

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

Bursa Malaysia Securities Berhad ("**Bursa Securities**") has not perused this Circular prior to its issuance as Velesto Energy Berhad ("**VEB**" or the "**Company**") has been selected by Bursa Securities as one of the eligible listed issuers under the Green Lane Policy. Bursa Securities takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



VELESTO ENERGY BERHAD

Registration No. 200901035667 (878786-H)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED OFFER AND GRANTING OF UP TO A MAXIMUM NUMBER OF 11,400,000 ESOS OPTIONS (AS DEFINED HEREIN) TO MEGAT ZARIMAN ABDUL RAHIM, THE PRESIDENT AND NON-INDEPENDENT EXECUTIVE DIRECTOR OF THE COMPANY, UNDER VEB'S ESOS (AS DEFINED HEREIN)

Principal Adviser



AFFIN HWANG INVESTMENT BANK BERHAD

(Registration No. 197301000792 (14389-U))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Proposed Granting of ESOS Options (as defined herein) will be tabled as Special Business at the 13th Annual General Meeting ("**AGM**") of the Company which will be held as a virtual meeting conducted entirely through live streaming and remote voting using the remote participation and voting facilities hosted on the Securities Services ePortal at <https://sshsb.net.my/> provided by SS E Solutions Sdn. Bhd. from the broadcast venue at Ballroom, Level 2, Aloft KL Sentral, 5, Jalan Stesen Sentral, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia on Monday, 29 May 2023 at 2:00 p.m.

The Notice of the 13th AGM, Proxy Form, 13th AGM Administrative Guide, Annual Report 2022 and this Circular can be downloaded at the website of the Company at <https://www.velesto.com>.

A member is entitled to attend and vote at the virtual meeting and is also entitled to appoint a proxy to attend and vote on his/her behalf. The Proxy Form must be either:

- (a) deposited at the Share Registrar's office of Securities Services (Holdings) Sdn Bhd, at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur; or
- (b) lodged via electronic means through the Securities Services e-Portal platform ("**SS ePortal**") at <https://sshsb.net.my/> or by fax to +603 2094 9940 or by email to eservices@sshsb.com.my no later than 27 May 2023 at 2:00 pm or at any adjournment thereof.

The lodging of the Proxy Form will not preclude you from participating and voting at the meeting should you subsequently wish to do so. Kindly refer to the Administrative Guide for the 13th AGM in order to register, participate and vote remotely via the remote participation and voting facilities.

Last date and time for lodging the Proxy Form : Saturday, 27 May 2023, 2:00 p.m.
Date and time of the 13th AGM : Monday, 29 May 2023, 2:00 p.m.

Should you wish to participate at the 13th AGM, please register for remote participation electronically via the SS ePortal at <https://sshsb.net.my/> by 29 May 2023 at 2:00 p.m.

This Circular is dated 28 April 2023

DEFINITIONS

Except where the context otherwise requires, the following terms and abbreviations shall apply throughout this Circular:

2019 ESOS Circular	: Circular to the shareholders of VEB dated 2 October 2019 on the establishment of the ESOS, which was approved by the shareholders of VEB on 31 October 2019
ABB	: Affin Bank Berhad (Registration No. 197501003274 (25046-T))
Act	: Companies Act 2016
Affin Hwang IB or Principal Adviser	: Affin Hwang Investment Bank Berhad (Registration No. 197301000792 (14389-U)), a wholly-owned subsidiary of ABB
AGM	: Annual General Meeting
Announcement	: Announcement dated 14 April 2023 in relation to the Proposed Granting of ESOS Options
BNRC	: Board Nomination and Remuneration Committee of VEB
Board	: The board of Directors of VEB
Bursa Securities	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
By-Laws	: The rules, terms and conditions governing the ESOS as may be modified, varied and/or amended from time to time
CDS Account	: An account established by Bursa Depository for a depositor for the recording of deposit and withdrawal of securities and for dealing in such securities by a depositor
Circular	: This circular to the shareholders of VEB dated 28 April 2023
Constitution	: The constitution of VEB
Deed Poll	: Deed poll constituting the Warrants dated 8 September 2017
Director	: A natural person who holds a directorship in VEB or any company within VEB Group, whether in an executive or non-executive capacity, and shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 as amended from time to time including any re-enactment thereof
Eligible Person(s)	: An Employee or Executive Director of the VEB Group (excluding subsidiary companies which are dormant) who meets the criteria of eligibility for participation in the ESOS in accordance with the By-Laws
Employee	: A natural person who is employed by and on the payroll of any company within the Group
EPS	: Earnings per Share
ESOS	: VEB's employees' share option scheme, which was established on 1 November 2019 and shall expire on 31 October 2024

DEFINITIONS (CONT'D)

ESOS Option(s)	: The right of a Grantee to subscribe for VEB Shares at the Option Exercise Price pursuant to the acceptance of an Offer by an Eligible Person in accordance with the By-Laws
ESOS Committee	: The BNRC or a committee comprising such persons appointed from time to time by the Board, which is authorised by the Board with the responsibility of, among others, implementing, allocating and administering the ESOS
Executive Director	: A Director who is on the payroll of the Group and is involved in the day-to-day management of the Group
FYE	: Financial year ended/ending, as the case may be
Grantee	: An Eligible Person who has accepted the Offer in accordance with the By-Laws
Listing Requirements	: Main Market Listing Requirements of Bursa Securities
LPD	: 31 March 2023, being the latest practicable date prior to the printing of this Circular
MFRS 2	: Malaysian Financial Reporting Standards 2, on "Share-Based Payment" issued by the Malaysian Accounting Standards Board
NA	: Net assets
Offer	: A written offer made by the ESOS Committee to an Eligible Person to participate in the ESOS in accordance with the By-Laws
Option Exercise Price	: The price at which a Grantee shall be entitled to subscribe for each VEB Share upon exercise of the ESOS Options in accordance with the By-Laws
Proposed Granting of ESOS Options	: Proposed offer and granting of up to a maximum number of 11,400,000 ESOS Options to Megat Zariman Abdul Rahim, under the ESOS
RM and sen	: Ringgit Malaysia and sen respectively
VEB or the Company	: Velesto Energy Berhad (Registration No. 200901035667 (878786-H))
VEB Group or Group	: VEB and its subsidiaries, collectively, and in the context of the ESOS, shall exclude subsidiaries which are dormant
VEB Share(s) or Share(s)	: Ordinary share(s) in VEB
VWAP	: Volume weighted average price
Warrant(s)	: Existing warrant(s) 2017/2024 of the Company. Each warrant holder is entitled to the right to subscribe for 1 Share at an exercise price of RM0.395 per warrant

References to "we", "us", "our" and "ourselves" are to the Company, and where the context otherwise requires, the subsidiaries of the Company. All references to "you" are to the shareholders of the Company.

DEFINITIONS (CONT'D)

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any statutes, rules, regulations or rules of the stock exchange is a reference to such statutes, rules, regulations or rules of the stock exchange currently in force and as may be amended from time to time and any re-enactment thereof.

Any reference to a time or date in this Circular shall be a reference to Malaysian time, unless otherwise stated.

Any discrepancy in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

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EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSED GRANTING OF ESOS OPTIONS. YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS TOGETHER WITH THE APPENDICES OF THIS CIRCULAR WITHOUT RELYING SOLELY ON THIS EXECUTIVE SUMMARY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED GRANTING OF ESOS OPTIONS TO BE TABLED AT THE FORTHCOMING 13TH AGM OF THE COMPANY.

Key information	Summary	Reference to this Circular
Details of the Proposed Granting of ESOS Options	<p>The Board proposed to offer and grant up to a maximum number of 11,400,000 ESOS Options to Megat Zariman Abdul Rahim, the President and sole Non-Independent Executive Director of the Company, subject to the provisions of the By-Laws, the Listing Requirements or any other relevant authorities as amended from time to time.</p> <p>For issuance of any new Shares or other convertible securities free of pre-emptive rights pursuant to the Proposed Granting of ESOS Options, such pre-emptive rights must be waived. As such, the waiving of such pre-emptive rights will be tabled at the Company's forthcoming 13th AGM under the proposed Ordinary Resolutions 8 and 9 to seek the shareholders' approval. The proposed Ordinary Resolutions 8 and 9 if passed, will exclude your pre-emptive rights to be offered ESOS Options and/or any new Shares to be issued by the Company pursuant to the Proposed Granting of ESOS Options. Please refer to the Notice of AGM for the proposed Ordinary Resolutions 8 and 9 which is enclosed together in the Annual Report 2022, of which an extract of the resolution is enclosed in Appendix III of this Circular.</p> <p>Please refer to Section 2.8 of this Circular for further details.</p>	Section 2
Rationale for the Proposed Granting of ESOS Options	<p>The Proposed Granting of ESOS Options is to drive enterprise leadership under the stewardship of Megat Zariman Abdul Rahim, by strengthening the alignment of executive compensation with long-term objectives of VEB. The Proposed Granting of ESOS Options is also in recognition of his contribution as the President and sole Non-Independent Executive Director of VEB Group, the roles of which are considered vital to the operations and continued growth of VEB Group. Through the Proposed Granting of ESOS Options, Megat Zariman Abdul Rahim would be given the opportunity to participate in the equity of VEB and thereby relate directly to the performance of VEB Group.</p>	Section 3

