjustments made pursuant to a bonus issue, any other adjustment shall be certified in writing by the external auditor or adviser to our Company (acting as expert and not as an arbitrator) as being in its opinion fair and reasonable.

2.4.9 Amendment, variation and/or modification to the Proposed Scheme

Subject to the By-Laws and compliance with the Main Market Listing Requirements and any other relevant authorities (if required), the Scheme Committee may at any time and from time to time recommend to our Board any addition, amendment and/or modification to and/or deletions of the By-Laws and our Board shall at any time and from time to time have the power by resolution to add to, amend, modify and/or delete all or any part of the By-Laws upon such recommendation provided that such amendment and/or modification would not adversely affect the rights attaching to any Award except with the approval of a majority in number of the then Scheme Participants as prescribed by the By-Laws.

The approval of the shareholders of our Company in general meeting shall not be required in respect of additions, amendment and/or modification to or deletion of the By-Laws, save and except:

- (a) if the approval of the shareholders of our Company has been obtained for the purposes of the allotment and issue of new shares in our Company for the purposes of the Proposed Scheme; and
- (b) if such addition, amendment modifications and/or deletion would:
 - (i) increase the number of Pharmaniaga Shares beyond the Maximum Pharmaniaga Shares; or

- (ii) provide an advantage to any Scheme Participant or group of Scheme Participants or all the Scheme Participants.

2.4.10 Fee, cost and expense

All fees, costs and expenses incurred in relation to the issue and allotment of new Pharmaniaga Shares pursuant to an Award upon the vesting of the Pharmaniaga Shares shall be borne by our Company.

The expenses in relation to the Proposed Scheme are estimated at approximately RM260,000 which will be paid by our Company through internally generated funds.

2.5 Maximum number of Pharmaniaga Shares to be comprised in the Share Grants to be granted to a Director of Pharmaniaga

Our Company also proposes to seek for your approval at the forthcoming EGM, for the Scheme Committee to grant, from time to time, Share Grants comprising an aggregate of up to the following maximum number of Pharmaniaga Shares per year, for the duration of the Proposed Scheme, under the Proposed LTIP, to the following Director of our Company, subject always to such terms and conditions of and/or adjustments which may be made in accordance with the provisions of the By-Laws:

	Maximum no. of Pharmaniaga Shares to be comprised in the Share Grants to be granted (per year)
<u>Executive Director</u>	
Dato' Farshila Emran <i>Managing Director</i>	600,000

2.6 Maximum number of Pharmaniaga Shares to be comprised in the Options to be granted to the Directors of Pharmaniaga

Our Company also propose to seek for your approval at the forthcoming EGM, for the Scheme Committee to grant, from time to time, Options comprising an aggregate of up to the following maximum number of Pharmaniaga Shares, under the Proposed Option Plan, to the following Directors of our Company, subject always to such terms and conditions of and/or adjustments which may be made in accordance with the provisions of the By-Laws:

	Maximum no. of Pharmaniaga Shares to be comprised in the Options to be granted
<u>Executive Director</u>	
Dato' Farshila Emran <i>Managing Director</i>	2,000,000
<u>Non-Executive Directors</u>	
Tan Sri Dato' Seri Lodin Wok Kamaruddin <i>Non-Independent Non-Executive Chairman</i>	3,800,000
Daniel Ebinesan <i>Non-Independent Non-Executive Director</i>	2,000,000
Mohd Suffian Haji Haron <i>Senior Independent Non-Executive Director</i>	2,000,000
Izzat Othman <i>Independent Non-Executive Director</i>	2,000,000
Lieutenant General Dato' Seri Panglima Dr. Sulaiman Abdullah (Retired) <i>Independent Non-Executive Director</i>	2,000,000

3. RATIONALE FOR THE PROPOSED SCHEME

The Proposed Scheme is targeted at the Directors of our Company as their entrepreneurship, experience and network are instrumental to the continuous growth and success of our pharmaceutical business, thus ensuring the sustainability of our Group's financial performance. The Directors of our Company have significant influence on the strategic direction of our Group and play a facilitative role in key business decisions and the motivation of our workforce. Whilst, the Proposed Scheme is also targeted specifically at selected Senior Management Officers as they possess the requisite leadership skills and experience in the highly regulated pharmaceutical industry, which are critical competencies.

The Proposed Scheme, which is comprised of the Proposed Option Plan and the Proposed LTIP, is intended:

- (a) to reward and retain the Eligible Persons whose talents are vital to our Group;
- (b) to provide incentive for the Eligible Persons to participate more actively in the operations and future growth of our Group;
- (c) to motivate each Eligible Person to optimise his performance standards and maintain high level contributions through greater levels of commitment, dedication and loyalty to our Group;
- (d) to attract skilled and experienced individuals to join our Group and contribute to the continued growth and profitability of our Group; and
- (e) to align the interest of the Senior Management Officers of a Pharmaniaga Group Member and the Directors of our Company through the Proposed Scheme to drive long term shareholder value enhancement of our Group via direct participation in the equity of our Company.

The Proposed LTIP is also intended to:

- (i) reward selected Senior Management Officers of a Pharmaniaga Group Member for their loyalty and attainment of higher performance achievements; and
- (ii) reward the Executive Director of our Company, namely Dato' Farshila Emran, for her contribution towards the development, growth and success of our Group and the strategic direction to drive long term shareholder value enhancement of our Group.

The Proposed Option Plan is extended to the Non-Executive Directors of our Company so as:

- (1) to reward the Non-Executive Directors for their contributions in the governance and operational performance of our Group;
- (2) to promote active participation of the Non-Executive Directors in the development, evaluation and implementation of the strategic initiatives of the our Group;
- (3) to incentivise the Non-Executive Directors to continue providing strategic insight and direction to our Group; and
- (4) to motivate the Non-Executive Directors to pursue the long term growth and success of our Group.

The Non-Executive Directors come from different professions and backgrounds and bring to our Group a wealth of experience in corporate governance and business management. Even though the Non-Executive Directors are not involved in the day-to-day running of our Company, they are often consulted on various matters in relation to the business of our Company. The extension of the Proposed Option Plan to the Non-Executive Directors is therefore in recognition of their services and contributions to the growth and development of our Company.

The award of Options to Non-Executive Directors will allow us to attract and retain experienced and qualified persons from different professional backgrounds to join us as Non-Executive Directors and to motivate existing Non-Executive Directors of our Company to take extra efforts to promote the interests of our Company.

The selection of the Non-Executive Directors to participate in the Proposed Option Plan and the number of Pharmaniaga Shares to be comprised in the Options to be offered to the said Non-Executive Directors will be determined by the Scheme Committee, in consultation with our Board, taking into consideration the nature and extent of their input, assistance and expertise rendered to our Board and the impact thereof on the growth, success and development of our Company and our Group, as well as their involvement and commitment to our Board. The Scheme Committee may, where it considers relevant, take into account other factors such as the economic conditions and our Company's performance.

4. UTILISATION OF PROCEEDS

Our Company will receive proceeds from the exercise of the Options by the Option Plan Participants under the Proposed Option Plan. However, the amount of proceeds to be received cannot be determined at this juncture as it will depend on, among others, the Option Price and the number of Options awarded and exercised at the relevant point in time. Our Company intends to utilise the net proceeds from the exercise of the Options for the working capital of our Group. The working capital would be used to fund our Group's day to day operations to support existing business operations which shall include, but not limited to, the payment of trade and other payables, employee costs, marketing and administrative expenses. Our Company expects to utilise the proceeds for the said working capital within a period of 6 months, as and when the proceeds are received throughout the duration of the Proposed Scheme.

Our Company will not receive any proceeds pursuant to the Proposed LTIP as the LTIP Participants will not be required to provide cash consideration for the Pharmaniaga Shares to be issued to them under the Proposed LTIP.

5. EFFECTS OF THE PROPOSED SCHEME

5.1 Issued and paid-up share capital

The Proposed Scheme is not expected to have any immediate effect on the existing issued and paid-up ordinary share capital of our Company. The issued and paid-up ordinary share capital of our Company may increase progressively as and when new Pharmaniaga Shares are issued pursuant to the vesting of Pharmaniaga Shares under the Proposed Scheme.

For illustrative purpose, on the assumptions that:

- (a) the Proposed Scheme is implemented on the LPD;
- (b) the Maximum Pharmaniaga Shares are made available and are fully vested and issued under the Proposed Scheme; and
- (c) there is no other increase in the issued and paid-up capital of our Company during the duration of the Proposed Scheme,

the pro forma effects of the Proposed Scheme on our issued and paid-up ordinary share capital are as follows:

	No. of Pharmaniaga Shares	RM
Existing issued and paid-up ordinary share capital as at the LPD	258,882,732	129,441,366
Maximum number of Pharmaniaga Shares to be issued pursuant to the Proposed Scheme	38,832,400	19,416,200
Enlarged issued and paid-up ordinary share capital	297,715,132	148,857,566

5.2 Substantial shareholders' shareholdings

The Proposed Scheme is not expected to have any immediate effect on the shareholdings of our substantial shareholders until such time as and when the Pharmaniaga Shares are issued pursuant to the exercise of the Options or vesting of the Share Grants which may result in a dilution of their shareholdings. Any effect on the substantial shareholders' shareholdings would depend upon the number of new Pharmaniaga Shares to be issued at the relevant point in time, from time to time.

5.3 NA per share and gearing

The Proposed Scheme is not expected to have any immediate effect on the NA per share and gearing of our Group until such time as and when the Pharmaniaga Shares are issued pursuant to the exercise of the Options or vesting of the Share Grants under the Proposed Scheme. Any potential effect on the NA per share and gearing of our Group can only be determined at the point of time, from time to time, when the Options are exercised based on the Option Price and/or when the Share Grants are vested.

Upon the exercise of the Options and/or vesting of the Pharmaniaga Shares under the Proposed Scheme:

- (a) the NA per share is expected to increase if the Option Price and/or the market value of the Pharmaniaga Shares is higher than the NA per share at such point of exercise and/or vesting; or
- (b) the NA per share is expected to decrease if the Option Price and/or the market value of the Pharmaniaga Shares is lower than the NA per share at such point of exercise and/or vesting.

Nonetheless, the Proposed Scheme is not expected to have material impact on the consolidated NA, NA per share and gearing of our Group for the financial year ending 31 December 2016.

5.4 Earnings and EPS

The Proposed Scheme is not expected to have any immediate effect on the earnings and EPS of our Group until such time as and when the Options and/or Share Grants are granted to the Scheme Participants. According to MFRS 2, the granting of the Options and/or Share Grants requires the recognition of an expense which would affect the future earnings of our Group. The said expense does not represent a cash outflow by our Company as it is merely an accounting treatment.

However, the extent of the effect of the Proposed Scheme on our consolidated earnings and EPS cannot be determined at this juncture as it would depend on various factors that affect the fair value of the Options and/or the market value of Pharmaniaga Shares as at the respective dates of the Option Offers or LTIP Offers (as the case may be).

Our Board has taken note of the potential impact of MFRS 2 on our Group's future earnings and shall take into consideration of such impact in the allocation of the Options and/or Share Grants to the Scheme Participants.

5.5 Convertible securities

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

6. APPROVALS REQUIRED

The Proposed Scheme is subject to approvals being obtained from the following:

- (i) Bursa Securities, for the listing of and quotation for such number of new Pharmaniaga Shares, representing up to 15% of the issued and paid-up share capital of Pharmaniaga (excluding treasury shares), to be issued pursuant to the Proposed Scheme on the Main Market of Bursa Securities.

The approval from Bursa Securities has been obtained vide its letter dated 4 March 2016, and is subject to the following conditions:

<u>No.</u>	<u>Conditions</u>	<u>Status of compliance</u>
(a)	Affin Hwang IB is required to submit a confirmation to Bursa Securities of full compliance of the Proposed Scheme pursuant to paragraph 6.43(1) of the Main Market Listing Requirements and stating the effective date of implementation together with a certified true copy of the resolution passed by the shareholders in a general meeting approving the Proposed Scheme.	To be complied.
(b)	Pharmaniaga is required to furnish to Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the Proposed Scheme as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied.

- (ii) shareholders of Pharmaniaga at the forthcoming EGM; and

- (iii) any other relevant authorities or parties, if required.

The Proposed Scheme is not conditional or inter-conditional upon any other corporate exercise or scheme to be undertaken by our Company.

7. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, our Board expects to implement the Proposed Scheme by the 2nd quarter of the year 2016.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

All the Directors of our Company are entitled to participate in the Proposed Scheme and are therefore interested in the Proposed Scheme to the extent of their respective potential allocations under the Proposed Scheme ("**Interested Directors**"). As such, the Interested Directors have abstained and will continue to abstain from deliberating on their respective entitlements under the Proposed Scheme at the relevant Board meetings.

The Interested Directors will also abstain from voting in respect of their direct and/or indirect shareholdings in our Company (if any) on the resolution pertaining to their respective entitlements and on the resolution pertaining to the entitlement of Persons Connected to them under the Proposed Scheme at the forthcoming EGM and have also undertaken to ensure that Persons Connected to them will abstain from voting in respect of their direct and/or indirect shareholdings in our Company (if any) on the resolution pertaining to the entitlements of the Interested Directors.

As at the LPD, BHB is our Major Shareholder with an equity interest of 56.44% in our Company. LTAT is our Major Shareholder by virtue of its direct equity interest of 5.03% in our Company and its indirect equity interest in our Company through its major shareholding in BHB. LTAT is a Major Shareholder of BHB with an equity interest of 58.43% in BHB. Tan Sri Dato' Seri Lodin Wok Kamaruddin is the Non-Independent Non-Executive Chairman of our Company, the Deputy Chairman and Managing Director of BHB and also the Chief Executive of LTAT. Tan Sri Dato' Seri Lodin Wok Kamaruddin is also our shareholder with an equity interest of 4.83% in our Company. Daniel Ebinesan is a Non-Independent Non-Executive Director of our Company and also the Group Finance Director of BHB. As at the LPD, Daniel Ebinesan is also our shareholder with an equity interest of 0.15% in our Company. As such, BHB and LTAT are deemed interested to the respective allocations to Tan Sri Dato' Seri Lodin Wok Kamaruddin and Daniel Ebinesan under the Proposed Scheme.

BHB and LTAT will abstain from voting in respect of their direct and/or indirect shareholdings in our Company (if any) and have also undertaken to ensure that Persons Connected to them will abstain from voting in respect of their direct and/or indirect shareholdings in our Company (if any) on the resolutions pertaining to the respective entitlements of Tan Sri Dato' Seri Lodin Wok Kamaruddin and Daniel Ebinesan under the Proposed Scheme to be tabled at the forthcoming EGM.

The direct and/or indirect shareholdings of the Directors and Major Shareholders of our Company as at the LPD are as follows:

	Direct		Indirect	
	No. of Pharmaniaga Shares held	%	No. of Pharmaniaga Shares held	%
Directors				
Tan Sri Dato' Seri Lodin Wok Kamaruddin	12,500,148	4.83	-	-
Dato' Farshila Emran	87,000	0.03	-	-
Daniel Ebinesan	400,000	0.15	-	-
Mohd Suffian Haji Haron	-	-	-	-
Izzat Othman	-	-	-	-
Lieutenant General Dato' Seri Panglima Dr. Sulaiman Abdullah (Retired)	-	-	-	-
Major Shareholder				
BHB	146,110,415	56.44	-	-
LTAT	13,018,584	5.03	146,110,415 ⁽¹⁾	56.44

Note:

(1) Deemed interest by virtue of its shareholding in BHB pursuant to Section 6A of the Companies Act.

Save as disclosed in the foregoing table, none of our Directors, Major Shareholders and/or Persons Connected to them have any direct and/or indirect interest in the Proposed Scheme.

9. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Scheme and as disclosed below, there are no other corporate proposals which have been announced but not yet completed as at the LPD:

On 28 August 2015, our Company announced that a conditional share purchase agreement between Dato' Dr. Kattayat Mohandas A/L C P Narayana (as vendor) and Pharmaniaga had been signed to acquire the existing 1,400,000 ordinary shares of RM1.00 each in Bio-Collagen Technologies Sdn. Bhd., representing 70% of the total issued and paid up shares capital of Bio-Collagen Technologies Sdn. Bhd., for a total cash consideration of RM3,500,000.00 only. As at the LPD, the completion of the proposed acquisition of Bio-Collagen Technologies Sdn. Bhd. is pending fulfilment of conditions precedent by the vendor.

10. DIRECTORS' RECOMMENDATION

Our Board, after taking into consideration all aspects of the Proposed Scheme (including the rationale for the Proposed Scheme as set out in section 3 of this Circular), is of the opinion that the Proposed Scheme is in the best interest of our Company.

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

However, in view that the individual members of our Board are deemed interested in the Proposed Scheme to the extent of their respective allocations, if any, as well as allocations to the Persons Connected with them, if any, under the Proposed Scheme, the Interested Directors have abstained from expressing an opinion and making any recommendation on the resolutions to be tabled at the forthcoming EGM of our Company on their respective allocations, if any, as well as allocations to Persons Connected with them, if any, under the Proposed Scheme.

11. EGM

The EGM, the notice of which is enclosed with this Circular, will be held at The Royale Chulan Damansara Hotel, The Royale Ballroom, Level 2, No. 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 29 March 2016, at 10.30 a.m., or immediately following the conclusion or adjournment (as the case may be) of the 18th Annual General Meeting of Pharmaniaga, which will be held at the same venue and on the same day at 9.30 a.m., whichever is later, for the purpose of considering and, if thought fit, passing the resolutions, with or without modifications, to give effect to the Proposed Scheme.

If you are unable to attend and vote in person at the EGM, you may appoint a proxy or proxies to attend and vote on your behalf by completing the enclosed Form of Proxy in accordance with the instructions contained therein and by depositing the Form of Proxy with Pharmaniaga's share registrar, Tricor Investor & Issuing House Services Sdn Bhd, at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than 48 hours before the time appointed for the EGM.

However, the lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

12. FURTHER INFORMATION

Please refer to Appendix I of this Circular for the draft By-Laws of the Proposed Scheme.

Please refer to Appendix II of this Circular for further information.

Yours faithfully,
For and on behalf of the Board of Directors of
PHARMANIAGA BERHAD

TAN SRI DATO' SERI LODIN WOK KAMARUDDIN
Chairman

DRAFT BY-LAWS OF THE PROPOSED SCHEME

1. DEFINITIONS AND INTERPRETATIONS

1.1 In these By-Laws, except where the context otherwise requires, the following expressions shall have the following meanings:

- (a) "Acquirer" is as defined in clause 12.
- (b) "Adviser" means a corporate finance adviser that may act as a principal adviser under the SC's Guidelines on Principal Advisers for Corporate Proposals (as amended from time to time).
- (c) "Affected Employee" is as defined in clause 27.
- (d) "Aggregate Shares" is as defined in clause 3.2.
- (e) "Award" means an Offer which has been accepted by a Selected Person, and "Awards" shall be construed accordingly.
- (f) "Average Price" is as defined in section 5(h)(iii) of Schedule 1.
- (g) "Award Date" means the date of an Award.
- (h) "Board" means the Board of Directors of the Company.
- (i) "Bursa Depository" means Bursa Malaysia Depository Sdn. Bhd. (165570-W).
- (j) "Bursa Securities" means Bursa Malaysia Securities Berhad (635998-W).
- (k) "By-Laws" means these By-Laws governing the Scheme, as amended, modified and/or supplemented from time to time.
- (l) "Capital Distribution" is as defined in section 5(h)(i) of Schedule 1.
- (m) "CDS" means the Central Depository System governed under SICDA.
- (n) "CDS Account" means the account established by Bursa Depository for a depositor for the recording of deposit of securities and dealings in such securities by that depositor of securities, and "CDS Accounts" shall be construed accordingly.
- (o) "Companies Act" means the Companies Act, 1965, as amended from time to time.
- (p) "Company" means Pharmaniaga Berhad (467709-M).
- (q) "Current Market Price" is as defined in section 5(h)(iv) of Schedule 1.
- (r) "Director" means a natural person who is a director for the time being of the Company, and "Directors" shall be construed accordingly.
- (s) "Effective Date" means the date the Scheme takes effect being the date of full compliance with all relevant requirements of the Listing Requirements more particularly set forth in clause 6.
- (t) "Eligible Person" means:
 - (i) In respect of the Option Plan:
 - (A) a selected Senior Management Officer of a Group Member;
 - (B) an Executive Director of the Company; or

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

- (C) a Non-Executive Director of the Company; and
 - (ii) In respect of the LTIP:
 - (A) a selected Senior Management Officer of a Group Member; or
 - (B) an Executive Director of the Company; and
- “Eligible Persons” shall be construed accordingly.
- (u) “Excluded Entities” means, in relation to the Company for the purposes of the Scheme, any one of the following:
 - (i) Subsidiaries which are foreign corporations; and
 - (ii) Subsidiaries which are dormant.
 - (v) “Executive Director” means a natural person who holds directorship in the Company and performs an executive function, and “Executive Directors” shall be construed accordingly.
 - (w) “Group” means, collectively, the Company and its Subsidiaries (excluding Excluded Entities).
 - (x) “Group Member” means any corporation comprised in the Group, and “Group Members” shall be construed accordingly.
 - (y) “Initial Term” is as defined in clause 6.1.
 - (z) “Listing Requirements” means the Main Market Listing Requirements of Bursa Securities, as amended from time to time.
 - (aa) “LTIP” means the long term incentive plan pursuant to which Share Grants may be granted under these By-Laws.
 - (bb) “Market Day” means a day on which Bursa Securities is open for trading in securities, and “Market Days” shall be construed accordingly.
 - (cc) “Maximum Shares Available” is as defined in clause 3.1.
 - (dd) “Non-Executive Director” means a Director of the Company who is not an Executive Director of the Company, and “Non-Executive Directors” shall be construed accordingly.
 - (ee) “Offer” means either an Option Offer or a Share Grant Offer, as the case may be, and “Offers” shall be construed accordingly.
 - (ff) “Offer Date” means the date on which an Offer is made or deemed made by the Scheme Committee to a Selected Person, which shall be the date the Offer is served in accordance with clause 33.
 - (gg) “Offer Period” means the period of 30 days from the Offer Date, or such other period as may be determined by the Scheme Committee and specified in the Offer, during which an Offer may be accepted.
 - (hh) “Option” means the right to subscribe for new Shares under the Option Plan, and “Options” shall be construed accordingly.

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

- (ii) "Option Offer" means an offer made in writing by the Scheme Committee to a Selected Person under the Option Plan, and "Option Offers" shall be construed accordingly.
- (jj) "Option Period" means the period commencing from the Vesting Date of the Option and expiring on the date as may be determined by the Scheme Committee, unless terminated in accordance with these By-Laws.
- (kk) "Option Plan" means the share option plan pursuant to which Options may be granted under these By-Laws.
- (ll) "Option Price" means the price at which a Selected Person is entitled to subscribe for the Shares pursuant to an Award of Option under the Option Plan at a price to be determined according to the terms of these By-Laws.
- (mm) "Performance Period" means the period during which the Performance Targets stipulated by the Scheme Committee and set forth in the Offer is required to be performed.
- (nn) "Performance Targets" means the performance targets recommended by the Scheme Committee and approved by the Board, and as set forth in an Offer, which are to be achieved by the Selected Persons and/or the Group during the Performance Period.
- (oo) "Previous Company" is as defined in clause 27.
- (pp) "RM" means the ringgit, the lawful currency of Malaysia.
- (qq) "Schedule" means a schedule in these By-Laws, and "Schedules" shall be construed accordingly.
- (rr) "Scheme" means Pharmaniaga Berhad Share Issuance Scheme comprising the Option Plan and the LTIP established under and governed by these By-Laws.
- (ss) "Scheme Committee" means the committee comprising Directors and/or other officers or executives of the Company appointed by the Board pursuant to clause 19 to implement and administer the Scheme, in accordance with these By-Laws.
- (tt) "Scheme Participant" means a Selected Person who has duly accepted an Offer in accordance with these By-Laws, and "Scheme Participants" shall be construed accordingly.
- (uu) "Scheme Period" means the period of the Scheme as set forth in clause 6.1.
- (vv) "Scheme Termination Date" is as defined in clause 17.1.
- (ww) "Selected Person" means an Eligible Person to whom Offer is or is to be made pursuant to these By-Laws, and "Selected Persons" shall be construed accordingly.
- (xx) "Senior Management Officer" means an employee of a Group Member occupying the position of a deputy general manager or above, as determined by the Scheme Committee.
- (yy) "Shares" means ordinary shares in the capital of the Company, and "Share" means any one of them.
- (zz) "Share Grant" means an entitlement to receive new Shares at no cash consideration under the LTIP, and "Share Grants" shall be construed accordingly.

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

- (aaa) "Share Grant Offer" means an offer made in writing by the Scheme Committee to a Selected Person pursuant to the LTIP, and "Share Grant Offers" shall be construed accordingly.
- (bbb) "Share Grant Price" means the price which is used to determine the number of Shares to be granted pursuant to an Award of Share Grant under the LTIP.
- (ccc) "SICDA" means the Securities Industry (Central Depositories) Act, 1991, as amended from time to time.
- (ddd) "Subsidiaries" means Subsidiaries of the Company within the meaning provided in the Companies Act, and shall include such subsidiaries which are existing as of the Effective Date and those subsequently acquired or incorporated at any time, from time to time, during the Scheme Period, unless determined by the Board and/or Scheme Committee to fall outside the expression "Subsidiaries" pursuant to clause 25, and "Subsidiary" shall be construed accordingly.
- (eee) "Terms of Reference" means the terms of reference which the Board may establish to regulate and govern the Scheme Committee's functions and/or responsibilities under these By-Laws, as amended from time to time.
- (fff) "Total Effective Consideration" is as defined in section 5(h)(ii) of Schedule 1.
- (ggg) "Unvested Shares" means:
- (i) the Shares comprised in an Award under the LTIP; or
 - (ii) the Shares pursuant to an exercise of an Option under the Option Plan;
- which have not vested in a Scheme Participant, and "Unvested Share" shall be construed accordingly.
- (hhh) "Unvested Share Grants" means the Share Grants comprised in an Award which have not vested in a Scheme Participant, and "Unvested Share Grant" shall be construed accordingly.
- (iii) "Unvested Options" means the Options comprised in an Award which have not vested in a Scheme Participant, and "Unvested Option" shall be construed accordingly.
- (jjj) "Vesting Conditions" means the conditions determined by the Scheme Committee and stipulated in the Offer in respect of an Award, which must be fulfilled by a Scheme Participant for the vesting of Options, Share Grants or Shares including (without limitation) Performance Targets.
- (kkk) "Vesting Date" means the date on which Options, Share Grants or Shares pursuant to an Award is vested in the Scheme Participant.
- (lll) "Vesting Period" means the period for the vesting of Options, Share Grants or Shares.
- 1.2 In these By-Laws, unless the context requires otherwise, words importing the singular number include the plural and vice versa and words importing the masculine, feminine or neuter gender shall include all genders.
- 1.3 The headings and sub-headings herein are inserted for convenience only and shall not affect the interpretation of these By-Laws. Any reference to a clause is a reference to the relevant clause of these By-Laws. Any reference to a section is a reference to the relevant section in a Schedule. The Schedule forms part of these By-Laws.