EXECUTIVE SUMMARY (CONT'D)

Key information	Summary	Reference to this Circular
Utilisation of proceeds	The proceeds from the exercise of ESOS Options under the Proposed Granting of ESOS Options will be for working capital requirements of the Group, consistent with the utilisation stated in the 2019 ESOS Circular.	Section 4
Effects of the Proposed Granting of ESOS Options	<ul style="list-style-type: none"> • No immediate effect on the existing issued share capital of VEB; • No immediate material effect on the NA, NA per Share and gearing of VEB Group; • No immediate material effect on the earnings and EPS of the Group; and • No immediate effect on the shareholdings of the substantial shareholders of the Company; <p>until such time when the Shares are issued arising from the exercise of ESOS Options pursuant to the Proposed Granting of ESOS Options.</p> <p>Further details of the effects of the Proposed Granting of ESOS Options is set out in Section 5 of this Circular.</p>	Section 5
Interests of Directors, major shareholders, President and/or persons connected with them	<p>Save as disclosed in Section 8 of this Circular, none of the directors, major shareholders of the Company and/or persons connected with them have any interest, direct or indirect, in the Proposed Granting of ESOS Options.</p> <p>As a person interested in the Proposed Granting of ESOS Options, Megat Zariman Abdul Rahim will abstain from deliberations on the Proposed Granting of ESOS Options in the manner set out in Section 8 of this Circular.</p>	Section 8
Directors' statement and recommendation	<p>The Board (save for Megat Zariman Abdul Rahim), after taking into consideration all aspects of the Proposed Granting of ESOS Options, including but not limited to the rationale and effects of the Proposed Granting of ESOS Options:</p> <ul style="list-style-type: none"> (i) is of the opinion that the Proposed Granting of ESOS Options is in the best interest of the Company and its shareholders; and (ii) recommends that you VOTE IN FAVOUR of the resolution pertaining to the Proposed Granting of ESOS Options to be tabled at the forthcoming 13th AGM of the Company. 	Section 9



VELESTO ENERGY BERHAD
Registration No. 200901035667 (878786-H)
(Incorporated in Malaysia)

Registered Office

Level 18, Block 3A
Plaza Sentral
Jalan Stesen Sentral 5
50470 Kuala Lumpur

28 April 2023

Board of Directors:

Mohd Rashid Mohd Yusof (*Chairman / Non-Independent Non-Executive Director*)
Ir. Dr. Mohd Shahreen Zainooreen Madros (*Senior Independent Non-Executive Director*)
Megat Zariman Abdul Rahim (*President / Non-Independent Executive Director*)
Rowina Ghazali Seth (*Independent Non-Executive Director*)
Datuk Tong Pong Keow (*Independent Non-Executive Director*)
Haida Shenny Hazri (*Non-Independent Non-Executive Director*)
Mohd Irwan Ahmad Mustafa (*Non-Independent Non-Executive Director*)
Datuk George Ling Kien Sing (*Independent Non-Executive Director*)
Ar. Ahila Ganesan (*Independent Non-Executive Director*)

To: The shareholders of the Company

Dear Sir/Madam,

PROPOSED GRANTING OF ESOS OPTIONS

1. INTRODUCTION

The Company had established the ESOS on 1 November 2019, following the approval by shareholders at the Extraordinary General Meeting held on 31 October 2019. The Company had since made offers of ESOS Options to Eligible Persons. As at the LPD, none of the ESOS Options granted were exercised. In this connection, the Company plans to offer another batch of ESOS Options to Eligible Persons, including the President and Non-Independent Executive Director of the Company, namely Megat Zariman Abdul Rahim.

Under the terms of the By-Laws, Megat Zariman Abdul Rahim (who was appointed as Non-Independent Executive Director of the Company on 25 February 2022) is eligible to participate in the ESOS. Under the Listing Requirements, the Company must ensure that it does not make any specific allotment to a Director, major shareholder or chief executive of the Company unless approved by the shareholders of the Company.

On 14 April 2023, on behalf of the Board, Affin Hwang IB announced that the Company proposed to seek shareholders' approval to offer and grant up to a maximum number of 11,400,000 ESOS Options under the ESOS to Megat Zariman Abdul Rahim, the President and Non-Independent Executive Director of the Company.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED GRANTING OF ESOS OPTIONS TOGETHER WITH THE RECOMMENDATION OF THE BOARD AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED GRANTING OF ESOS OPTIONS TO BE TABLED AT THE FORTHCOMING 13TH AGM OF THE COMPANY. THE NOTICE OF AGM TOGETHER WITH THE PROXY FORM ARE INCLUDED IN THE 2022 ANNUAL REPORT.

FOR ISSUANCE OF ANY NEW SHARES OR OTHER CONVERTIBLE SECURITIES FREE OF PRE-EMPTIVE RIGHTS PURSUANT TO THE PROPOSED GRANTING OF ESOS OPTIONS, THE PRE-EMPTIVE RIGHTS, AS SET OUT IN SECTION 2.8 OF THIS CIRCULAR, MUST BE WAIVED. THE WAIVING OF SUCH PRE-EMPTIVE RIGHTS WILL BE TABLED AT THE COMPANY'S FORTHCOMING 13TH AGM UNDER THE PROPOSED ORDINARY RESOLUTIONS 8 AND 9 TO SEEK YOUR APPROVAL. PLEASE REFER TO THE NOTICE OF AGM FOR THE PROPOSED ORDINARY RESOLUTIONS 8 AND 9 WHICH IS ENCLOSED TOGETHER IN THE ANNUAL REPORT 2022, OF WHICH AN EXTRACT OF THE RESOLUTIONS IS ENCLOSED IN APPENDIX III OF THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED GRANTING OF ESOS OPTIONS TO BE TABLED AT THE FORTHCOMING 13TH AGM OF THE COMPANY.

2. DETAILS OF THE PROPOSED GRANTING OF ESOS OPTIONS

2.1 Background

VEB had, on 1 November 2019, established the ESOS for a period of 5 years and shall expire on 31 October 2024. The ESOS involves the granting of ESOS Options to the Eligible Persons in accordance with the By-Laws governing the ESOS. For the avoidance of doubt, the ESOS Options will not be granted to the Non-Executive Directors of VEB.

The ESOS Options granted under the ESOS shall entitle the Grantees to subscribe for VEB Shares at the Option Exercise Price to be determined at a later date, in accordance with the By-Laws.

In implementing the ESOS, the ESOS Committee may at its absolute discretion decide that the ESOS Options be satisfied via the following methods:

- (i) issuance of new VEB Shares;
- (ii) transfer of VEB's treasury shares or any other methods as may be permitted by the Act; or
- (iii) a combination of the above.

Please refer to the table below for further details on ESOS Options granted to the Eligible Persons since the commencement of the ESOS up to the LPD:

	No. of ESOS Options
Granted and accepted ⁽¹⁾	109,580,000
Exercised	Nil
Lapsed/forfeited ⁽¹⁾	52,000,000
Total outstanding	57,580,000

Note:

- (1) Includes 11,400,000 ESOS Options offered on 1 November 2019 to Rohaizad Darus, the then President and Non-Independent Executive Director of VEB.

2.2 Maximum number of VEB Shares available under the ESOS

The maximum number of VEB Shares which may be made available under the ESOS shall not in aggregate exceed 7.5% of the total number of issued shares of VEB (excluding treasury shares, if any) at any point in time over the duration of the ESOS.

2.3 Basis of allotment and maximum allowable allotment

Subject to the By-Laws and any adjustment which may be made under the By-Laws, the number of ESOS Options to be allocated to an Eligible Person at any time in each Offer shall be at the sole and absolute discretion of the ESOS Committee after taking into consideration, among others, the Eligible Person's designation, length of service, work performance and/or such other factors as the ESOS Committee deems fit, and subject to the following conditions:

- (i) the total number of VEB Shares made available under the ESOS shall not exceed the amount stipulated under **Section 2.2** above;
- (ii) not more than 10% of the total number of VEB Shares to be issued under the ESOS shall be allocated to any Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds 20% or more of the total number of issued shares of VEB (excluding treasury shares, if any);
- (iii) not more than 50% of the total number of VEB Shares to be issued under the ESOS shall be allocated, in aggregate, to the Executive Directors and senior management of the Group who are Eligible Persons; and
- (iv) the Executive Directors and senior management of the Group do not participate in the deliberation or discussion of their respective allocations as well as to persons connected with them, if any,

provided always that it is in accordance with the Listing Requirements or any prevailing guidelines issued by Bursa Securities or any other relevant authorities as amended from time to time.

The ESOS Committee shall be entitled to determine:

- (a) the maximum number of ESOS Options that can be offered to an Eligible Person under the ESOS in relation to each class or grade of Executive Directors and Employees; and
- (b) the aggregate maximum number of ESOS Options that can be offered to Executive Directors and senior management,

under the ESOS from time to time, and the decision of the ESOS Committee shall be final and binding.

The ESOS Committee may at its sole and absolute discretion determine whether the granting of the ESOS Options to the Eligible Person will be based on:

- (1) staggered granting over the duration of the ESOS or in 1 single grant; and/or
- (2) whether the ESOS Options are subject to any vesting period, and if so, to determine the vesting conditions for the ESOS Options.

In the event that any Eligible Person is a member of the ESOS Committee, such Eligible Person shall not participate in the deliberation or discussion of their own allocation of the ESOS Options or persons connected with them.

2.4 Eligibility

Subject to the discretion of the ESOS Committee, only Eligible Persons who fulfil the following conditions shall be eligible to participate in the ESOS:

- (i) in respect of an Employee, the Employee must fulfil the following criteria as at the date of Offer:
 - (a) is at least 18 years of age and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
 - (b) is confirmed in writing as a full time Employee; and
 - (c) fulfils any other criteria and/or falls within such category as may be determined by the ESOS Committee at its sole discretion from time to time.
- (ii) in respect of an Executive Director, the Executive Director must fulfil the following criteria as at the Date of Offer:
 - (a) is at least 18 years of age and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
 - (b) has been appointed as an Executive Director of VEB or any company in the Group for such period as may be determined by the ESOS Committee prior to and up to the Date of Offer; and
 - (c) fulfils any other criteria and/or falls within such category as may be determined by the ESOS Committee at its sole discretion from time to time.
- (iii) in respect of an Executive Director and/or Employee who are not Malaysian citizens, such Executive Director or Employee of the Group (as the case may be) having obtained the required approvals from the relevant authorities (if required), subject to compliance with **Section 2.4(i) and (ii)** above, as applicable.

The ESOS Committee may, in its absolute discretion, waive any of the conditions of eligibility as set out above. The eligibility and number of ESOS Options to be offered to an Eligible Person under the ESOS shall be at the sole and absolute discretion of the ESOS Committee and the decision of the ESOS Committee shall be final and binding.

2.5 Option Exercise Price

Subject to any adjustments in accordance with the By-Laws and pursuant to the Listing Requirements, the Option Exercise Price shall be a price to be determined by the ESOS Committee based on a discount of not more than 10% to the 5-day VWAP of VEB Shares immediately preceding the Date of Offer.

2.6 Ranking of the VEB Shares arising from the exercise of the ESOS Options

The VEB Shares to be issued and/or transferred to the Grantee arising from the exercise of the ESOS Options will rank *pari passu* in all respects with the then existing VEB Shares, save and except that the VEB Shares will not be entitled to any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid, where the entitlement date precedes the date of issuance and/or transfer of the VEB Shares.

The VEB Shares under the ESOS will be subject to the provisions of the Constitution relating to transfer, transmission or otherwise of the VEB Shares. The Grantees will not be entitled to any voting right or participation in any form of distribution and/or offer of further securities in VEB until and unless such Grantees exercise their ESOS Options into VEB Shares and such VEB Shares are credited into the Grantees' respective CDS Account.

2.7 Proposed Granting of ESOS Options

The Board proposed to offer and grant up to a maximum number of 11,400,000 ESOS Options to Megat Zariman Abdul Rahim, the President and Non-Independent Executive Director of the Company, subject to the provisions of the By-Laws, provided always that:

- (i) Megat Zariman Abdul Rahim shall not participate in the deliberation or discussion of his own allocation of the number of ESOS Options to be offered to him, as well as that of the persons connected with him; and
- (ii) not more than 10% (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) of the total number of Shares made available under the ESOS shall be allocated to him, if he, either singly or collectively through persons connected with him (as defined in the Listing Requirements), holds 20% (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) or more of the total number of issued shares of the Company (excluding treasury shares, if any),

subject always to such terms and conditions and/or adjustments which may be made in accordance with the provisions of the By-Laws and any prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as amended from time to time.

2.8 Pre-emptive rights pursuant to our Constitution and subsection 85(1) of the Act

Pursuant to Section 85(1) of the Act read together with Article 60 of the Constitution of the Company, the shareholders of the Company have pre-emptive rights to be offered any new Shares which rank equally to the existing issued Shares or other convertible securities.

Section 85(1) of the Act provides as follows:

“85. Pre-emptive rights to new shares

- (1) *Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders.”*

Article 60 of the Constitution of the Company provides as follows:

- “60** *Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to the shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Clause.”*

For issuance of any new Shares or other convertible securities free of pre-emptive rights pursuant to the Proposed Granting of ESOS Options, such pre-emptive rights must be waived. As such, the waiving of such pre-emptive rights will be tabled at the Company's forthcoming 13th AGM under the proposed Ordinary Resolutions 8 and 9 to seek the shareholders' approval. The proposed **Ordinary Resolutions 8 and 9** if passed, will exclude your pre-emptive rights to be offered ESOS Options and/or any new Shares to be issued by the Company pursuant to the Proposed Granting of ESOS Options. Please refer to the Notice of AGM for the proposed **Ordinary Resolutions 8 and 9** which is enclosed together in the Annual Report 2022, of which an extract of the resolutions is enclosed in **Appendix III** of this Circular.

3. RATIONALE FOR THE PROPOSED GRANTING OF ESOS OPTIONS

The Proposed Granting of ESOS Options is to drive enterprise leadership under the stewardship of Megat Zariman Abdul Rahim, by strengthening the alignment of executive compensation with long-term objectives of VEB. The Proposed Granting of ESOS Options is also in recognition of his contribution as the President and sole Non-Independent Executive Director of VEB Group, the roles of which are considered vital to the operations and continued growth of VEB Group. Through the Proposed Granting of ESOS Options, Megat Zariman Abdul Rahim would be given the opportunity to participate in the equity of VEB and thereby relate directly to the performance of VEB Group.

4. UTILISATION OF PROCEEDS

The proceeds from the exercise of ESOS Options under the Proposed Granting of ESOS Options will be utilised for the working capital requirements of the Group, consistent with the utilisation stated in the 2019 ESOS Circular. These include, amongst others, payment of trade and other payables, defrayment of staff costs such as salaries, statutory contributions and employee benefits and payment of other operating expenses such as utilities. The allocation of proceeds towards the various components of working capital will depend on VEB Group's future operating requirements and therefore cannot be determined at this juncture.

The actual proceeds to be received by the Company arising from the exercise of the ESOS Options offered under the ESOS (including the Proposed Granting of ESOS Options) will depend on, amongst others, the actual number of ESOS Options granted and exercised at the relevant point of time as well as the option price. Hence, the amount of proceeds to be received from the exercise of the ESOS Options under the Proposed Granting of ESOS Options is not determinable at this juncture. Please refer to **Section 2** of this Circular for further details on the number of ESOS Options granted to the Eligible Persons pursuant to the ESOS.

Pending the utilisation of proceeds raised, the Board will place such proceeds in deposits with financial institutions or short-term money market instruments as it deems fit.

5. EFFECTS OF THE PROPOSED GRANTING OF ESOS OPTIONS

5.1 Issued share capital

The Proposed Granting of ESOS Options is not expected to have any immediate effect on the issued share capital of the Company. The issued share capital of the Company may increase progressively depending on the number of new Shares which may be issued pursuant to the exercise of the ESOS Options.

5.2 NA, NA per Share and gearing

The Proposed Granting of ESOS Options will not have any immediate material effect on the NA, NA per Share and gearing of the Group until such time when the new Shares are issued pursuant to the exercise of the ESOS Options. Any potential effect on the NA per Share and gearing of the Group will depend on the number of ESOS Options granted and exercised as well as the Option Exercise Price at the relevant point in time. The NA per Share of the Group is expected to increase if the Option Exercise Price is higher than the NA per Share of the Group, and vice versa.

5.3 Earnings and EPS

The Proposed Granting of ESOS Options will not have any immediate material effect on VEB Group's EPS until such time when the new Shares are issued pursuant to the exercise of the ESOS Options. However, any potential effect on the consolidated earnings and EPS of the Group in the future would depend on the number of ESOS Options granted and exercised at the relevant point in time, the Option Exercise Price payable upon the exercise of the ESOS Options as well as the impact of MFRS 2.

In accordance with MFRS 2, the potential charge to income statement arising from the Proposed Granting of ESOS Options will need to be measured at fair value on the date of granting the respective ESOS Options and recognised as an expense in the consolidated statements of comprehensive income of the Company over the vesting period, and may therefore reduce the future earnings of the Group, the quantum of which can only be determined as at the date of offer. The fair value of the ESOS Options can be determined via methods such as Black-Scholes and Trinomial models and is dependent on factors such as the market price and volatility of VEB Shares and the length of time remaining until the expiration of the ESOS as at the date of offer.