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

- 1.4 Any reference to a statute, statutory provisions, guidelines, regulations or rules includes a reference to that statute, statutory provision (and all statutory instruments or orders made pursuant to it), guidelines, regulations and rules, as from time to time amended, extended, re-enacted or consolidated.
- 1.5 Any liberty, power or discretion which may be exercised, or any decision or determination which may be made, hereunder by the Scheme Committee (including any selection) may be exercised in the Scheme Committee's sole and absolute discretion, having regard only to the Terms of Reference (where applicable), and the Scheme Committee shall not be under any obligation to give any reason for the same, except as may be required by the relevant regulatory authorities.
- 1.6 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.
- 1.7 In the event of any change in the name of the Company from its present name, all references to "Pharmaniaga 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.

2. THE SCHEME

- 2.1 The Scheme shall be called the "Pharmaniaga Berhad Share Issuance Scheme", and be established and governed by these By-Laws.

3. MAXIMUM NUMBER OF SHARES AVAILABLE UNDER THE SCHEME

- 3.1 Subject to clause 3.2, and subject to any adjustment as may be required to the relevant numbers of Shares pursuant to Schedule 1, the maximum number of Shares which may be made available under the Scheme shall not, when aggregated with the total number of new Shares allotted and issued and/or to be allotted and issued under any other scheme involving new issuance of Shares which may be implemented from time to time by the Company, exceed 15% of the then issued and paid-up share capital (excluding treasury shares) of the Company at any such point of time, from time to time, during the Scheme Period ("**Maximum Shares Available**").
- 3.2 In the event that the Company purchases or cancels its own shares in accordance with the provisions of section 67A of the Companies Act or otherwise howsoever, or undertakes any other corporate proposal resulting in a reduction of its issued and paid-up ordinary share capital, the following provisions shall apply in respect of future Offers (provided that all the valid Offers which are pending acceptances, and Awards that have not been vested and/or Awards that have been vested, prior to such purchase and/or reduction of the issued and paid-up ordinary share capital of the Company shall remain valid in accordance with the provisions of the Scheme as if that reduction had not occurred):
- (a) if, after such purchase, cancellation or reduction, the aggregate number of Shares comprised in all the valid Offers which are pending acceptances, Awards that have not been vested and/or Awards that have been vested ("**Aggregate Shares**") as of the date of purchase, cancellation or reduction of shares is greater than the Maximum Shares Available, no further Offers shall be made by the Scheme Committee until the Aggregate Shares falls below the Maximum Shares Available; or
- (b) if, after such purchase, cancellation or reduction, the Aggregate Shares is less than the Maximum Shares Available, the Scheme Committee may make further Offers provided that the aggregate number of Shares comprised in the Aggregate Shares and the future Offers is equivalent to the Maximum Shares Available after such purchase, cancellation or reduction.

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

4. MAXIMUM ALLOWABLE ALLOCATION AND THE BASIS OF ALLOCATION

4.1 Subject to any adjustment which may be made under Schedule 1, the aggregate maximum number of Shares that may be allocated:

- (a) between the Option Plan and the LTIP; and
- (b) to any one category or designation of Eligible Person;

shall be determined by the Scheme Committee, on an annual basis, provided that:

- (i) the allocation to any individual Eligible Person who, either singly or collectively through persons connected (as defined in the Listing Requirements) with that Eligible Person, holds 20% or more of the issued and paid-up ordinary share capital of the Company, shall not exceed 10% of the Maximum Shares Available; and
- (ii) the value of the allocation per year to the Eligible Persons under the LTIP shall not exceed 6% of the audited profit after tax of the Group for the preceding financial year.

4.2 An Eligible Person, a Selected Person or a Scheme Participant who is a member of the Scheme Committee shall abstain from any deliberation in connection with any Offer made or to be made to him or any Award held by him.

4.3 Notwithstanding anything contained in these By-Laws, the Scheme Committee shall not in any way be obliged to make an offer to any Eligible Person.

4.4 Subject to clause 4.1 and any adjustment which may be made under Schedule 1, the Scheme Committee shall determine the actual number of Shares to be allocated to any Eligible Person after taking into consideration:

- (a) the Eligible Person's position, ranking, performance, contribution and potential contribution to the continued success of the Group;
- (b) in respect of an Eligible Person who is a Director of the Company, that Eligible Person's contributions towards the growth of the Company, positions in the various Board committees of the Company and directorships in the Group Members; and
- (c) such other criteria as the Scheme Committee may deem relevant.

4.5 The Company shall ensure that:

- (a) the allocation of Shares to Selected Persons is verified at the end of each financial year of the Company by the Company's audit committee as being in compliance with clause 4.1; and
- (b) a statement by the audit committee, verifying such allocation, is included in the Company's annual report.

5. ELIGIBILITY

5.1 Any Eligible Person who meets the following criteria as of the date of an Offer shall be eligible for consideration and selection as a Selected Person by the Scheme Committee:

- (a) if he has attained the age of eighteen years, is not an undischarged bankrupt and is not subject to any bankruptcy proceedings;
- (b) if he, with the exception of a Non-Executive Director, entered into a full-time or fixed term contract with, and is on the payroll of any Group Member, and whose service has been confirmed;

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

- (c) if he is serving in a specific designation under an employment contract, whether on a permanent contract or for a fixed duration (or any other contract as may be determined by the Scheme Committee);
- (d) if he fulfils any other criteria and/or falls within such category as may be determined by the Scheme Committee from time to time.

Subject to applicable law, the Scheme Committee may vary or revise any of the criteria set forth in this clause 5.1 at any time and from time to time.

- 5.2 Eligibility for consideration under the Scheme does not confer an Eligible Person with any right whatsoever under or to participate in the Scheme.
- 5.3 The selection of any Eligible Person for participation in the Scheme shall be made by the Scheme Committee. The decision of the Scheme Committee shall be final and binding.

6. SCHEME PERIOD

- 6.1 The Scheme shall take effect on the Effective Date and shall continue to be in force for a period of five years thereafter ("**Initial Term**"), provided that (if new Shares are to be allotted and issued under the Scheme) the following conditions have been fulfilled:
 - (a) grant of the approval of Bursa Securities for the listing of and quotation for the new Shares to be issued pursuant to the Scheme on the Main Market of Bursa Securities;
 - (b) grant of the approval of the shareholders of the Company;
 - (c) the submission to Bursa Securities of a copy of the final By-Laws; and
 - (d) the fulfilment of all conditions attached to the approvals referred to in clauses 6.1(a) and (b), if any.
- 6.2 The Scheme may be extended by the Board for a period of up to another five years from the expiry of the Initial Term. Any extension shall not, in aggregate with the Initial Term, exceed 10 years from the Effective Date or such other period as may be allowed by the relevant authorities.
- 6.3 All unaccepted Offers shall forthwith cease to be capable of acceptance, and all Unvested Options, Unvested Share Grants or Unvested Shares shall forthwith cease to be capable of vesting, upon expiration of the Scheme.
- 6.4 Within five Market Days after the Effective Date, the Company shall, through the Adviser, submit a confirmation to Bursa Securities of full compliance with the approvals and/or conditions set forth in clause 6.1, stating the Effective Date, together with a certified true copy of the relevant resolution passed by the shareholders of the Company in the general meeting approving the Scheme.

7. OFFER UNDER THE SCHEME

- 7.1 Pursuant to the Scheme, the Scheme Committee may, at any time and from time to time, during the Scheme Period, make one or more Offers to Selected Persons to participate in the Scheme.
- 7.2 The Offer may be made upon such terms and conditions as the Scheme Committee deems appropriate and the terms and conditions of each Offer may differ.

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

- 7.3 Subject to any adjustment which may be made under Schedule 1, the Scheme Committee may at its absolute discretion determine the number of Shares to be comprised in an Offer made to a Selected Person under the Scheme.
- 7.4 The Scheme Committee may at its discretion determine:
- (a) the type of Offer (whether it is an Option Offer or a Share Grant Offer) to be made to a Selected Person;
 - (b) the terms of the Offer to be made to a Selected Person;
 - (c) the date on which an Offer is made to a Selected Person;
 - (d) the Vesting Conditions;
 - (e) the number of Shares to be vested on the Vesting Date;
 - (f) the number of Shares comprised in an Option; and/or
 - (g) any other term or condition as the Scheme Committee may from time to time deem appropriate.

8. ACCEPTANCE OF THE OFFER

- 8.1 The Option Offer must be accepted by the Selected Person during the Offer Period in such form and manner as may be prescribed by the Scheme Committee and must be accompanied with a payment to the Company or the relevant Group Member of a sum of RM1.00 only as non-refundable consideration for the Option Offer.
- 8.2 The Share Grant Offer must be accepted by the Selected Person during the Offer Period in such form and manner as may be prescribed by the Scheme Committee and must be accompanied by the details of the Selected Person's CDS Account number and a payment to the Company or the relevant Group Member of a sum of RM1.00 only as non-refundable consideration for the Share Grant Offer.
- 8.3 The date of receipt by the Company or the relevant Group Member of such form and payment shall be the date of acceptance of the Offer by the Selected Person.
- 8.4 Unless the Scheme Committee otherwise decides, in the event that the Selected Person fails to accept the Offer in the manner prescribed within the Offer Period, such Offer shall automatically lapse and shall then be null and void and the Offer may, at the sole and absolute discretion of the Scheme Committee, be offered to other Selected Persons in accordance with these By-Laws provided that the Scheme Committee shall not be precluded from making a fresh Offer to the Selected Person subsequently.
- 8.5 Upon acceptance of the Offer in accordance with these By-Laws, the Selected Persons shall be referred to as a Scheme Participant for the purposes of these By-Laws.

9. OPTION PRICE AND THE EXERCISE OF OPTION

- 9.1 Subject to any adjustment which may be made under Schedule 1, the Option Price shall be determined based on the volume weighted average market price of the Shares for the five Market Days immediately preceding the date of the Option Offer, subject to a discount of not more than 10% of the foregoing, but the final determined price of which shall not in any way be less than the par value of the Shares.

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

- 9.2 An Option can be exercised by the Scheme Participant, by notice in writing to the Company by the Scheme Participant or its authorised agent (subject that such authorised agent must be recognised by the Company) or in any other manner as may be determined by Scheme Committee from time to time, during the Option Period in respect of all or any part of the Shares comprised in the Option.
- 9.3 Every such notice or any other manner to exercise an Option referred to in clause 9.2, shall be accompanied by a full remittance for the full subscription money (calculated in accordance with clause 9.1) in relation to the number of Shares comprised in the Option. The Scheme Participant who exercises his Option shall provide the Company with his CDS Account number.
- 9.4 The minimum period during which an Option must be held before it can be exercised, if any, may be determined by the Scheme Committee at its absolute discretion.

10. VESTING CONDITIONS

- 10.1 Subject to clause 10.2, the Scheme Committee may at its discretion stipulate the number of Shares comprised in an Offer or an Award, Performance Targets, Performance Period, Vesting Conditions, Vesting Period, Vesting Date and/or other conditions.
- 10.2 The Options and/or the Shares pursuant to the exercise of the Options may be vested to the Scheme Participants in tranches over a period of up to five years as may be determined by the Scheme Committee.
- 10.3 The Share Grants and/or Shares pursuant to the Share Grants may be vested to the Scheme Participants in tranches over a period of up to three years as may be determined by the Scheme Committee.
- 10.4 Notwithstanding anything to the contrary in these By-Laws, an Offer or an Award, the Scheme Committee may, by giving notice in writing to Scheme Participants, vary the number of Shares comprised in an Offer or Award, and/or vary or waive any one or more of the Performance Targets, Performance Period, Vesting Conditions, Vesting Period, Vesting Date and/or other conditions as will be used to determine the number of Shares comprised in the Options or Share Grants awarded to such Scheme Participants on any Offer Date or Award Date (including (without limitation) increasing or reducing the number of Shares comprised in such Award).
- 10.5 The determination whether the Scheme Participant has achieved any of the stipulated Performance Targets, Vesting Conditions, and/or other conditions of the Eligible Person during the Performance Period shall be determined by the Scheme Committee at its sole and absolute discretion.

11. VESTING AND SETTLEMENT

- 11.1 The Options, Share Grants or Shares (as the case may be) or such part thereof as may be specified in the Offer will only vest in the Scheme Participants in accordance with the terms of the Award on the Vesting Date provided that the Scheme Participant must fulfil the criteria under clause 5.1 as of the Vesting Date.
- 11.2 The determination as to whether the Vesting Conditions have been fulfilled shall be made by the Scheme Committee. In the event that the Scheme Committee shall determine that the Vesting Conditions are not fully satisfied, the Scheme Committee may, at its discretion, adjust the number of Shares comprised in the Options or Share Grants which may vest in the Scheme Participants and/or to impose such other conditions as the Scheme Committee deems fit in respect of the vesting of the Options, Share Grants or Shares to such Scheme Participants.

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

- 11.3 Where the Scheme Committee has made the determination that the Vesting Conditions have been fulfilled or has made a determination pursuant to clause 11.2 if the Vesting Conditions are not fully satisfied, the Scheme Committee shall notify the Scheme Participant of the number of Shares (comprised in the Option, upon the exercise of the Option or comprised in the Share Grant) vested or which will be vested in him on the Vesting Date, as the case may be.
- 11.4 In respect of an Award under the Option Plan, no Scheme Participant shall have any right to or interest in the Shares unless and until the Options are exercised and the Shares are vested to him on and with effect from the date such Shares are credited into his CDS Accounts.
- 11.5 In respect of an award under the LTIP, no Scheme Participant shall have any right to or interest in the Shares unless and until the Shares are vested to him on and with effect from the date such Shares are credited into his CDS Accounts.
- 11.6 The vesting of the Shares under the Scheme is to be settled by way of an allotment and issue of new Shares.
- 11.7 In relation to Shares to be vested on the Vesting Date (pursuant to an exercise of an Option under clause 9.3 or pursuant to a Share Grant), the Company shall, within eight Market Days after the Vesting Date (or such other period as may be prescribed or allowed by Bursa Securities and/or the Listing Requirements):
- (a) procure the allotment and issue of the relevant number of Shares and despatch the notice of allotment to the Scheme Participant accordingly; and
 - (b) apply for the quotation of such Shares on Bursa Securities.
- 11.8 The Shares to be allotted and issued to the Scheme Participants pursuant to the vesting of the Shares under the Award will be credited directly into the CDS Account of the Scheme Participant and no physical share certificates will be delivered to the Scheme Participant or his authorised nominee (as the case may be).

12. TAKE-OVERS

- 12.1 In the event of:
- (a) a take-over offer being made for the Company through a general offer to acquire the whole of the issued share capital of the Company (or such part thereof not at the time owned by the person making the general offer ("**Acquirer**") or any persons acting in concert with the Acquirer); or
 - (b) the Acquirer 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;

the Scheme Committee may to the extent permitted by law in its discretion permit the vesting of Unvested Options, Unvested Share Grants, Unvested Shares, or any part thereof, in the Scheme Participant or the Scheme Participant's legal and personal representatives, as the case may be, at any time subject to such terms and conditions as may be prescribed notwithstanding that:

- (i) the Vesting Date is not due or has not occurred; and/or
- (ii) other terms and conditions set forth in the Award have not been fulfilled or satisfied.

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

13. SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION AND MERGER

13.1 In the event of the court approving a compromise or arrangement between the Company and its members for the purposes of, or in connection with, a scheme of arrangement and reconstruction of the Company or its amalgamation with any other corporation, the Scheme Committee may permit the vesting of Unvested Options, Unvested Share Grants or Unvested Shares, or any part thereof, in the Scheme Participant or the Scheme Participant's legal and personal representatives, as the case may be, at any time subject to such terms and conditions as may be prescribed notwithstanding that:

- (a) the Vesting Date is not due or has not occurred; and/or
- (b) other terms and conditions set forth in the Award have not been fulfilled or satisfied.

13.2 In the event the Company decides to merge with any other corporation, the Scheme Committee may in its discretion, permit the termination of the Award or the vesting of Unvested Options, Unvested Share Grants, Unvested Shares, or any part thereof, in the Scheme Participant at any time prior to the Scheme Termination Date subject to such terms and conditions as may be prescribed notwithstanding that:

- (a) the Vesting Date is not due or has not occurred; and/or
- (b) other terms and conditions set forth in the Award have not been fulfilled or satisfied.

14. NON-TRANSFERABILITY

14.1 The rights of a Scheme Participant to the vesting of Options, Share Grants or Shares shall be personal to him and cannot be assigned, transferred or otherwise disposed of in any manner whatsoever unless otherwise expressly provided in these By-Laws.

15. RETENTION PERIOD

15.1 Subject to clause 15.2, the new Shares to be allocated to Scheme Participants pursuant to these By-Laws will not be subjected to any retention period, unless the Scheme Committee stipulates otherwise in the Offer.

15.2 A Scheme Participant who is a Non-Executive Director must not sell, transfer or assign the Shares obtained through the exercise of Options awarded to him, if any, within one year from the date of the Option Offer.

15.3 The expression "retention period" referred to in clause 15.1 shall mean the period in which the Shares allotted and issued, or transferred, pursuant to the Scheme must not be sold, transferred, assigned or otherwise disposed of by the Scheme Participant.

16. TERMINATION OF OFFERS, UNVESTED SHARE OPTIONS, UNVESTED SHARE GRANTS AND UNVESTED SHARES

16.1 Subject to clauses 16.2 and 16.3, any unaccepted Offer shall forthwith lapse and be null and void and/or any Unvested Option, Unvested Share Grants or Unvested Share in respect of a Scheme Participant shall forthwith cease to be capable of vesting in a Scheme Participant, as the case may be, without any liability to or right to claim against the Company, any Group Member, the Scheme Committee, and/or the Board upon the occurrence of any one or more of the following events:

- (a) service of a notice to resign by the Selected Person or Scheme Participant, as the case may be;

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

- (b) service of a notice of termination or termination or cessation of employment of the Selected Person or Scheme Participant with a Group Member by reason of misconduct, as the case may be; or
 - (c) bankruptcy of the Selected Person or Scheme Participant, as the case may be.
- 16.2 In the event of the termination or cessation of employment of the Selected Person or Scheme Participant with the Group in any of the following circumstances:
- (a) retirement on attaining the retirement age under the Group's retirement policy;
 - (b) retirement before attaining the normal retirement age;
 - (c) ill-health, injury, physical or mental disability or mental disorder;
 - (d) redundancy or retrenchment, or cessation of service pursuant to the acceptance by the Selected Person of a voluntary separation scheme offered by the Company or a relevant Group Member;
 - (e) non-renewal of a fixed-term contract;
 - (f) winding-up or liquidation of the Company or a relevant Group Member; or
 - (g) any other circumstance which is acceptable to the Scheme Committee in its sole and absolute discretion;
- any unaccepted Offer shall forthwith lapse and be null and void and/or any Unvested Option, Unvested Share Grant or Unvested Share in respect of that Scheme Participant shall forthwith cease to be capable of vesting in that Scheme Participant without any liability to or right to claim against the Company, any Group Member, the Scheme Committee, and/or the Board. Notwithstanding this, the Scheme Committee may in its absolute discretion permit the vesting of Unvested Options, Unvested Share Grants or Unvested Shares, or any part thereof, in the Scheme Participant subject to such terms and conditions as may be prescribed notwithstanding that:
- (i) the Vesting Date is not due or has not occurred; and/or
 - (ii) other terms and conditions set forth in the Offer have not been fulfilled or satisfied.
- 16.3 Where a Scheme Participant retires and is immediately re-employed by the Company or by any Group Member, upon his re-employment, the Scheme Committee may at its absolute discretion allow the Scheme Participant to be vested with the Options, Share Grants or Shares under such Offer made pursuant to clause 7 either in whole or in part within such period as the Scheme Committee may determine.
- 16.4 In the event of death of the Scheme Participant before the vesting of the Options, Share Grants or Shares, such Award shall automatically lapse and become null and void at the date of his death, unless otherwise decided by the Scheme Committee.
- 16.5 Any unaccepted Offer shall forthwith lapse and be null and void and/or Unvested Options, Unvested Share Grants or Unvested Shares shall forthwith cease to be capable of vesting, as the case may be, without any claim against the Company, any Group Member, the Scheme Committee, and/or the Board upon the occurrence of one or more of the following events:
- (a) winding-up or liquidation of the Company; or
 - (b) termination of the Scheme pursuant to these By-Laws.

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

16.6 Any Unvested Option, Unvested Share Grant or Unvested Share that ceases to be capable of vesting in a Scheme Participant pursuant to this clause 16 will continue to be available under the Scheme.

17.1 TERMINATION OF SCHEME

17.1 Notwithstanding anything to the contrary in these By-Laws, but subject to any applicable law or stock exchange regulation, the Scheme may be terminated by the Company at any time prior to the expiry of the Scheme Period by written notice to affected Scheme Participants, provided that:

- (a) in the case of any unaccepted Offers, such Offers shall forthwith lapse and become null and void on the date specified in the notice;
- (b) in the case of any Unvested Option, Unvested Share Grant or Unvested Share, the written consents of all affected Scheme Participants are obtained prior to such termination, whereupon all Unvested Options, Unvested Share Grants or Unvested Shares shall cease to be capable of vesting in the affected Scheme Participants and be null and void on the date specified in the notice which shall be after the consents have been obtained ("**Scheme Termination Date**"), provided however that the Scheme Committee may in its absolute discretion permit the vesting of the Unvested Options, Unvested Share Grants or Unvested Shares either in whole or in part thereof in the Scheme Participant at any time prior to the Scheme Termination Date subject to such terms and conditions as may be prescribed by the Scheme Committee notwithstanding that:
 - (i) the Vesting Date is not due or has not occurred; and/or
 - (ii) any other term or conditions of the Offer have not been fulfilled or satisfied.
- (c) the Company must immediately announce to Bursa Securities:
 - (i) the Scheme Termination Date;
 - (ii) the number of Shares vested pursuant to the Share Grants and the exercise of the Options; and
 - (iii) the reasons and justifications for the termination.

17.2 Upon termination of the Scheme, no further Offers shall be made by the Company.

18. RIGHTS ATTACHED TO SHARES

18.1 Subject to clause 18.2, new Shares to be allotted and issued pursuant to the vesting of the Shares under the Scheme, shall, upon the allotment and issue:

- (a) be subject to the relevant provisions in the memorandum and articles of association of the Company, including (without limitation), the provision in relation to their transfer, transmission or otherwise; and
- (b) rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the date on which the Shares are credited into the CDS Accounts of the Scheme Participants; and
- (c) rank pari passu in all other respects with the other then existing Shares of the Company.

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

- 18.2 The Scheme Participant shall not be entitled to any dividend, right, allotment, entitlement and/or any other distribution:
- (a) attached to the Shares prior to the date on which the Shares are credited into the Scheme Participants' respective CDS Accounts; and/or
 - (b) which may be declared, made or paid to the Company's shareholders, for which the book closure date is prior to the date on which the Shares are credited into the CDS Account of that Scheme Participant.

For the purposes of this clause 18, "book closure date" shall mean the date as of the close of business on a shareholder of the Company must be registered as a member and whose name must appear in the record of depositors maintained at Bursa Depository in order to be entitled to any dividend, right, allotment, entitlement and/or any other distribution.

19. ADMINISTRATION

- 19.1 The Scheme shall be administered by the Scheme Committee consisting of such persons appointed by the Board from time to time.
- 19.2 If the Scheme Committee comprises any Eligible Person, Selected Person or Scheme Participant, the Scheme Committee must ensure that the Eligible Person, Selected Person or Scheme Participant does not participate in the deliberation or discussion in connection with their own allocation.
- 19.3 Subject to these By-Laws and the Terms of Reference, the Scheme Committee shall administer the Scheme in such manner as it shall in its discretion deem fit.
- 19.4 For the purpose of administering the Scheme, the Scheme Committee may do all such acts and things; enter into any transaction, agreement, deed, instrument, document or arrangement; make rules and regulations; and/or impose terms and conditions; relating to the administration of the Scheme, as the Scheme Committee may in its discretion deem fit, necessary and/or expedient for the implementation and administration of, and to give full effect to, the Scheme.
- 19.5 The Board shall have power at any time and from time to time to:
- (a) approve, rescind and/or revoke the appointment of any member of the Scheme Committee and appoint replacement members to the Scheme Committee;
 - (b) make, issue and/or amend the Terms of Reference at any time and from time to time; and
 - (c) assume and/or exercise or execute any of the powers and authorities conferred upon the Scheme Committee pursuant to these By-Laws.

20. DISCIPLINARY PROCEEDINGS

- 20.1 In the event a Selected Person is subjected to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service or demotion to a lower category of employment) after an Offer is made but before the acceptance thereof by such Selected Person, the Offer is deemed withdrawn and no longer capable of acceptance, unless otherwise decided by the Scheme Committee who may in so doing, impose such terms and conditions as it deems appropriate having regard to the nature of the disciplinary actions made or brought against the Selected Person.

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

- 20.2 Nothing herein shall prevent the Scheme Committee (but the Scheme Committee shall not be obliged to do so) from making a fresh Offer to such Selected Person in the event that such disciplinary actions are not found against him, or if such disciplinary actions are withdrawn, provided that such Offer is made within the duration of the Scheme Period.
- 20.3 In the event a Scheme Participant is subjected to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service or demotion to a lower category of employment) after the acceptance of an Offer, the right in respect of the Award shall be suspended pending the outcome of the disciplinary proceedings unless otherwise decided by the Scheme Committee who may in so doing, impose such terms and conditions as it deems appropriate having regard to the nature of the disciplinary actions made or brought against the Scheme Participant, provided that:
- (a) in the event the Scheme Participant is found guilty resulting in the dismissal or termination of service, the Award shall immediately lapse notwithstanding that such dismissal or termination of service may be subsequently challenged by the Scheme Participant in any other forum;
 - (b) in the event the Scheme Participant is found guilty resulting in a demotion to a lower category of employment, the number of Shares comprised in the Award held by that Scheme Participant which are unvested at that time may be reduced by the Scheme Committee in its sole and absolute discretion or be dealt with in such manner as the Scheme Committee, in its absolute discretion, deems appropriate; and
 - (c) in the event the Scheme Participant is found guilty of some or all of the charges but no dismissal or termination of service is recommended, the Scheme Committee shall have the sole right to determine, at its absolute discretion, whether or not the Shares comprised in the Award may continue to vest and, if so, to impose such terms and conditions as it deems appropriate in respect of such vesting.
- 20.4 Nothing herein shall prevent the Scheme Committee (but the Scheme Committee shall not be obliged to do so) from making a fresh Offer and/or reinstating the right in respect of the Award in the event that such disciplinary actions are not decided against him or if such disciplinary actions against the Scheme Participant are withdrawn provided that such Offer and/or reinstatement is made within the duration of the Scheme Period. If the Scheme Committee does not reinstate such right in respect of the Award prior to the expiry of the Scheme Period, the Offer and acceptance thereof shall automatically lapse and shall immediately become null and void and any unvested Share shall forthwith cease to be capable of vesting in the Scheme Participant, as the case may be, unless the Scheme Committee determines otherwise.

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

- 21.1 Subject to clause 21.2 and compliance with the Listing Requirements, and the approval of any regulatory authority (if required), the Scheme Committee may at any time and from time to time recommend to the Board any addition, amendment and/or modification to and/or deletions of these By-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, modify and/or delete all or any part of these By-Laws upon such recommendation provided that no such amendment and/or modification shall be made which would adversely affect the rights attaching to any Award except with the approval of a majority in number of the then Scheme Participants present and voting at a meeting of Scheme Participants convened for such purpose, whether by a show of hands by those present and voting and/or by poll. The quorum for such meetings of Scheme Participants shall be two Scheme Participants. At least fourteen days' notice of such meeting must have been given to the Scheme Participants for the convening of any such meeting.