The extent of the potential effects of the Proposed Granting of ESOS Options on the earnings and EPS of the Group cannot be determined at this juncture as it would depend on the fair value of the ESOS Options granted at the date of offer. However, it should be noted that such potential cost of the Proposed Granting of ESOS Options does not represent a cash outflow but only an accounting treatment. The Board has taken note of the potential impact of MFRS 2 on the Group's future earnings and will take into consideration of such impact in the granting and vesting of the ESOS Options under the Proposed Granting of ESOS Options.

The estimated expenses in relation to the Proposed Granting of ESOS Options (excluding the potential impact of the Proposed Granting of ESOS Options under MFRS 2) are approximately RM0.06 million, which will be funded through VEB's internally-generated funds.

5.4 Substantial shareholders' shareholdings

The Proposed Granting of ESOS Options is not expected to have any immediate effect on the shareholdings of the substantial shareholders of the Company until such time when the Shares are issued pursuant to the exercise of the ESOS Options. Any potential effect on the substantial shareholders' shareholdings of VEB will depend on the actual number of Shares to be issued pursuant to the exercise of the ESOS Options under the Proposed Granting of ESOS Options.

5.5 Convertible securities

As at the LPD, the Company has the following convertible securities:

- (i) 57,580,000 ESOS Options that may be exercised into 57,580,000 VEB Shares; and
- (ii) 1,513,399,754 Warrants which may be exercised into 1,513,399,754 VEB Shares.

In accordance with the By-laws and the Deed Poll, the Proposed Granting of ESOS Options is not expected to result in any adjustment to the exercise price or conversion price and outstanding number of the above-mentioned convertible securities.

6. HISTORICAL SHARE PRICES

The monthly high and low prices of VEB Shares as traded on the Main Market of Bursa Securities for the past 12 months preceding the date of this Circular are as follows:

	Low RM	High RM
2022		
April	0.100	0.125
May	0.110	0.130
June	0.100	0.125
July	0.075	0.110
August	0.075	0.095
September	0.080	0.135
October	0.105	0.130
November	0.115	0.150
December	0.140	0.170
2023		
January	0.145	0.235
February	0.180	0.285
March	0.175	0.250

Last transacted market price on 13 April 2023 0.230
(being the day prior to the date of the Announcement and the latest practicable date prior to the printing of this Circular)

(Source: Bloomberg)

7. APPROVALS REQUIRED

The Proposed Granting of ESOS Options is subject to the approval of the shareholders at the forthcoming 13th AGM of the Company.

The Proposed Granting of ESOS Options is not conditional upon any other corporate proposal undertaken or to be undertaken by the Company.

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

Megat Zariman Abdul Rahim is deemed interested in the Proposed Granting of ESOS Options by virtue of his eligibility for the ESOS Options in his capacity as President and the sole Non-Independent Executive Director of VEB ("**Interested Director**"). The Interested Director has abstained and will continue to abstain from deliberating and voting on the proposed allocation to him under the Proposed Granting of ESOS Options at the Board meetings.

As at the LPD, the Interested Director does not have any direct and indirect shareholdings in VEB. For illustrative purposes, the shareholdings of the Interested Director after the Proposed Granting of ESOS Options assuming that the maximum number of 11,400,000 ESOS Options to be granted to the Interested Director under the Proposed Granting of ESOS Options has been exercised into new VEB Shares as at the LPD is set out as below.

	Before the Proposed Granting of ESOS Options				After the Proposed Granting of ESOS Options			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Interested Director	-	-	-	-	11,400,000	0.14	-	-

The Interested Director will continue to abstain from voting in respect of his direct and/or indirect shareholding in VEB on the resolution pertaining to the Proposed Granting of ESOS Options at the forthcoming 13th AGM of the Company. Further, the Interested Director has also undertaken that he will ensure that persons connected with him will abstain from voting in respect of their direct and/or indirect shareholdings in VEB, if any, on the resolution pertaining to the proposed allocation to him under the Proposed Granting of ESOS Options at the forthcoming 13th AGM of the Company.

Save as disclosed above, none of the directors, major shareholders of the Company and/or persons connected with them have any interest, direct or indirect, in the Proposed Granting of ESOS Options.

9. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board (save for Megat Zariman Abdul Rahim), after taking into consideration all aspects of the Proposed Granting of ESOS Options, including but not limited to the rationale and effects of the Proposed Granting of ESOS Options, is of the opinion that the Proposed Granting of ESOS Options is in the best interest of the Company and its shareholders.

Accordingly, the Board (save for Megat Zariman Abdul Rahim who has abstained from expressing any opinion and making any recommendation on the Proposed Granting of ESOS Options) recommends that you vote in favour of the resolution pertaining to the Proposed Granting of ESOS Options to be tabled at the forthcoming 13th AGM of the Company.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Granting of ESOS Options is expected to be implemented by the 4th quarter of 2023.

11. CORPORATE EXERCISE ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Granting of ESOS Options, the Board confirms that there is no other outstanding corporate exercise which has been announced but pending completion as at the LPD.

12. AGM

The 13th AGM of the Company will be held as a virtual meeting conducted entirely through live streaming and remote voting using the remote participation and voting facilities hosted on the Securities Services e-Portal at <https://sshsb.net.my/> provided by SS E Solutions Sdn. Bhd. from the broadcast venue at Ballroom, Level 2, Aloft KL Sentral, 5, Jalan Stesen Sentral, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia on Monday, 29 May 2023 at 2.00 p.m. for the purpose of considering and, if thought fit, passing the resolutions to give effect to the Proposed Granting of ESOS Options pursuant to the agenda of Special Business as detailed in the Company's Notice of AGM.

13. FURTHER INFORMATION

Shareholders are requested to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board of
VELESTO ENERGY BERHAD

MOHD RASHID MOHD YUSOF
Chairman / Non-Independent Non-Executive Director

**VELESTO ENERGY BERHAD (“VEB” OR THE “COMPANY”)
(Company No. 878786-H)**

BY-LAWS OF VELESTO ENERGY BERHAD’S EMPLOYEES’ SHARE OPTION SCHEME

1. NAME OF SCHEME

This scheme shall be called **“Velesto Energy Berhad’s Employees’ Share Option Scheme” (“Scheme”)**.

2. DEFINITIONS AND INTERPRETATION

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

Act	: The Companies Act, 2016 as amended from time to time and any re-enactment thereof;
Audit Committee	: The Board Audit Committee of VEB;
Board	: The Board of Directors of VEB;
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (165570-W);
Bursa Securities	: Bursa Malaysia Securities Berhad (635998-W);
By-Laws	: The rules, terms and conditions of the Scheme (as may be modified, varied and/or amended from time to time);
CDS	: Central Depository System;
CDS Account	: An account established by Bursa Depository for a depositor for the recording of deposits and withdrawal of securities and for dealings in such securities by a depositor;
Central Depositories Act	: The Securities Industry (Central Depositories) Act, 1991 as amended from time to time including all regulations made thereunder and any re-enactment thereof;
Constitution	: The Constitution (as the case may be) of the Company, including any amendment thereto that may be made from time to time;
Date of Acceptance	: The date whereupon the ESOS Committee shall receive the written notice from an Eligible Person accepting an Offer;
Date of Expiry	: Last day of the duration of the Scheme or last day of any extended period pursuant to By-Law 19.2 (as the case may be);
Date of Offer	: The date on which an Offer is made by the ESOS Committee to an Eligible Person in the manner provided in By-Law 6;
Director	: Director of VEB Group, within the meaning of Section 2(1) of the Capital Markets & Services Act 2007 as amended from time to time including any re-enactment thereof;

BY-LAWS IN RELATION TO THE ESOS (CONT'D)

Effective Date	: The date on which the Scheme comes into force as provided in By-Law 19.1;
Executive Director	: A Director, whom, on the Date of Offer, is on the payroll of VEB Group and is involved in the day-to day management of VEB Group;
EGM	: Extraordinary General Meeting;
Eligible Person(s)	: Any Employee or Executive Director of VEB Group (excluding subsidiary companies which are dormant, if any) who meets the criteria of eligibility for participation in the ESOS as stipulated in By-Law 4;
Employee	: A natural person who is employed on full time basis by and on the payroll of any company in VEB Group;
Entitlement Date	: The date as at the close of business on which shareholders' names must appear on VEB's Record of Depositors maintained at Bursa Depository and/or Register of Members in order to be entitled to any dividends, rights, allotments or other distributions;
ESOS or Scheme	: The employees' share option scheme for the grant of Option(s) to Eligible Persons to subscribe for Shares in accordance with the provisions of the By-Laws and such scheme shall be known as the "Velesto Energy Berhad's Employees' Share Option Scheme" ;
ESOS Committee	: The Board Nomination and Remuneration Committee of the Company or a committee comprising such persons appointed from time to time by the Board, which is authorized by the Board with the responsibility of, amongst others, implementing, allocating and administering the Scheme;
ESOS Option(s) or Option(s)	: The right of a Grantee to subscribe for Shares at the Option Exercise Price pursuant to the acceptance of an Offer by an Eligible Person in the manner provided in By-Law 7;
Grantee	: Any Eligible Person who has accepted an Offer in the manner provided in By-Law 7;
Listing Requirements	: The Main Market Listing Requirements of Bursa Securities, including all amendments thereto;
Market Day(s)	: A day on which Bursa Securities is open for trading in securities;
Maximum Allowable Allotment	: The maximum number of Options that can be offered to an Eligible Person under the Scheme in the manner provided in By-Law 5;
Offer(s)	: A written offer made by the ESOS Committee from time to time to an Eligible Person to participate in the Scheme in the manner provided in By-Law 6;
Offer Period	: The period stipulated in By-Law 6.5;
Option Certificate	: The certificate issued by the ESOS Committee confirming the grant and number of the Options to the Eligible Person, the Option Exercise Price, the number of Shares comprised in the Option, Option Period and any vesting conditions as specified in the letter of offer;

BY-LAWS IN RELATION TO THE ESOS (CONT'D)

Option Period	:	Subject to By-law 19.5, the period commencing from the Date of Offer and expiring on the Date of Expiry or such other date as stipulated by the ESOS Committee in the Offer or upon the date of termination of the Scheme as provided in By-Law 19, whichever is the earlier;
Option Exercise Price	:	The price at which a Grantee shall be entitled to subscribe for each Share from the Company upon the exercise of the Options, as initially determined and as may be adjusted pursuant thereto in accordance with the provisions of By-Law 10;
Principal Adviser	:	A person who is eligible to act as a principal adviser under the Principal Adviser Guidelines issued by the Securities Commission Malaysia, as amended from time to time;
Rules of Bursa Depository	:	The rules of Bursa Depository, as issued pursuant to the Central Depositories Act;
RM and sen	:	Ringgit Malaysia and sen respectively;
Representative	:	A legal or personal representative(s) or heir(s);
Share(s)	:	Ordinary share(s) of the Company;
VEB or the Company	:	Velesto Energy Berhad (878786-H);
VEB Group or the Group	:	The Company and its subsidiaries as defined in the Act, which are not dormant. Subject to the foregoing, subsidiaries include subsidiaries which are existing as at the Effective Date and subsidiaries which are incorporated or acquired at any time during the duration of the Scheme but exclude subsidiaries which have been divested in the manner provided in By-Law 17.

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

2.3 Any reference to statutory provisions shall include:-

- (a) any subordinate legislation made from time to time under that provision and any Listing Requirements, policies, practice notes and/or guidelines of Bursa Securities and/or other relevant authorities (in each case, whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies, practice notes and/or guidelines are addressed to by Bursa Securities and/or the relevant authorities);
- (b) that provision as from time to time modified or re-enacted whether before or after the date of these By-Laws so far as such modification or re-enactment applies or is capable of applying to any Option(s) offered and accepted prior to the Date of Expiry and shall include also any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced.

2.4 Words importing the masculine gender shall include the feminine and neuter genders.

2.5 Words importing the singular number shall include the plural number and vice versa.

BY-LAWS IN RELATION TO THE ESOS (CONT'D)

- 2.6 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 PROVIDED ALWAYS if such date shall fall beyond the Date of Expiry, then the stipulated date shall be taken to be the preceding Market Day.
- 2.7 A "Day" or "Month" means a calendar day or a calendar month.
- 2.8 Any liberty or power which may be exercised or any decision or determination which may be made hereunder by the ESOS Committee shall be exercised in the ESOS Committee's absolute and unfettered discretion and the ESOS Committee shall not be under any obligation to give any reasons therefore, except as may be required by the relevant authorities.
- 2.9 Any reference to the Company and/or other person shall include a reference to its Representative.
- 2.10 "Person connected" shall have the meaning as defined in Paragraph 1.01 of the Listing Requirements.

3. MAXIMUM NUMBER OF SHARES AVAILABLE UNDER THE SCHEME

- 3.1 The maximum number of Shares which may be made available under the Scheme shall not in aggregate exceed seven point five percent (7.5%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time during the duration of the Scheme as provided in By-Law 19.2.
- 3.2 Notwithstanding the provision of By-Law 3.1 and any other provision contained in these By-Laws, in the event the total number of Shares that may be made available under the Scheme exceeds seven point five percent (7.5%) of the total number of issued shares of the Company (excluding treasury shares, if any) as a result of the Company purchasing, cancelling and/or reducing its Shares in accordance with the provisions of the Act or the Company undertaking any corporate proposal and thereby diminishing the total number of issued shares of the Company, then such Options granted prior to the adjustment of the issued Shares of the Company (excluding treasury shares, if any) shall remain valid and exercisable in accordance with the provisions of this Scheme. However, in such a situation, the ESOS Committee shall not make any further Offer until the total number of Shares under the subsisting Options, falls below seven point five percent (7.5%) of the total number of issued shares of the Company (excluding treasury shares, if any).

4. ELIGIBILITY

- 4.1 Subject to the discretion of the ESOS Committee, only Eligible Persons who fulfil the following conditions shall be eligible to participate in the Scheme:-
 - (a) In respect of an Employee, the Employee must fulfil the following criteria as at the Date of Offer:-
 - (i) is at least eighteen (18) years of age and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
 - (ii) is confirmed in writing as a full time Employee; and
 - (iii) fulfils any other criteria and/or falls within such category as may be determined by the ESOS Committee at its sole discretion from time to time.

BY-LAWS IN RELATION TO THE ESOS (CONT'D)

- (b) In respect of an Executive Director, the Executive Director must fulfil the following criteria as at the Date of Offer:-
 - (i) is at least eighteen (18) years of age and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
 - (ii) has been appointed as an Executive Director of the Company or any company in the Group for such period as may be determined by the ESOS Committee prior to and up to the Date of Offer; and
 - (iii) fulfils any other criteria and/or falls within such category as may be determined by the ESOS Committee at its sole discretion from time to time.
- (c) In respect of an Executive Director and/or Employee who are not Malaysian citizens, such Executive Director or Employee of the Group (as the case may be) having obtained the required approvals from the relevant authorities (if required), subject to compliance with By-Laws 4.1(a) and 4.1(b), as applicable.

Notwithstanding the above, the ESOS Committee may, in its absolute discretion, waive any of the conditions of eligibility as set out in this By-Law 4.1. The eligibility and number of Options to be offered to an Eligible Person under the Scheme shall be at the sole and absolute discretion of the ESOS Committee and the decision of the ESOS Committee shall be final and binding.

In determining the eligibility of an Eligible Person to participate in the ESOS, the ESOS Committee may take into account amongst other factors, the performance, contribution, employment grade, seniority and/or length of service to the relevant corporation within VEB Group, and/or such other factors that the ESOS Committee may in its sole and absolute discretion deem fit.

- 4.2 Subject to By-Laws 4.1(a) and 4.1(b), the ESOS Committee may as stipulated in the Offer or may from time to time at its own discretion decide on the performance targets to be achieved by the Grantee before the ESOS Options can be vested and exercised into Shares.
- 4.3 Notwithstanding By-Law 4.1, the specific allotment to be made to any Eligible Person, who is an Executive Director or chief executive of the Company (as defined under the Listing Requirements) or person connected with such Executive Director or chief executive, shall not be eligible to participate in the ESOS unless their entitlements under the ESOS have been approved by the shareholders of VEB in a general meeting prior to the specific allocation of the ESOS Options by the ESOS Committee to any of them and they shall not participate in the deliberation and discussion of their own allocation.
- 4.4 Any Eligible Person who holds more than one (1) position within the VEB Group and by holding such positions, the Eligible Person is in more than one category, shall only be entitled to the Maximum Allowable Allotment of any one of those categories. The ESOS Committee shall be entitled at its discretion to determine the applicable category.
- 4.5 An Employee or Executive Director of a dormant company within the Group is not eligible to participate in the Scheme.
- 4.6 An Employee or Executive Director who during the duration of the Scheme becomes an Eligible Person may, at the discretion of the ESOS Committee, be eligible to participate in the Scheme, subject to the Maximum Allowable Allotment.

BY-LAWS IN RELATION TO THE ESOS (CONT'D)

- 4.7 Eligibility under the Scheme does not confer upon the Eligible Person a claim or right to participate in or any rights whatsoever under the Scheme and an Eligible Person does not acquire or has any right over or in connection with the Options or Shares comprised therein unless the Offer has been made in writing by the ESOS Committee to the Eligible Person under By-Law 6 and the Eligible Person has accepted the Offer in accordance with By-Law 7 hereof and satisfied the vesting conditions of the Options as determined by the ESOS Committee, if any.