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

- 21.2 The approval of the shareholders of the Company in general meeting shall not be required in respect of additions, amendment and/or modification to or deletion of these By-Laws save and except:
- (a) if the approval of the shareholders of the Company has been obtained for the purposes of the allotment and issue of new shares in the Company for the purposes of the Scheme; and
 - (b) if such addition, amendment modifications and/or deletion would:
 - (i) increase the number of Shares beyond the Maximum Shares Available; or
 - (ii) provide an advantage to any Scheme Participant or group of Scheme Participants or all the Scheme Participants.
- 21.3 Where any addition, amendment, modifications and/or deletion is made to these By-Laws, the Company shall submit to Bursa Securities:
- (a) such amendment and/or modification to these By-Laws; and
 - (b) a confirmation letter that such amendment and/or modification to these By-Laws comply with the applicable provisions under the Listing Requirements;

no later than 5 Market Days from the effective date of the said amendment and/or modification or such other period as may be allowed by Bursa Securities.

22. DISPUTES

- 22.1 In the event of any dispute between the Scheme Committee with an Eligible Person, Selected Person or Scheme Participant, as to any matter or thing of any nature arising hereunder, such dispute or difference shall be referred to the Board whose decision shall be final and binding on all parties in all respects.

23. SCHEME NOT A TERM OF EMPLOYMENT

- 23.1 The Scheme does not form part of nor shall it in any way be construed as forming part of the terms and conditions of employment of any Eligible Person, Selected Person or Scheme Participant. The Scheme shall not confer or be construed to confer on any Eligible Person, Selected Person or Scheme Participant any special right or privilege over his terms and conditions of employment nor any right in addition to compensation or damages that he may be normally entitled to arising from the cessation of his employment.

24. COMPENSATION

- 24.1 No Eligible Person, Selected Person or Scheme Participant who ceases to hold office in or employment with any Group Member shall be entitled to any compensation for the loss of any right or benefit or prospective right or benefit under the Scheme.
- 24.2 The Company, the Board and/or the Scheme Committee shall not be liable for any compensation, loss or damages of any claim, action or proceeding by any Eligible Person, Selected Person or Scheme Participant or legal or personal representatives whatsoever and howsoever arising from the suspension or termination of any right to the vesting of Shares pursuant to the Award, or of such right ceasing to be valid pursuant to the provisions of these By-Laws.

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

25. GROUP MEMBERS

- 25.1 The Board and/or Scheme Committee may determine, in its absolute discretion, that a subsidiary of the Company (including those subsequently incorporated or acquired during the Scheme Period) shall not fall within the expression "Subsidiaries" or "Group Members".

26. DIVESTMENT FROM GROUP

- 26.1 If a Scheme Participant who held office or was in the employment with a corporation of the Group which has ceased to be a Group Member as a result of a restricting or divestment exercise or otherwise (other than a takeover or reconstruction as a result of a restructuring or divestment exercise or otherwise provided under these By-Laws), the Scheme Committee may in its discretion permit the vesting of Unvested Options, Unvested Share Grants or Unvested Shares, or any part thereof, in the Scheme Participant at any time subject to such terms and conditions as may be prescribed notwithstanding that:

- (a) the Vesting Date is not due or has not occurred;
- (b) the Vesting Period has not commenced; and/or
- (c) any other term or conditions in the Award have not been fulfilled or satisfied.

27. ACQUISITIONS OF SUBSIDIARIES

- 27.1 Notwithstanding anything to the contrary, an employee who is in employment of a corporation which is not Group Member ("**Previous Company**") but subsequently becomes a Group Member as a result of an acquisition or other exercise involving the Company and/or any Subsidiary or transferred to a corporation which is a Group Member subsequent to the acquisition, in the case of an employee of a Previous Company, such an employee ("**Affected Employee**"):

- (a) will be entitled to continue to exercise all such unexercised rights or options that were granted to him under the Previous Company's employee share scheme or employee share option scheme in accordance with the by-laws of that Previous Company's employee share scheme or employee share option scheme, but he shall not, upon that Previous Company becoming a Group Member, be eligible to participate for further rights or options under such Previous Company's employee share scheme or employee share option scheme unless permitted by the Scheme Committee; and
- (b) may be eligible to participate in the Scheme only for remaining duration of the Scheme (subject to the approval of the Scheme Committee);

provided that, notwithstanding anything to the contrary, any Option, Share Grant or Share that may be offered to such an Affected Employee under these By-Laws shall always be subject to the discretion of the Scheme Committee.

28. TRANSFER TO OTHER SUBSIDIARY THAT IS NOT A GROUP MEMBER

- 28.1 Notwithstanding anything to the contrary, in the event a Scheme Participant who was employed in a Group Member is subsequently transferred from such corporation to another person which is not a Group Member, the Scheme Committee shall have the discretion to decide that the Scheme Participant shall continue to be entitled to have a right in any Unvested Option, Unvested Share Grant or Unvested Share upon the same terms and conditions as may be set forth in the Award as if the Scheme Participant is still in employment with the Group Member.

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

29. INSPECTION OF THE AUDITED FINANCIAL STATEMENTS

- 29.1 All Scheme Participants shall be entitled to inspect a copy of the latest audited financial statements of the Company at the registered office of the Company from Mondays to Fridays (excluding public holidays) during normal office hours.

30. COSTS, EXPENSES AND TAXES

- 30.1 All fees, costs, and expenses (including but not limited to administrative and handling charges) incurred in relation to the issue and allotment of the Shares pursuant to an Award upon the vesting of the Shares, shall be borne by the Company. All brokerage fees, commissions and such other incidental costs and stamp duties arising from the sale of Shares by Scheme Participants shall be borne by the Scheme Participants.
- 30.2 Each Scheme Participant shall be solely responsible for any and all taxes (including income tax) which may be levied on him arising out of or as a result of such issuance and allotment of Shares to him under these By-Laws.

31. ARTICLES OF ASSOCIATION

- 31.1 Notwithstanding the terms and conditions contained in the Scheme, if a situation of conflict should arise between the Scheme and the articles of association of the Company, the provisions of the articles of association of the Company shall prevail at all times.

32. ERRORS AND OMISSIONS

- 32.1 If in consequence of an error or omission, the Scheme Committee discovers or determines that:
- (a) an Eligible Person who was selected by the Scheme Committee as a Selected Person has not been given the opportunity to participate in the Scheme on any occasion;
 - (b) the number of Shares comprised in an Option on any occasion is found to be incorrect; or
 - (c) the number of Shares allotted and issued to any Scheme Participant (including those allotted and issued pursuant to the vesting of the Shares pursuant to the Award) on any occasion is found to be incorrect;

and such error or omission cannot be corrected within the relevant period specified in the Scheme, the Scheme Committee may do all such acts and things to rectify such error or omission and ensure that the Eligible Person is given the opportunity to participate in the Scheme, the number of Shares comprised in an Option is corrected and/or the aggregate number of Shares to which the Scheme Participant is correctly entitled is to be credited into his CDS Account (whichever is applicable as determined by the Scheme Committee).

- 32.2 In the event of any error or omission in an Offer or Award, the Scheme Committee may issue a supplemental Offer stating the correct particulars of the Offer or Award.

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

33. NOTICE

- 33.1 Any notice under the Scheme required to be given to or served upon the Scheme Committee by an Eligible Person, Selected Person or a Scheme Participant or any correspondence to be made between an Eligible Person, Selected Person or Scheme Participant to the Scheme Committee shall be given or made in writing and sent to the registered office of the Company or such other office which the Scheme Committee may have stipulated for a particular purpose by hand (with acknowledgment of receipt) or registered letter.
- 33.2 Unless otherwise provided in these By-Laws, any notice which under the Scheme is required to be given to or served upon an Eligible Person, Selected Person or Scheme Participant or any correspondence to be made with an Eligible Person, Selected Person or Scheme Participant shall be deemed to be sufficiently given, served or made if it is given, served or made by hand, facsimile transmission, registered post, courier, human resource electronic management system or e-mail addressed to the Eligible Person, Selected Person or Scheme Participant at the place of employment or at the last facsimile number or address known to the Company as being his facsimile number or address. Any notice served by hand, facsimile, or courier as aforesaid shall be deemed to have been received at the time when such notice (if by hand or courier) is received and duly acknowledged, and if by facsimile is transmitted with a confirmed log print-out for the transmission indicating the date, time and transmission of all pages. Any notice served by registered post shall be deemed to have been received the third day after postage. Any notice served by any electronic management system or e-mail shall be deemed to have been received upon the said communication being sent.
- 33.3 Notwithstanding clause 33.2, where any notice is required to be given by the Company or the Scheme Committee under these By-Laws in relation to matters which may affect all the Eligible Persons, Selected Persons or Scheme Participants, as the case may be, the Company or Scheme Committee may give notice through an announcement to all employees of Group Members to be made in such manner deemed appropriate by the Scheme Committee. Upon the making of such an announcement, the notice to be made under clause 33.2 shall be deemed to be sufficiently given, served or made to all affected Eligible Persons, Selected Persons or Scheme Participants, as the case may be.

34. SEVERABILITY

- 34.1 If at any time any provision of these By-Laws is or becomes illegal, void or unenforceable in any respect, the same shall be ineffective to the extent of such illegality, voidness or unenforceability without invalidating the remainder thereof, and any such illegality, voidness or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation or provision herein contained.

35. DISCLAIMER OF LIABILITY

- 35.1 Notwithstanding any provisions contained herein and subject to the Companies Act, the Scheme Committee and the Company shall not under any circumstance be liable for any cost, loss, expense and/or damage whatsoever incurred, arising and/or suffered by any Scheme Participant in connection with any delay in allotting and issuing the Shares, applying for a or procuring the listing of the new Shares on Bursa Securities, and/or for any reason whatsoever.

36. DECISION OF THE SCHEME COMMITTEE

- 36.1 Any decision and/or determination made by the Scheme Committee under these By-Laws shall, in the absence of any manifest of error, be final and binding.

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

37. MULTIPLE JURISDICTIONS

- 37.1 In order to facilitate the making of any Offer under this Scheme, the Board may provide for such special terms to apply to such Offers to Eligible Persons who are employed by a Group Member in a particular jurisdiction, or who are nationals of any particular jurisdiction, that is outside Malaysia, as the Board may consider necessary or appropriate to accommodate differences in applicable law, tax policy or custom. Moreover, the Board may approve such supplements to or amendments, restatements or alternative versions of, the Scheme as it may consider necessary or appropriate for such purposes, without thereby affecting the terms of the Scheme as they are 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 this Scheme. No such special terms, supplements, amendments or restatement, however, shall include any provision that is inconsistent with the terms of this Scheme as then in effect unless this Scheme could have been amended to eliminate such inconsistency.

38. GOVERNING LAW

- 38.1 The Scheme, these By-Laws, all Offers, all Awards made and granted, and all decisions and actions taken under the Scheme shall be governed by and construed in accordance with Malaysian law. The Scheme Participant, by accepting the Offer in accordance with these By-Laws, the terms of the Scheme and the articles of association of the Company, irrevocably submits to the exclusive jurisdiction of the Malaysian courts.

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SCHEDULE 1

1. If the Scheme Committee so decides (but not otherwise), in the event of any alteration in the capital structure of the Company during the duration of the Scheme, whether by way of capitalisation of profits or reserves, rights issues, bonus issues, capital reduction (save for set off against accumulated losses), capital repayment, sub-division or consolidation of capital, or declaration of any special dividend or distribution or otherwise howsoever taking place, such corresponding alterations (if any) may be made to the Scheme.

2. Alterations, as set forth in section 1 of Schedule 1, may be made in:
 - (a) the Option Price and/or the Share Grant Price;
 - (b) the number of Shares comprised in an Option that has not been exercised pursuant to an Award;
 - (c) the number of Unvested Shares comprised in an Award; and/or
 - (d) the method and/or manner in the vesting of the Options, Share Grants or Shares comprised in an Award.

3. The alterations set forth in section 2 of Schedule 1 shall be in such a manner as to give the Selected Person a fair and reasonable Award entitlement, as certified in writing (other than for adjustments made pursuant to a bonus issue) by the external auditor or Adviser to the Company (acting as an expert and not as an arbitrator) as being in its opinion fair and reasonable and such certification shall be final and binding in all respects, provided that:
 - (a) upon any adjustment being made pursuant to section 2 of Schedule 1, the Scheme Committee shall notify the Selected Person (or his personal representatives, where applicable) in writing of:
 - (i) the adjusted number of Shares comprised in an Option pursuant to the Award, and/or the revised maximum number of Shares and/or percentage of the total Shares comprised in the Option pursuant to the Award, such Option of which may be exercised in an Option Period which supersedes the earlier Award; or
 - (ii) the adjusted number of Shares comprised in the Award, and/or the revised maximum number of Shares and/or percentage of the total Shares comprised in the Award, that may vest at any time or in any period which supersedes the earlier Award.
 - (b) in the event that a fraction of a Share arising from the adjustments referred to in section 2 of Schedule 1 would otherwise be required to be issued upon the vesting of Shares comprised in an Award, the Selected Person's entitlement shall be rounded to the nearest whole number.

Unless otherwise determined by the Scheme Committee, the adjustments pursuant to section 2 of Schedule 1 shall be effective on the day immediately following the book closure date for the event giving rise to that adjustment.