5. BASIS OF ALLOTMENT AND MAXIMUM ALLOWABLE ALLOTMENT

- 5.1 Subject to By-Law 3 and any adjustment which may be made under By-Law 15, the number of Options to be allocated to an Eligible Person at any time in each Offer made pursuant to the Scheme shall be at the sole and absolute discretion of the ESOS Committee after taking into consideration, amongst other factors, the Eligible Person's designation, length of service, work performance and/or such other factors as the ESOS Committee deems fit, and subject to the following conditions:-

- (a) the total number of Shares made available under the Scheme shall not exceed the amount stipulated in By-Law 3.1;
- (b) not more than ten percent (10%) of the total number of Shares to be issued under the Scheme shall be allocated to any Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds twenty percent (20%) or more of the total number of issued shares of the Company (excluding treasury shares, if any);
- (c) not more than fifty percent (50%) of the total number of Shares to be issued under the Scheme shall be allocated, in aggregate, to the Executive Directors and senior management of the Group who are Eligible Persons (where "senior management" shall be subject to any criteria as may be determined at the sole discretion of the ESOS Committee from time to time); and
- (d) the Executive Directors and senior management of VEB Group shall not participate in the deliberation or discussion of their respective allocations as well as to persons connected with them, if any,

provided always that it is in accordance with the Listing Requirements or any prevailing guidelines issued by Bursa Securities or any other relevant authorities as amended from time to time.

- 5.2 The ESOS Committee shall be entitled to determine the Maximum Allowable Allotment in relation to each class or grade of Executive Directors and Employees and the aggregate maximum number of ESOS Options that can be offered to Executive Directors and senior management under the Scheme from time to time, and the decision of the ESOS Committee shall be final and binding.
- 5.3 The Company shall ensure that allocation of Options pursuant to the Scheme is verified by the Board Audit Committee of the Company at the end of each financial year as being in compliance with the criteria for allocation of Options which have been disclosed to the Eligible Persons.
- 5.4 The ESOS Committee may at its sole and absolute discretion determine whether the granting of the ESOS Options to the Eligible Person will be based on staggered granting over the duration of the Scheme or in one (1) single grant and/or whether the Options are subject to any vesting period, and if so, to determine the vesting conditions for the ESOS Options.
- 5.5 In the event that any Eligible Person is a member of the ESOS Committee, such Eligible Person shall not participate in the deliberation or discussion of their own allocation of the Options or persons connected with them.

6. OFFER

- 6.1 During the duration of the Scheme, the ESOS Committee may at its discretion at any time and from time to time make an Offer in writing to an Eligible Person, subject to the Eligible Person's Maximum Allowable Allotment. Each Offer shall be in multiples of and not be less than one hundred (100) Shares or such other units of Shares constituting one (1) board lot as may be determined by the ESOS Committee. The Options shall only be accepted in multiples of and not be less than one hundred (100) Shares or such other units of Shares constituting one board lot as may be determined by the ESOS Committee.
- 6.2 In implementing the Scheme, the ESOS Committee may at its absolute discretion decide that the Options be satisfied by the following methods:-
- (a) issuance of new VEB Shares;
 - (b) transfer of the Company's treasury shares or any other methods as may be permitted by the Act, as amended from time to time and any re-enactment thereof; or
 - (c) a combination of any of the above.
- 6.3 The ESOS Committee shall state the following particulars in the letter of Offer:-
- (a) the number of Options that are being offered to the Eligible Person;
 - (b) the number of Shares which the Eligible Person shall be entitled to subscribe for upon the exercise of the Options being offered;
 - (c) the Date of Offer;
 - (d) the Option Period;
 - (e) the Option Exercise Price;
 - (f) the Offer Period;
 - (g) the closing date for acceptance of the Offer;
 - (h) the vesting conditions of the Options as determined by the ESOS Committee, if any;
 - (i) the manner and conditions of exercise of the Options; and
 - (j) any other information deemed necessary by the ESOS Committee.
- 6.4 Without prejudice to By-Law 20, in the event the letter of Offer contains an error on the part of the Company in stating any of the particulars in By-Law 6.3 above, the following provisions shall apply:
- (a) as soon as possible but in any event no later than one (1) month after discovery of the error, the ESOS Committee shall issue a supplemental letter of Offer, stating the correct particulars referred to in By-Law 6.3;
 - (b) in the event that the error relates to particulars other than the Option Exercise Price, the Option Exercise Price applicable in the supplemental letter of Offer shall remain as the Option Exercise Price as per the original letter of Offer; and

BY-LAWS IN RELATION TO THE ESOS (CONT'D)

- (c) in the event that the error relates to the Option Exercise Price, the Option Exercise Price in the supplemental letter of Offer shall be the Option Exercise Price applicable as at the date of the original letter of Offer, save and except with respect to any Options which have already been exercised as at the date of issue of the supplemental letter of Offer.

- 6.5 An Offer shall be valid for acceptance for a period of thirty (30) Days from the Date of Offer or the closing date for acceptance of the Offer as stipulated in the letter of Offer, whichever is later or such longer period as may be determined by the ESOS Committee on a case-by-case basis at its sole and absolute discretion.
- 6.6 Subject to By-Law 5, nothing herein shall prevent the ESOS Committee from making more than one (1) Offer to an Eligible Person **PROVIDED THAT** the total aggregate number of Options offered to such Eligible Person during the duration of the Scheme shall not exceed the Maximum Allowable Allotment of such Eligible Person.
- 6.7 The actual number of Options that may be granted to an Eligible Person shall be at the sole and absolute discretion of the ESOS Committee and subject to any adjustment that may be made under By-Law 15.

7. ACCEPTANCE

- 7.1 An Offer shall be accepted by an Eligible Person within the Offer Period by written notice to the Company accompanied by a payment to the Company of a nominal non-refundable consideration of Ringgit Malaysia One (RM1.00) only for the acceptance of the Options (regardless of the number of Shares comprised therein).
- 7.2 The day of receipt of such written notice shall constitute the Date of Acceptance.
- 7.3 If an Offer made to the Eligible Person is not accepted in the manner aforesaid within the Offer Period, the Offer shall automatically lapse and be null and void and be of no further force and effect. The Options comprised in such Offer may, at the discretion of the ESOS Committee, be re-offered to other Eligible Persons.
- 7.4 The Company shall within thirty (30) Days of the acceptance of the Offer by the Eligible Person, issue to the Eligible Person an Option Certificate in such form as may be determined by the ESOS Committee.
- 7.5 Notwithstanding By-Law 6.5, in the event of death or cessation of employment of the Eligible Person or the Eligible Person becomes a bankrupt, as the case may be, prior to the acceptance of the Offer made to the Eligible Person, such Offer shall automatically lapse and be null and void and shall not be capable of acceptance. The Options comprised in such Offer may, at the discretion of the ESOS Committee, be re-offered to other Eligible Persons.
- 7.6 The Company shall keep and maintain a register of Grantees at its expense and shall enter in that register the names and addresses of the Grantees and such information as may be prescribed by the ESOS Committee.

8. NON-TRANSFERABILITY

- 8.1 An Option is personal to the Grantee and subject to the provisions of By-Laws 14.2 to 14.6, is exercisable only by the Grantee personally during his/her lifetime whilst he/she is in the employment of any company in the Group.
- 8.2 An Option shall not be transferred, assigned or otherwise disposed off by the Grantee save and except in the event of the death of the Grantee as provided under By-Law 14.6.

9. VESTING CONDITIONS AND EXERCISE OF OPTIONS

- 9.1 Subject to the provisions of By-Laws 9.12, 14.1, 16 and 17, an Option granted to a Grantee under the Scheme is exercisable only by that Grantee during his/her lifetime and whilst he/she is in the employment of the Group and within the Option Period (subject always to By-Law 9.2 and 9.8). All unexercised Options shall become null and void after the Date of Expiry.
- 9.2 The ESOS Committee may with its power under By-Law 20, at any time and from time to time, before and after the Options are granted, limit the exercise of the Options to a maximum number of Shares and/or such percentage of the total Shares comprised in the Options during such periods within the Option Period and impose other terms and/or conditions deemed appropriate by the ESOS Committee in its sole discretion.
- 9.3 The ESOS Committee shall, as and when it deems necessary, review and determine at its own discretion the vesting conditions specified in respect of the Offer. A Grantee shall be entitled to exercise the Options granted to him/her after the vesting conditions, if any, are fully and duly satisfied which includes amongst others, the following:
 - (a) the Eligible Person must remain as an employee and shall not have given a notice to resign to the Company or any subsidiary within the Group (as applicable) or receive a notice of termination from the Company or any subsidiary within the Group (as applicable) as at the vesting date; and
 - (b) any other conditions which are determined by the ESOS Committee.
- 9.4 If applicable, where the ESOS Committee has determined that the vesting conditions have been fully and duly satisfied, the ESOS Committee shall notify the Grantee the number of Options vested or which will be vested to him/her on the vesting date ("**Vesting Notice**").
- 9.5 Subject to By-Law 4.1, the ESOS Committee shall have sole and absolute discretion to decide whether there are any performance targets to be achieved by the Grantee before the Options can be vested and exercised into Shares.
- 9.6 Where an Option is exercised only in part, the Option Certificate shall be endorsed by the ESOS Committee stating, *inter-alia*, the number of Shares which remain capable of being exercised.
- 9.7 A Grantee shall exercise the Options granted to him/her in multiples of and not less than one hundred (100) Shares or such other units of Shares constituting one (1) board lot as may be determined by the ESOS Committee save and except where a Grantee's balance of Options exercisable in accordance with these By-Laws shall be less than one hundred (100) Shares or such other units of Shares constituting one (1) board lot as may be determined by the ESOS Committee, in which case the said balance shall, if exercised, be exercised in a single tranche. Such partial exercise of an Option shall not preclude the Grantee from exercising the Option as to the balance of any new Option, if any, which he is entitled to subscribe under the Scheme.
- 9.8 Options which are exercisable in a particular year but are not exercised may be carried forward to subsequent years subject to the Option Period. Any Option which remain unexercised at the expiry of the Option Period shall be automatically terminated and lapse without any claim against the Company.
- 9.9 Subject to the discretion of the ESOS Committee, where a Grantee is serving under an employment contract, he/she may exercise any remaining unexercised Options within sixty (60) Days before the expiry of the employment contract if the remaining duration of the employment contract from the date on which the Options are granted is less than the Option Period.