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

4. Notwithstanding anything to the contrary, the provisions of this Schedule 1 shall not apply where the alteration in the capital structure of the Company arises from:
- (a) any issuance of Shares or other securities as consideration (or part consideration) for an acquisition of any other securities, assets or business by the Group;
 - (b) any special issuance of 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;
 - (c) any private placement or restricted issuance of Shares or other securities by the Company;
 - (d) any implementation of a share buy-back arrangement by the Company under the Companies Act;
 - (e) any issuance of warrants, convertible loan stocks or other instruments by the Company that gives a right of conversion into shares in the Company or other securities, and any issuance of Shares or other securities arising from the exercise of any conversion rights attached to such convertible securities; or
 - (f) any issuance or allotment of Shares upon the vesting of Shares comprised in an Award.

5. In consultation with the external auditor or Adviser of the Company, any adjustment pursuant to this Schedule 1 shall be calculated as follows:

- (a) If and whenever a Share, by reason of any consolidation or subdivision or conversion shall have a different par value, then the Option Price and/or Share Grant Price shall be adjusted and the additional number of Shares comprised in an Award shall be calculated in accordance with the following formula:

$$\begin{aligned}
 \text{(i) New Option Price} &= P \times \frac{\text{Revised Par Value}}{\text{Former Par Value}} \\
 \text{(ii) New Share Grant Price} &= P \times \frac{\text{Revised Par Value}}{\text{Former Par Value}} \\
 \text{(iii) Additional number of Shares} &= T \times \frac{\text{Former Par Value}}{\text{Revised Par Value}} - T
 \end{aligned}$$

where:

- (1) "P" means existing Option Price or Share Grant Price.
- (2) "T" means existing number of Shares comprised in an Award.

Notwithstanding the foregoing, no adjustment to the Option Price and/or the number of Shares comprised in the Options shall be made or be applicable in respect of any par value reduction exercise undertaken by the Company which does not result in any change to the existing number of Shares in issue.

If however due to any change in law, par value is no longer legally required to be ascribed to the share capital of the Company, the Option Price shall be adjusted in such manner as the Scheme Committee shall determine or deem fit as shall be compliant with the law then applicable.

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

Each such adjustment will be effective from the close of business on the Market Day immediately preceding the date in which the consolidation or subdivision or conversion becomes effective (being the date when the Shares are traded on Bursa Securities at the new par value), or such other period as may be prescribed by Bursa Securities.

- (b) If and whenever the Company shall make any issue of Shares to its ordinary shareholders of the Company credited as fully paid, by way of bonus issue or capitalisation of profits or reserves (whether of a capital or income in nature and including any share premium account and capital redemption reserve fund):

- (i) the Option Price and/or Share Grant Price shall be adjusted by multiplying it by the following fraction:

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

- (ii) and the additional number of Shares comprised in the respective Award shall be calculated as follows:

$$\text{Additional number of Shares} = T \times \frac{A + B}{A} - T$$

where:

- (1) "A" means the aggregate number of issued and fully paid-up Shares immediately before such bonus issue or capitalisation issue.
- (2) "B" means the aggregate number of Shares to be issued pursuant to any allotment to ordinary shareholders of the Company credited as fully paid by way of capitalisation of profits or reserves (whether of a capital or income in nature and including any share premium account and capital redemption reserve fund).
- (3) "T" means the existing number of Shares comprised in an Award.

Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the book closure date for such issue.

- (c) If and whenever the Company shall make:
- (i) a Capital Distribution (as defined in section 5(h)(i) of this Schedule 1) 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);
- (ii) any offer or invitation to ordinary shareholders pursuant to which they may acquire or subscribe new Shares by way of rights; or
- (iii) any offer or invitation to ordinary shareholders by way of rights pursuant to which they may acquire or subscribe for securities convertible into new Shares or securities with rights to acquire or subscribe for new Shares attached thereto;

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

then and in respect of each such case:

- (A) the Option Price and/or Share Grant Price shall be adjusted by multiplying it by the following fraction:

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

- (B) and in respect of the circumstance referred to in section 5(c)(ii) of this Schedule 1, the number of additional Shares to be comprised in an Award shall be calculated as follows:

$$\text{Additional number of Shares} = T \times \frac{C}{C - D^*} - T$$

where:

- (1) "C" means the Current 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 (falling any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation.
- (2) "D" means:
- (aa) in the case of an offer or invitation to acquire or subscribe for Shares by way of rights under section 5(c)(ii) of this Schedule 1 or for securities convertible into Shares or securities with rights to acquire or subscribe for Shares under section 5(c)(iii) of this Schedule 1, the value of rights attributable to a Share; or
- (bb) in the case of any other transaction falling under section 5(c) of this Schedule 1, the fair market value, as determined by an external auditor and/or Adviser of the Company, of that portion of the Capital Distribution attributable to a Share.

For the purpose of the definition of "D" under the foregoing paragraph (aa), the value of the rights attributable to a Share shall be calculated as follows:

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

where:

- (AA) "C" means the Current 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 (falling any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation;

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

- (BB) "E" means the subscription price for one additional Share under the terms of such offer or invitation or subscription price for one additional Share upon conversion of the convertible securities or exercise of such rights to acquire or subscribe for a Share under the offer of invitation;
- (CC) "F" means the number of Shares necessary for a shareholder of the Company to hold in order to be offered or invited to acquire or subscribe for one additional Share or security convertible into rights to acquire or subscribe for one additional Share; and
- (3) "D*" means the value of rights attributable to a Share. For the purpose of this definition of "D*", the value of rights attributable to a Share shall be calculated as follows:
- $$\frac{C - E^*}{F^* + 1}$$
- where:
- (AA) "C" means the Current 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 (falling any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation.
- (BB) "E*" means the subscription price for one additional share under the terms of such offer or invitation to acquire or subscribe for Shares.
- (CC) "F*" means the number of Shares necessary for a shareholder of the Company to hold in order to be offered or invited to acquire or subscribe for one additional Share.
- (4) "T" means the existing number of Shares comprised in an Award.

Such adjustments will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the book closure date for the above transactions.

- (d) If and whenever the Company makes an allotment to its ordinary shareholders as provided under section 5(b) of this Schedule 1 and:
- (i) also makes an offer or invitation to its ordinary shareholders as provided under section 5(c)(ii) or (iii) of this Schedule 1 and the record date for the purpose of the allotment is also books closure date for the purpose of the offer or invitation, the Option Price and/or Share Grant Price shall be adjusted by multiplying it by the following fraction:

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

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

- (ii) also makes an offer or invitation to its ordinary shareholders as provided under section 5(c)(ii) of this Schedule 1 and the record date for the purpose of the allotment is also the book closure date for the purpose of the offer or invitation, the additional number of Shares to be comprised in an Award shall be calculated as follows:

$$(A) \quad \begin{array}{l} \text{Additional number of} \\ \text{Shares to be comprised} \\ \text{in an Award of Option} \end{array} = T \times \frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*)} - T$$

$$(B) \quad \begin{array}{l} \text{Additional number of} \\ \text{Shares to be comprised} \\ \text{in an Award of Share} \\ \text{Grant} \end{array} = T \times \frac{(G + H^* + J) \times C}{(G \times C) + (H^* \times I^*) + (J \times K)} - T$$

where:

- (1) "B" means the aggregate number of Shares to be issued pursuant to any allotment to ordinary shareholders of the Company credited as fully paid by way of capitalisation of profits or reserves (whether of a capital or income in nature and including any share premium account and capital redemption reserve fund).
- (2) "C" means the Current 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 (falling any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation.
- (3) "G" means the aggregate number of issued and fully paid-up Shares on the book closure date.
- (4) "H" means 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.
- (5) "H*" means the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights.
- (6) "I" means the subscription price of one 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 additional Share as the case may be.
- (7) "I*" means the subscription price of one additional Share under the offer or invitation to acquire or subscribe for Shares.
- (8) "J" means the aggregate number of Shares to be issued to its ordinary shareholders of the Company upon conversion of such securities or exercise of such rights to subscribe for Shares by the ordinary shareholders of the Company.
- (9) "K" means the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one additional Share.
- (10) "T" means the existing number of Shares comprised in an Award.

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the book closure date for such issue.

- (e) If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for Shares as provided under section 5(c)(ii) of this Schedule 1 together with an offer or invitation to acquire or subscribe for securities convertible into Shares or rights to acquire or subscribe for Shares as provided under section 5(c)(iii) of this Schedule 1:

- (i) the Option Price and/or Share Grant Price shall be by multiplying it by the following fraction:

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

- (ii) and the additional number of Shares comprises in an Award shall be calculated as follows:

(A) Additional number of Shares to be comprised in an Award of Share Option = $T \times \frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*)} - T$

(B) Additional number of Shares to be comprised in an Award of Share Grant = $T \times \frac{(G + H^* + J) \times C}{(G \times C) + (H^* \times I^*) + (J \times K)} - T$

where;

- (1) "C" means the Current 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 (falling any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation.
- (2) "G" means the aggregate number of issued and fully paid-up Shares on the book closure date.
- (3) "H" means 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.
- (4) "H*" means the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights.
- (5) "I" means the subscription price of one 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 additional Share as the case may be.
- (6) "I*" means the subscription price of one additional Share under the offer or invitation to acquire or subscribe for Shares.

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

- (7) "J" means the aggregate number of Shares to be issued to its ordinary shareholders of the Company upon conversion of such securities or exercise of such rights to subscribe for Shares by the ordinary shareholders of the Company.
- (8) "K" means the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one additional Share.
- (9) "T" means the existing number of Shares comprised in an Award.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the book closure date for the foregoing transactions.

- (f) If and whenever the Company makes an allotment to its ordinary shareholders as provided under section 5(b) of this Schedule 1 and also makes an offer or invitation to its ordinary shareholders to acquire or subscribe for Shares as provided under section 5(c)(ii) of this Schedule 1, together with rights to acquire or subscribe for securities convertible into Shares or with rights to acquire or subscribe for Shares as provided under section 5(c)(iii) of this Schedule 1, and the record date for the purpose of allotment is also the book closure for the purpose of the offer or invitation:

- (i) the Option Price and/or Share Grant Price shall be adjusted by multiplying it by the following fraction:

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

- (ii) and the additional number of Shares comprised in an Award shall be calculated as follows:

$$(A) \quad \text{Additional number of Shares to be comprised in an Award of Option} = T \times \frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} - T$$

$$(B) \quad \text{Additional number of Shares to be comprised in an Award of Share Grant} = T \times \frac{(G + H^* + J + B) \times C}{(G \times C) + (H^* \times I^*) + (J \times K)} - T$$

- (1) "B" means the aggregate number of Shares to be issued pursuant to any allotment to ordinary shareholders of the Company credited as fully paid by way of capitalisation of profits or reserves (whether of a capital or income in nature and including any share premium account and capital redemption reserve fund).
- (2) "C" means the Current 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 (falling any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation.
- (3) "G" means the aggregate number of issued and fully paid-up Shares on the book closure date.

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

- (4) "H" means 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.
- (5) "H*" means the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights.
- (6) "I" means the subscription price of one 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 additional Share as the case may be.
- (7) "I*" means the subscription price of one additional Share under the offer or invitation to acquire or subscribe for Shares.
- (8) "J" means the aggregate number of Shares to be issued to its ordinary shareholders of the Company upon conversion of such securities or exercise of such rights to subscribe for Shares by the ordinary shareholders of the Company.
- (9) "K" means the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one additional Share.
- (10) "T" means the existing number of Shares comprised in an Award.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the book closure date for the foregoing transactions.

- (g) If and whenever (otherwise than pursuant to a rights issue available to all ordinary shareholders of the Company and requiring an adjustment under section 5(c)(ii), (c)(iii), (d), (e) or (f) of this Schedule 1), the Company shall issue either any Share or any securities convertible into Shares or any right to acquire or subscribe for Shares, and in any such case, the Total Effective Consideration per Share is less than 90% of the Average Price for a Share or, as the case may be, the price at which the Shares will be issued and/or transferred upon conversion of such securities or exercise of such rights is determined, the Option Price and/or Share Grant Price shall be adjusted by multiplying it by the following fraction:

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

where:

- (1) "L" means the number of Shares in issue as the close of business on the Market Day immediately preceding the date on which the relevant adjustment becomes effective.
- (2) "M" means the number of Shares which the Total Effective Consideration would have been purchased at the Average Price (exclusive of expense).
- (3) "N" means the aggregate number of Share so issued or, in the case of securities convertible into Shares or rights to acquire or subscribe for Shares, the maximum number (assuming no adjustment of such rights) of Shares issuable upon full conversion of such securities or the exercise in full of such rights.

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

Each such adjustment will be calculated (if appropriate, retroactively) from the close of business on Bursa Securities on the Market Day next following the date on which the issue is announced, or (falling any such announcement) on the Market Day next following the date on which the Company determines the offering price of such Shares. Each such adjustment will be effective (if appropriate, retroactively) from the commencement of the Market Day immediately following the date of the completion of the foregoing transaction.

- (h) In this section 5 of Schedule 1, the following definitions apply:
- (i) For the purpose of section 5(c) of this Schedule 1, “Capital Distribution” shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of Shares (not falling under section 5(b) of this Schedule 1) or other securities credited as fully or partly paid-up by way of capitalisation of profits or reserves (whether of a capital or income in nature and including any share premium account or capital redemption reserve fund). Any dividend charged or provided for in the accounts pertaining to any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution in the event the net dividend amount per share declared or provided for at any given time is more than 10% of the five day weighted average market price of the Shares immediately prior to the announcement of the dividend.
 - (ii) For the purpose of section 5(g) of this Schedule 1, “Total Effective Consideration” shall be determined by the Board with the concurrence of an external auditor and/or Adviser of the Company and shall be:
 - (1) in the case of the issue of Shares, the aggregate consideration receivable by the Company on payment in full for such Shares;
 - (2) in the case of the issue by the Company of securities wholly or partly convertible into Shares, the aggregate consideration receivable by the Company on payment in full for such securities or such part of the securities as is convertible together with the total amount receivable by the Company upon full conversion of such securities (if any); or
 - (3) in the case of the issue by the Company of securities with rights to acquire or subscribe for Shares, the aggregate consideration attributable to the issue of such rights together with the total amount receivable by the Company upon full exercise of such rights;

in each case without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and “Total Effective Consideration per Share” shall be the Total Effective Consideration divided by the number of Shares issued as aforesaid or, in the case of securities convertible into Shares or securities with rights to acquire or subscribe for Shares, by the maximum number of Shares issuable on full conversion of such securities or on exercise in full of such rights.
 - (iii) For the purpose of section 5(g) of this Schedule 1, the “Average Price” of a Share shall be the average price of a Share as derived from the last dealt 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.
 - (iv) For the purpose of section 5(c), (d), (e) and (f), the “Current Market Price” in relation to a Share for any relevant day shall be the weighted average market price for the five consecutive Market Days before such date.