BY-LAWS IN RELATION TO THE ESOS (CONT'D)

- 9.10 A Grantee shall exercise his Options by notice in writing to the Company in such form as the ESOS Committee may prescribe or approve ("**Notice of Exercise**"). The procedure for the exercise of Options to be complied with by a Grantee shall be determined by the ESOS Committee from time to time.
- 9.11 Every Notice of Exercise shall state the number of Shares an Eligible Person intends to subscribe and shall be accompanied by the relevant Option Certificate and the relevant evidence of remittance for the full amount of the subscription monies payable in respect thereof **PROVIDED THAT** the number of Shares stated therein shall not exceed the amount exercisable by such Eligible Person.
- 9.12 The Grantee shall state his CDS Account in the Notice of Exercise. Within eight (8) Market Days (or such other period as may be prescribed by Bursa Securities and subject to the Constitution) after the receipt of the complete and valid Notice of Exercise together with the remittance from the Grantee and subject to the provisions of the Listing Requirements, the Central Depositories Act, the Rules of Bursa Depository and the Constitution, the Company shall issue/transfer the relevant number of Shares and despatch a notice of allotment to the Grantee. The said Shares will be credited directly into the CDS Account of the Grantee. No physical certificates will be issued. For Grantees who do not have CDS Account, such Grantees are required to open a CDS Account at their own expense before they can exercise their Options.
- 9.13 Any failure to comply with the procedures specified by the ESOS Committee or to provide information as required by the Company in the Notice of Exercise or inaccuracy in the CDS Account number provided shall result in the Notice of Exercise being rejected at the discretion of the ESOS Committee. The ESOS Committee shall inform the Grantee of the rejection of the Notice of Exercise within ten (10) Market Days from the date of rejection and the Grantee shall then be deemed not to have exercised his/her Option.
- 9.14 Notwithstanding anything contrary herein contained in these By-Laws, the ESOS Committee shall have the right, at its absolute discretion by notice in writing to that effect, to suspend the right of any Grantee who is being subjected to disciplinary proceedings (whether or not such disciplinary proceedings may give rise to a dismissal or termination of service of such Grantee or are found to have had no basis or justification) to exercise his/her Options pending the outcome of such disciplinary proceedings. In addition to this right of suspension, the ESOS Committee may impose such terms and conditions as the ESOS Committee shall deem appropriate at its sole and absolute discretion, on the Grantee's right to exercise his/her Options having regard to the nature of the charges made or brought against such Grantee, **PROVIDED ALWAYS** that:-
- (a) in the event such Grantee is found not guilty of the charges which gave rise to such disciplinary proceedings, the ESOS Committee shall reinstate the right of such Grantee to exercise his/her Options;
 - (b) in the event the disciplinary proceedings result in a recommendation for the dismissal or termination of service of such Grantee, all unexercised and partially exercised Options of the Grantee shall immediately lapse and be null and void and of no further force and effect, without notice to the Grantee, upon pronouncement of the dismissal or termination of service of such Grantee notwithstanding that such recommendation, dismissal and/or termination of service may be subsequently challenged or disputed by the Grantee in any other forum;

BY-LAWS IN RELATION TO THE ESOS (CONT'D)

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

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

- 9.15 Every Option shall be subject to the condition that no Shares shall be issued to the Grantee pursuant to the exercise of an Option if such an issue would be contrary to any law, enactment, rules and/or regulations of any legislative or non-legislative body which may be in force during the Option Period or such period as may be extended.
- 9.16 The Group, the Board (including Directors that had resigned but were on the Board during the Option Period) and the ESOS Committee shall not under any circumstances be held liable to the Grantee or his/her Representative or any other person or entity for any third party claim, loss of profits, loss of opportunity, loss of savings or any punitive, incidental or consequential damage, including without limitation lost profits or savings, directly or indirectly arising from any delay on the part of the Company in allotting and issuing the Shares or in procuring Bursa Securities to list and quote the Shares subscribed for by the Grantee or any delay in receipt or non-receipt by the Company of the notice to exercise the Options or for any error in any Offer.

10. OPTION EXERCISE PRICE

- 10.1 Subject to any adjustments in accordance with By-Law 15 and pursuant to the Listing Requirements, the Option Exercise Price shall be a price to be determined by the ESOS Committee based on a discount of not more than ten percent (10%) to the five (5)-day volume weighted average market price of the Shares immediately preceding the Date of Offer.
- 10.2 The Option Exercise Price as determined by the ESOS Committee shall be conclusive and binding on the Grantees.

11. RIGHTS OF A GRANTEE

- 11.1 The Options shall not carry any right to vote at any general meeting of the Company.
- 11.2 The Shares, which are issued/transferred and credited into the Grantee's CDS account upon the exercise of the ESOS Options, would carry rights to vote at any general meeting of the Company, if the Grantee is registered on the Register of Depositors on the Entitlement Date as at the close of business to be entitled to attend and vote at the general meeting.
- 11.3 A Grantee shall not be entitled to any dividends, rights and/or other distributions on his/her unexercised Options.

12. RANKING OF THE SHARES PURSUANT TO THE EXERCISE OF THE ESOS OPTIONS

The Shares to be issued and/or transferred to the Grantee arising from the exercise of the Options will rank *pari passu* in all respects with the then existing Shares of the Company, save and except that the Shares will not be entitled to any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid, where the Entitlement Date precedes the date of issuance and/or transfer of the abovementioned Shares.

The Shares under the Scheme will be subject to the provisions of the Constitution relating to transfer, transmission or otherwise of the Shares including the rights of the holder of the Shares on the winding up of the Company. The Grantees will not be entitled to any voting right or participation in any form of distribution and/or offer of further securities in the Company until and unless such Grantees exercise their ESOS Options into Shares and such Shares are credited into the Grantees' respective CDS Account.

13. RETENTION PERIOD

The Shares issued and/or transferred to a Grantee pursuant to the exercise of the Options will not be subjected to any retention period or restriction on transfer. However, the Grantees are encouraged to hold the Shares as a long-term investment and not for any speculative and/or realisation to yield a profit. Notwithstanding the foregoing, the ESOS Committee shall be entitled to prescribe or impose, in relation to any Offer, any condition relating to any retention period or restriction on transfer as it sees fit.

14. TERMINATION OF OPTIONS

14.1 Any Option which has not been exercised by a Grantee shall be automatically terminated in the following circumstances:-

- (a) termination or cessation of employment of the Grantee with the Group for any reason whatsoever, in which event the Option shall be automatically terminated on the day the Grantee's employer accepts his/her notice of resignation or the Grantee's employer notifies the Grantee of termination of his/her employment or on the day the Grantee notifies his/her employer of his/her resignation or on the Grantee's last day of employment, whichever is the earlier; or
- (b) bankruptcy of the Grantee, in which event the Option shall be automatically terminated on the date a receiving order is made against the Grantee by a court of competent jurisdiction; or
- (c) subject to By-Law 18, winding up or liquidation of the Company; or
- (d) termination of the Scheme pursuant to By-Law 19.5,

whichever shall be applicable.

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

14.2 Notwithstanding By-Law 14.1 above, a Grantee may apply in writing to the ESOS Committee to be allowed to continue to hold and to exercise any Option held by him/her upon termination of employment with the Group in the following circumstances:-

BY-LAWS IN RELATION TO THE ESOS (CONT'D)

- (a) retirement upon or after attaining the age in accordance with the Company's retirement policy; or
- (b) retirement before the age specified under the above said retirement policy, with the consent of his/her employer; or
- (c) ill-health, injury, physical or mental disability; or
- (d) redundancy, retrenchment or voluntary separation scheme; or
- (e) any Executive Director not being re-elected during a general meeting of the Company; or
- (f) transfer to any company outside the Group at the direction of the Company or a corporation within the Group; or
- (g) any other circumstance as may be deemed as acceptable to the ESOS Committee.