DRAFT BY-LAWS OF THE PROPOSED SCHEME (CONT'D)

6. If an event occurs that is not set out in section 5 of this Schedule 1 or if the application of any of the formula to an event results in a manifest error or does not, in the opinion of the Scheme Committee, achieve the desired result of preventing the dilution or enlargement of the Scheme Participants' rights, the Scheme Committee may agree to any other adjustment formula, provided that the Scheme Participants shall be notified of the adjustment through an announcement to all the Scheme Participants to be made in such manner deemed appropriate by the Scheme Committee.

7. The provisions of Schedule 1 shall also, where applicable, apply to a situation where the Offer has been made but has not been accepted by the Selected Person or withdrawn by the Scheme Committee.

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FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

Our Directors have seen and approved this Circular, and they collectively and individually accept full responsibility for the accuracy of the information contained in this Circular. Our Directors confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, there are no false or misleading statements, or other facts which, if omitted, would make a statement in this Circular false or misleading.

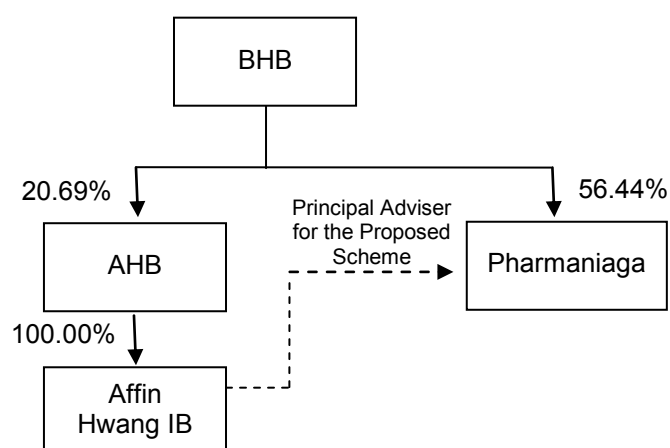
2. CONSENT

Affin Hwang IB, being the Principal Adviser for the Proposed Scheme, 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.

3. CONFLICT OF INTEREST

Save as disclosed below, Affin Hwang IB declares that no conflict of interest exists or is likely to exist in relation to the role of Affin Hwang IB as the Principal Adviser to our Company in respect of the Proposed Scheme:

- (a) Affin Hwang IB is a wholly-owned subsidiary of AHB and the Principal Adviser to our Company for the Proposed Scheme. As at the LPD, BHB is a substantial shareholder of AHB, holding 20.69% equity interest in the issued and paid-up share capital of AHB, as illustrated below:



- (b) Tan Sri Dato' Seri Lodin Wok Kamaruddin who is a Non-Executive Director of Affin Hwang IB, also holds the following positions as at the LPD:

Name of the company	Position held
BHB	Non-Independent Executive Deputy Chairman/Group Managing Director
AHB	Non-Independent Non-Executive Deputy Chairman
Pharmaniaga	Non-Independent Non-Executive Chairman

FURTHER INFORMATION (CONT'D)

- (c) In addition, Tan Sri Dato' Seri Lodin Wok Kamaruddin holds equity interests in the following companies as at the LPD:

Name of the company	No. of ordinary shares held	Shareholding
BHB	28,192,758	2.73%
AHB	1,051,328	0.05%
Pharmaniaga	12,500,148	4.83%

- (d) In addition, ABB, the subsidiary of AHB, has the following business relationships with our Company in the past 12 months preceding the LPD:

Company	Role
ABB	ABB has provided loan facilities to our Company (outstanding amount as at the LPD represents less than 5% of the latest audited NA of ABB as at 31 December 2014 of RM5.17 billion).

Affin Hwang IB has considered the factors involved and believes its objectivity and independence as the Principal Adviser to our Company in relation to the Proposed Scheme are maintained at all times notwithstanding the aforementioned roles and services performed as these are mitigated by the following:

- (i) the AHIB Group form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading assets and funds management and credit transaction services businesses. The AHIB Group has engaged and may in the future, engage in transactions with and perform services for our Company and/or our Company's affiliates, in addition to the roles set out in this Circular. In addition, in the ordinary course of business, any member of the AHIB Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with our Company, Our Company's shareholders, and/or our Company's affiliates and/or any other entity or person, hold long or short positions in securities issued by our Company and/or our Company's affiliates, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of our Company and/or our Company's affiliates. This is a result of the businesses of AHIB Group generally acting independently of each other, and accordingly, there may be situations where parts of the AHIB Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interest of the AHIB Group. Nonetheless, the AHIB Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities and Chinese wall between different business divisions;
- (ii) ABB's banking exposure with our Company represents less than 5% of the latest audited NA of ABB as at 31 December 2014 of RM5.17 billion;
- (iii) the directorships of Tan Sri Dato' Seri Lodin Wok Kamaruddin in Affin Hwang IB, our Company and AHB are non-executive in nature;
- (iv) as at the LPD, the shareholdings of Tan Sri Dato' Seri Lodin Wok Kamaruddin in BHB, our Company and AHB are not substantial, i.e. less than 5% of the issued and paid-up capital of BHB, our Company and AHB;

FURTHER INFORMATION (CONT'D)

- (v) Tan Sri Dato' Seri Lodin Wok Kamaruddin, our Company and AHB are not involved in the management and/or operational affairs in relation to corporate assignments undertaken by the corporate finance department of Affin Hwang IB. The management and/or board of directors of Affin Hwang IB are not subjected to the directions of Tan Sri Dato' Seri Lodin Wok Kamaruddin, our Company and AHB in undertaking any of its corporate assignments;
- (vi) the conduct of the AHIB Group in its banking business is strictly regulated by the Financial Services Act, 2013, the Capital Markets and Services Act, 2007 and the AHIB Group's own internal controls and checks; and
- (vii) save for the professional advisory fees to be received by Affin Hwang IB as the Principal Adviser to our Company for the Proposed Scheme, there is no other direct interest to be derived from Affin Hwang IB's appointment as the Principal Adviser to our Company in respect of the Proposed Scheme, and neither is Affin Hwang IB interested in nor affected by the outcome of the Proposed Scheme.

Our Board has been fully informed and is aware of the roles of Affin Hwang IB mentioned above and is agreeable to the role of Affin Hwang IB acting as the Principal Adviser to our Company in relation to the Proposed Scheme.

4. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of Pharmaniaga Shares traded on Bursa Securities for the past 12 months up to February 2016, the last transacted market price of Pharmaniaga Shares on 12 January 2016 (being the last market day immediately prior to the announcement of the Proposed Scheme), and the last transacted price of Pharmaniaga Shares as at the LPD, are as follows:

	<u>High</u> (RM)	<u>Low</u> (RM)
2015		
March	6.25	5.51
April	7.53	5.97
May	7.40	6.60
June	7.18	6.49
July	7.26	6.65
August	6.80	5.37
September	6.73	6.02
October	6.70	6.34
November	6.90	6.40
December	6.73	6.15
2016		
January	6.36	6.15
February	6.33	5.82

	<u>Last transacted</u> (RM)
Last transacted market price of Pharmaniaga Shares on 12 January 2016 (being the last market day immediately prior to the announcement of the Proposed Scheme)	6.20
Last transacted market price of Pharmaniaga Shares as at the LPD	6.19

(Source: Bloomberg)

FURTHER INFORMATION (CONT'D)**5. CONTINGENT LIABILITIES**

Save for the following, as at the LPD, our Board confirms that there are no contingent liabilities incurred or known to be incurred by our Company, which, upon becoming enforceable, may have a material impact on the net profit or NA of our Company or our Group:

(a) Claims by EHL against Modern and Pharmaniaga

There is a claim by EHL against Modern and Pharmaniaga (collectively known as “Parties”) relating to a non-binding memorandum of collaboration (“MOC”) dated 27 October 2011 which had lapsed on 26 November 2011. The claims by EHL are based on allegations that the Parties had breached its contractual obligations under the MOC by entering into a separate conditional joint venture agreement on 18 May 2013, which had also lapsed in June 2015. EHL's claims are contested by the Parties because subsequent to the expiry of the MOC, neither Parties have entered into any other agreement and/or arrangement with EHL.

(b) The amounts of performance bonds and bank guarantees (unsecured) issued by our Group to third parties are as follows:

	<u>Amount</u>
	<u>RM'000</u>
Bank performance and reimbursement bonds for concession business undertaken by a subsidiary	45,000
Bank guarantees for projects and utilities undertaken by subsidiaries	44,392
Total	<u>89,392</u>

6. MATERIAL COMMITMENTS

Save for the following, as at the LPD, our Board is not aware of any material commitments incurred or known to be incurred by our Company:

	<u>Authorised and contracted for</u>	<u>Authorised but not contracted for</u>	<u>Total</u>
	<u>RM('000)</u>	<u>RM('000)</u>	<u>RM('000)</u>
Property, plant and equipment	21,515	12,302	33,817
Intangible assets	478	-	478
Acquisition of a subsidiary	-	3,500	3,500
			<u>37,795</u>

7. MATERIAL LITIGATION

As at the LPD, neither our Company nor our subsidiaries are engaged in any material litigation, claim or arbitration either as plaintiff or defendant, which has a material effect on the financial position or business of our Group and our Board is not aware of any proceeding pending or threatened against our Company and/or our subsidiaries or of any fact likely to give rise to any proceeding which may materially and adversely affect the financial position or business of our Group.

FURTHER INFORMATION (CONT'D)

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office at 28th Floor, Menara Boustead, 69, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia during office hours, Mondays to Fridays (except public holidays), from the date of this Circular up to and including the date of the EGM:

- (a) our memorandum and articles of association;
- (b) our audited consolidated financial statements for the past two financial years ended 31 December 2014 and 31 December 2015;
- (c) the letter of consent referred to in section 2 of this Appendix II; and
- (d) the draft By-Laws for the Proposed Scheme.

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pharmaniaga

PHARMANIAGA BERHAD

(467709-M)

(Incorporated in Malaysia under the Companies Act, 1965)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS GIVEN that the Extraordinary General Meeting of Pharmaniaga Berhad ("**Company**") will be held at The Royale Chulan Damansara Hotel, The Royale Ballroom, Level 2, No. 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, on Tuesday, 29 March 2016, at 10.30 a.m., or immediately after the conclusion or adjournment (as the case may be) of the 18th Annual General Meeting of the Company which will be held at the same venue and on the same day at 9.30 a.m., whichever is later, for the purpose of considering and, if thought fit, passing the following resolutions, with or without modifications:

ORDINARY RESOLUTION 1

PROPOSED ESTABLISHMENT OF A SHARE ISSUANCE SCHEME ("PROPOSED SCHEME") COMPRISING A PROPOSED LONG TERM INCENTIVE PLAN ("PROPOSED LTIP") AND A PROPOSED SHARE OPTION PLAN ("PROPOSED OPTION PLAN")

"THAT, subject to the approvals of all relevant regulatory authorities being obtained for the Proposed Scheme comprising the Proposed LTIP and the Proposed Option Plan, and to the extent permitted by law and the memorandum and articles of association of the Company, the board of directors ("**Board**") of the Company be and is authorised:

- (a) to establish, implement and administer the Proposed Scheme pursuant to which, ordinary shares of the nominal value of RM0.50 each in the Company ("**Pharmaniaga Shares**") may be granted under the Proposed LTIP ("**Share Grants**"), and/or rights to subscribe for the Pharmaniaga Shares may be granted under the Proposed Option Plan ("**Options**"), to the directors of the Company and/or selected employees of the Company and/or its subsidiaries, as the case may be who fulfil the criteria of eligibility for participation in the Proposed Scheme and who are selected by a committee established to administer the Proposed Scheme in accordance with the by-laws of the Proposed Scheme, as amended from time to time ("**By-Laws**");
- (b) to allot and issue from time to time and at any time such number of new Pharmaniaga Shares as may be required to be issued pursuant to Share Grants and Options under the Proposed Scheme, subject to and in accordance with the By-Laws:
 - (i) provided that such number of new Pharmaniaga Shares to be allotted and issued under the Proposed Scheme shall not, when aggregated with the total number of new Pharmaniaga Shares issued and/or to be issued under any other scheme involving new issuance of Pharmaniaga Shares which may be implemented from time to time by the Company, exceed 15% of the then issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any such point of time, from time to time, during the duration of the Proposed Scheme; and
 - (ii) that such new Pharmaniaga Shares to be allotted and issued under the Proposed Scheme shall, upon allotment and issuance, rank equally in all respects with the then existing issued Pharmaniaga Shares, save and except that they shall not be entitled to any dividend, right, allotment and/or any other distribution for which the entitlement date is prior to the date on which the new Pharmaniaga Shares are credited into the Central Depository System accounts of the relevant allottees;

- (c) to add to, modify, amend and/or delete all or any part of the terms and conditions governing the Proposed Scheme, the By-Laws and all rules, regulations and administration processes relating to the Proposed Scheme from time to time as may be permitted by the relevant regulatory authorities or deemed necessary by the Board or any committee established to administer the Proposed Scheme, provided that such additions, modifications, amendments and/or deletions are effected and permitted in accordance with the provisions of the By-Laws; and
- (d) to do all such acts and things and to execute all such documents and enter into all such transactions, arrangements, agreements and/or instruments, to make all such rules or regulations, or to impose all such terms and conditions, and/or to delegate any part of its power, and to generally exercise such powers and perform such acts, as may be necessary or expedient in order to give full effect to the Proposed Scheme and the terms of the By-Laws.

THAT the Board be and is authorised to give effect to the Proposed Scheme with full power to consent to and adopt such conditions, modifications, variations, amendments and/or deletions (including adopting such modifications, variations, amendments and/or deletions to the By-Laws) as it may deem fit and/or as may be required by the relevant regulatory authorities;

AND THAT, the By-Laws, as set forth in Appendix I of the circular to the shareholders dated 9 March 2016 in relation to the Proposed Scheme, which is in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Main Market Listing Requirements**”), be and is approved.”

ORDINARY RESOLUTION 2

PROPOSED GRANT OF OPTIONS AND SHARE GRANTS TO DATO' FARSHILA EMRAN

THAT, subject to the passing of Ordinary Resolution 1 and the approval of all the relevant regulatory authorities, the Board be and is authorised at any time and from time to time to offer and grant Dato' Farshila Emran, Managing Director of the Company:

- (a) Options to subscribe for up to 2,000,000 new Pharmaniaga Shares under the Proposed Option Plan; and
- (b) Share Grants for up to 600,000 new Pharmaniaga Shares per year, for the duration of the Proposed Scheme, under the Proposed LTIP;

subject always to the following:

- (i) she must not participate in the deliberation or discussion of her own allocation of the number of Pharmaniaga Shares to be comprised in the Options and Share Grants to be offered to her as well as that of the persons connected to her within the meaning of the Main Market Listing Requirements (“**Persons Connected**”) under the Proposed Option Plan and Proposed LTIP; and
- (ii) that not more than 10% of the new Pharmaniaga Shares available under the Proposed Scheme shall be allocated to her, if she, either singly or collectively through Persons Connected to her, holds 20% or more of the issued and paid-up share capital (excluding treasury shares) of the Company;

and subject always to such terms and conditions and/or any adjustment which may be made in accordance with the provisions of the By-Laws, the Main Market Listing Requirements and/or any other then prevailing guidelines issued by Bursa Malaysia Securities Berhad or any other relevant regulatory authority, as amended from time to time.

AND THAT, approval and authority be and are given to the Board to allot and issue such number of new Pharmaniaga Shares to her, from time to time, pursuant to the exercise of the Options granted to her under the Proposed Option Plan, and pursuant to the Share Grants under the Proposed LTIP.”

ORDINARY RESOLUTION 3

PROPOSED GRANT OF OPTIONS TO TAN SRI DATO' SERI LODIN WOK KAMARUDDIN

“**THAT**, subject to the passing of Ordinary Resolution 1 and the approval of all the relevant regulatory authorities, the Board be and is authorised at any time and from time to time to offer and grant Tan Sri Dato' Seri Lodin Wok Kamaruddin, Non-Independent Non-Executive Chairman of the Company, Options to subscribe for up to 3,800,000 new Pharmaniaga Shares under the Proposed Option Plan subject always to the following:

- (a) he must not participate in the deliberation or discussion of his own allocation of the number of Pharmaniaga Shares to be comprised in the Options to be offered to him as well as that of the Persons Connected to him under the Proposed Option Plan; and
- (b) that not more than 10% of the new Pharmaniaga Shares available under the Proposed Scheme shall be allocated to him, if he, either singly or collectively through Persons Connected to him, holds 20% or more of the issued and paid-up share capital (excluding treasury shares) of the Company;

and subject always to such terms and conditions and/or any adjustment which may be made in accordance with the provisions of the By-Laws, the Main Market Listing Requirements and/or any other then prevailing guidelines issued by Bursa Malaysia Securities Berhad or any other relevant regulatory authority, as amended from time to time.

AND THAT, approval and authority be and are given to the Board to allot and issue such number of new Pharmaniaga Shares to him, from time to time, pursuant to the exercise of the Options granted to her under the Proposed Option Plan.”

ORDINARY RESOLUTION 4

PROPOSED GRANT OF OPTIONS TO DANIEL EBINESAN

“**THAT**, subject to the passing of Ordinary Resolution 1 and the approval of all the relevant regulatory authorities, the Board be and is authorised at any time and from time to time to offer and grant Daniel Ebinesan, Non-Independent Non-Executive Director of the Company, Options to subscribe for up to 2,000,000 new Pharmaniaga Shares under the Proposed Option Plan subject always to the following:

- (a) he must not participate in the deliberation or discussion of his own allocation of the number of Pharmaniaga Shares to be comprised in the Options to be offered to him as well as that of the Persons Connected to him under the Proposed Option Plan; and
- (b) that not more than 10% of the new Pharmaniaga Shares available under the Proposed Scheme shall be allocated to him, if he, either singly or collectively through Persons Connected to him, holds 20% or more of the issued and paid-up share capital (excluding treasury shares) of the Company;

and subject always to such terms and conditions and/or any adjustment which may be made in accordance with the provisions of the By-Laws, the Main Market Listing Requirements and/or any other then prevailing guidelines issued by Bursa Malaysia Securities Berhad or any other relevant regulatory authority, as amended from time to time.

AND THAT, approval and authority be and are given to the Board to allot and issue such number of new Pharmaniaga Shares to him, from time to time, pursuant to the exercise of the Options granted to her under the Proposed Option Plan.”

ORDINARY RESOLUTION 5

PROPOSED GRANT OF OPTIONS TO MOHD SUFFIAN HAJI HARON

“THAT, subject to the passing of Ordinary Resolution 1 and the approval of all the relevant regulatory authorities, the Board be and is authorised at any time and from time to time to offer and grant Mohd Suffian Haji Haron, Senior Independent Non-Executive Director of the Company, Options to subscribe for up to 2,000,000 new Pharmaniaga Shares under the Proposed Option Plan subject always to the following:

- (a) he must not participate in the deliberation or discussion of his own allocation of the number of Pharmaniaga Shares to be comprised in the Options to be offered to him as well as that of the Persons Connected to him under the Proposed Option Plan; and
- (b) that not more than 10% of the new Pharmaniaga Shares available under the Proposed Scheme shall be allocated to him, if he, either singly or collectively through Persons Connected to him, holds 20% or more of the issued and paid-up share capital (excluding treasury shares) of the Company;

and subject always to such terms and conditions and/or any adjustment which may be made in accordance with the provisions of the By-Laws, the Main Market Listing Requirements and/or any other then prevailing guidelines issued by Bursa Malaysia Securities Berhad or any other relevant regulatory authority, as amended from time to time.

AND THAT, approval and authority be and are given to the Board to allot and issue such number of new Pharmaniaga Shares to him, from time to time, pursuant to the exercise of the Options granted to her under the Proposed Option Plan.”

ORDINARY RESOLUTION 6

PROPOSED GRANT OF OPTIONS TO IZZAT OTHMAN

“THAT, subject to the passing of Ordinary Resolution 1 and the approval of all the relevant regulatory authorities, the Board be and is authorised at any time and from time to time to offer and grant Izzat Othman, Independent Non-Executive Director of the Company, Options to subscribe for up to 2,000,000 new Pharmaniaga Shares under the Proposed Option Plan subject always to the following:

- (a) he must not participate in the deliberation or discussion of his own allocation of the number of Pharmaniaga Shares to be comprised in the Options to be offered to him as well as that of the Persons Connected to him under the Proposed Option Plan; and
- (b) that not more than 10% of the new Pharmaniaga Shares available under the Proposed Scheme shall be allocated to him, if he, either singly or collectively through Persons Connected to him, holds 20% or more of the issued and paid-up share capital (excluding treasury shares) of the Company;

and subject always to such terms and conditions and/or any adjustment which may be made in accordance with the provisions of the By-Laws, the Main Market Listing Requirements and/or any other then prevailing guidelines issued by Bursa Malaysia Securities Berhad or any other relevant regulatory authority, as amended from time to time.

AND THAT, approval and authority be and are given to the Board to allot and issue such number of new Pharmaniaga Shares to him, from time to time, pursuant to the exercise of the Options granted to her under the Proposed Option Plan.”

ORDINARY RESOLUTION 7

PROPOSED GRANT OF OPTIONS TO LIEUTENANT GENERAL DATO' SERI PANGLIMA DR. SULAIMAN ABDULLAH (RETIRED)

“**THAT**, subject to the passing of Ordinary Resolution 1 and the approval of all the relevant regulatory authorities, the Board be and is authorised at any time and from time to time to offer and grant Lieutenant General Dato' Seri Panglima Dr. Sulaiman Abdullah (Retired), Independent Non-Executive Director of the Company, Options to subscribe for up to 2,000,000 new Pharmaniaga Shares under the Proposed Option Plan subject always to the following:

- (a) he must not participate in the deliberation or discussion of his own allocation of the number of Pharmaniaga Shares to be comprised in the Options to be offered to him as well as that of the Persons Connected to him under the Proposed Option Plan; and
- (b) that not more than 10% of the new Pharmaniaga Shares available under the Proposed Scheme shall be allocated to him, if he, either singly or collectively through Persons Connected to him, holds 20% or more of the issued and paid-up share capital (excluding treasury shares) of the Company;

and subject always to such terms and conditions and/or any adjustment which may be made in accordance with the provisions of the By-Laws, the Main Market Listing Requirements and/or any other then prevailing guidelines issued by Bursa Malaysia Securities Berhad or any other relevant regulatory authority, as amended from time to time.

AND THAT, approval and authority be and are given to the Board to allot and issue such number of new Pharmaniaga Shares to him, from time to time, pursuant to the exercise of the Options granted to her under the Proposed Option Plan.”

BY ORDER OF THE BOARD

Tasneem Binti Mohd Dahalan (LS0006966)
Company Secretary

9 March 2016

Notes:

- (1) *A member of the Company entitled to be present and vote at the meeting may appoint a proxy to vote instead of him/her. A proxy need not be a member of the Company but must attend the meeting in person to vote.*
- (2) *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, under its common seal or signed by its attorney or by an officer on behalf of the corporation.*
- (3) *Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, which holds ordinary shares in the Company for multiple beneficial owners in one 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.*
- (4) *The instrument appointing a proxy and the power of attorney or any other authority (if any) under which it is signed, shall be deposited at the Company's share registrar, Tricor Investor & Issuing House Services Sdn Bhd, at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia at least 48 hours before the time for holding the meeting or adjourned meeting at which the person or persons named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.*
- (5) *Only members registered in the record of depositors of the Company as at 21 March 2016 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his/her behalf.*

pharmaniaga

(Company No. 467709-M)
(Incorporated in Malaysia under the Companies Act, 1965)

PROXY FORM

No. of shares held	Please fill in CDS Account No.												

I/We, _____
(FULL NAME IN BLOCK LETTERS)

of _____
(FULL ADDRESS)

being a member/members of **PHARMANIAGA BERHAD** hereby appoint _____

_____ (FULL NAME OF PROXY IN BLOCK LETTERS PER IDENTITY CARD OR PASSPORT)

of _____
(FULL ADDRESS)

or failing him/her, _____
(FULL NAME OF PROXY IN BLOCK LETTERS PER IDENTITY CARD OR PASSPORT)

of _____
(FULL ADDRESS)

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Extraordinary General Meeting ("EGM") of Pharmaniaga Berhad ("**Company**") to be held at The Royale Chulan Damansara Hotel, The Royale Ballroom, Level 2, No. 2, Jalan PJU 7/3, Mutiara Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan, on Tuesday, 29 March 2016, at 10.30 a.m., or immediately after the conclusion or adjournment (as the case may be) of the 18th Annual General Meeting of the Company which will be held at the same venue and on the same day at 9.30 a.m., whichever is later, on the following resolutions referred to in the notice of EGM.

My/our proxy is to vote as indicated below:

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	PROPOSED SCHEME		
2.	PROPOSED GRANT OF OPTIONS AND SHARE GRANTS TO DATO' FARSHILA EMRAN		
3.	PROPOSED GRANT OF OPTIONS TO TAN SRI DATO' SERI LODIN WOK KAMARUDDIN		
4.	PROPOSED GRANT OF OPTIONS TO DANIEL EBINESAN		
5.	PROPOSED GRANT OF OPTIONS TO MOHD SUFFIAN HAJI HARON		
6.	PROPOSED GRANT OF OPTIONS TO IZZAT OTHMAN		
7.	PROPOSED GRANT OF OPTIONS TO LIEUTENANT GENERAL DATO' SERI PANGLIMA DR. SULAIMAN ABDULLAH (RETIRED)		

Please indicate with a ("X") in the spaces provided as to how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.

Dated this _____ day of _____ 2016

Signature(s) of member(s)

Notes:

- (1) A member of the Company entitled to be present and vote at the meeting may appoint a proxy to vote instead of him/her. If you wish to appoint as a proxy a person other than the Chairman of the Meeting, please insert in block letters the full name and address and NRIC No. of the person of your choice and at the same time deleting the words "the Chairman of the Meeting". A proxy need not be a member of the Company but must attend the meeting in person to vote.
- (2) The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, under its common seal or signed by its attorney or by an officer on behalf of the corporation.
- (3) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, which holds ordinary shares in the Company for multiple beneficial owners in one 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.
- (4) The instrument appointing a proxy and the power of attorney or any other authority (if any) under which it is signed, shall be deposited at the Company's share registrar, Tricor Investor & Issuing House Services Sdn Bhd, at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia at least 48 hours before the time for holding the meeting or adjourned meeting at which the person or persons named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
- (5) Only members registered in the record of depositors of the Company as at 21 March 2016 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his/her behalf.



Fold this flap for sealing

Then fold here

AFFIX
STAMP

Share Registrar
Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia

1st fold here