14.3 Applications under By-Law 14.2 shall be made within the duration of the Scheme:-

- (a) in a case where By-Law 14.2(a), (b), (e) or (g) is applicable, within one (1) month before the Grantee's last day of employment/service, the Grantee may exercise all his/her unexercised Options. In the event that no application is received by the ESOS Committee before the Grantee's last day of employment/service, any Option held by the Grantee on his last day of employment shall be automatically terminated;
- (b) in a case where By-Law 14.2(c) is applicable, within one (1) month after the Grantee notifies his/her employer of his/her resignation due to ill health, injury, physical or mental disability, the Grantee may exercise all his/her unexercised Options. In the event that no application is received by the ESOS Committee within the said period, any Option held by the Grantee at the expiry of the said period shall be automatically terminated;
- (c) in a case where By-Law 14.2(d) is applicable, the Grantee may exercise all his/her unexercised Options, within one (1) month after the Grantee is notified that he/she will be retrenched or, where he/she is given an offer by his employer as to whether he/she wishes to accept retrenchment upon certain terms, within one (1) month after he/she accepts such offer. In the event that no application is received by the ESOS Committee within the said period, any Option held by the Grantee at the expiry of the said period shall be automatically terminated; and
- (d) in a case where By-Law 14.2(f) is applicable, within one (1) month after the Grantee is notified that he/she will be transferred to a company outside the Group, the Grantee may exercise all his/her unexercised Options. In the event that no application is received by the ESOS Committee within the said period, any Option held by the Grantee at the expiry of the said period shall be automatically terminated.

14.4 The ESOS Committee shall consider applications under By-Law 14.2 on a case-by-case basis and may at its discretion approve or reject any application in whole or in part without giving any reasons thereof and may impose any terms and conditions in granting an approval. The decision of the ESOS Committee shall be final and binding. In the event that the ESOS Committee approves an application in whole or in part, the Grantee may exercise the Options which are the subject of the approval within the period so approved by the ESOS Committee and subject to the provisions of By-Law 9. Any Options in respect of which an application is rejected shall be automatically terminated on the date of termination stipulated in the relevant paragraph of By-Law 14.3 or on the date of the ESOS Committee's decision, whichever is the later.

BY-LAWS IN RELATION TO THE ESOS (CONT'D)

- 14.5 In the event that the ESOS Committee receives an application under By-Law 14.2 after the expiry of the relevant period under By-Law 14.3, the ESOS Committee shall take into account the reasons given by the Grantee for the delay in making the application, in exercising the ESOS Committee's discretion and powers under By-Law 14.4. In the event that the ESOS Committee approves the application in whole or in part, the Company shall make an Offer in respect of the unexercised Options which are the subject of approval to the Grantee and such Options offered, if accepted by the Grantee shall be exercisable:-
- (a) only within the Option Period of those Options which were terminated due to the Grantee's delay in making the application;
 - (b) in accordance with the provisions of By-Law 9 as applicable in respect of such terminated Options; and
 - (c) at the Option Exercise Price applicable in respect of such terminated Options.
- 14.6 In the event a Grantee dies before the expiration of the Option Period and at the time of his/her death held unexercised Options, the following provisions shall apply:-
- (a) such unexercised Options may be exercised by the Representative of the deceased Grantee:-
 - (i) within twelve (12) months after the Grantee's death ("**Permitted Period**"); or
 - (ii) within the Option Period;

whichever expires first.
 - (b) In the event that the Option Period expires before the Permitted Period, any Option which has not been exercised by the Representative at the expiry of the Option Period shall be automatically terminated and the Representative shall not be entitled to apply for any extension of time for exercising such unexercised Options.
 - (c) In the event that the Permitted Period expires before the Option Period, the following provisions shall apply:-
 - (i) the Representative may, at any time before the expiry of the Permitted Period, apply in writing to the ESOS Committee for an extension of the Permitted Period, stating the reasons as to why the extension is required. In the event that no application is received by the ESOS Committee before the expiry of the Permitted Period, any Option which has not been exercised by the Representative at the expiry of the Permitted Period shall be automatically terminated; and
 - (ii) ESOS Committee shall consider such applications on case-by-case basis and may in its discretion approve or reject an application in whole or in part without giving any reason thereof and may impose any term and condition in granting an approval. The decision of the ESOS Committee shall be final and binding. In the event that the ESOS Committee approves an application in whole or in part, the Representative may exercise the Options which are the subject of the approval within such extension of the Permitted Period as is approved (which shall not exceed the Option Period) and in accordance to By-Law 9. Any Option in respect of which an application is rejected shall be automatically terminated at the expiry of the Permitted Period or on the date of the ESOS Committee's decision, whichever is the later.

For the avoidance of doubt, in the event the Representative exercises such unexercised Options, the provisions in the By-Laws shall apply mutatis mutandis to the Representative.

15. ALTERATION OF SHARE CAPITAL AND ADJUSTMENT

15.1 Subject to By-Law 15.4 hereof, in the event of any alteration in the capital structure of the Company during the Option Period, whether by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of Shares or reduction of capital or any other variation of capital shall take place or if the Company shall make a capital distribution during the duration of the Scheme, the Company shall cause such adjustment to be made to:-

- (a) the Option Exercise Price;
- (b) the number of ESOS Options granted to each Grantee (excluding the ESOS Options already exercised); and/or
- (c) the number of Shares and/or Option Exercise Price comprised in the Offer which is open for acceptance during the Offer Period (if such Offer is subsequently accepted in accordance with the terms and conditions of the Offer and these By-Laws),

to ensure that the capital outlay to be incurred by a Grantee in subscribing for the same proportion of Shares to which the Grantee was entitled to prior to the event giving rise to such adjustments (i.e. not taking into account the ESOS Options already exercised) shall remain unaffected.

Any adjustment (other than an adjustment pursuant to a bonus issue, subdivision or consolidation of Shares) must be confirmed in writing by the external auditors or the Principal Adviser of the Company.

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

- (a) any adjustment to the Option Exercise Price shall be rounded up to the nearest one (1) sen; and
- (b) in determining a Grantee's entitlement to subscribe for Shares, any fractional entitlements will be disregarded.

15.3 Subject to By-Law 15.2, the Option Exercise Price and/or the number of Options granted to each Grantee so far unexercised shall from time to time be adjusted, calculated and determined by the ESOS Committee in accordance with the formulas as set out in this By-Law 15.3 in consultation with the external auditors or the Principal Adviser of the Company.

BY-LAWS IN RELATION TO THE ESOS (CONT'D)

(a) **Consolidation or subdivision**

If and whenever a Share by reason of any consolidation or subdivision, the Option Exercise Price and/or the additional number of Options shall be adjusted, calculated or determined in the following manner:-

$$\text{New Option Exercise Price} = \text{EP} \times \frac{\text{Total number of issued shares before the consolidation or subdivision}}{\text{Total number of issued shares after the consolidation or subdivision}}$$

$$\text{Additional number of Options} = T \times \frac{\text{Total number of issued shares after the consolidation or subdivision}}{\text{Total number of issued shares before the consolidation or subdivision}} - T$$

Where:-

EP = existing Option Exercise Price; and

T = existing number of Options held.

Such adjustment will be effective from the close of business on the Market Day immediately following the Entitlement Date on which the consolidation or subdivision becomes effective (being the date when the Shares are traded on Bursa Securities), or such other period as may be prescribed by Bursa Securities.

(b) **Capitalisation of profits/reserves**

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

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

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

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

Where:-

A = the aggregate number of issued shares of the Company immediately before such bonus issue or capitalisation issue;

B = the aggregate number of new Shares to be issued pursuant to any allotment to ordinary shareholders of the Company by way of bonus issue or capitalisation of profits or reserves of the Company (whether of a capital or income nature); and

T = as defined in By-Law15.3(a) above.

BY-LAWS IN RELATION TO THE ESOS (CONT'D)

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

(c) If and whenever the Company shall make:-

(i) **Capital Distribution**

a Capital Distribution (as defined below) to ordinary shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets); or

(ii) **Rights issue of Shares**

any offer or invitation to ordinary shareholders whereunder they may acquire or subscribe new Shares by way of rights; or

(iii) **Rights issue of convertible securities**

any offer or invitation to ordinary shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into new Shares or securities with rights to acquire or subscribe for new Shares attached thereto,

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

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

and in respect of the case referred to in By-Law 15.3(c)(ii) hereof, the number of additional Options to be issued shall be calculated as follows:-

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

Where:-

T = as defined in By-Law 15.3(a) above;

C = 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 (failing any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation; and

D = (aa) in the case of an offer or invitation to acquire or subscribe for new Shares under By-Law 15.3(c)(ii) above or for securities convertible into Shares or securities with rights to acquire or subscribe for new Shares under By-Law 15.3(c)(iii) above, the value of rights attributable to one (1) existing Share (as defined below); or

(bb) in the case of any other transaction falling within By-Law 15.3(c) hereof, the fair market value as determined by the Principal Adviser of the Company (with the concurrence of the external auditor) of that portion of the Capital Distribution attributable to one (1) existing Share.

BY-LAWS IN RELATION TO THE ESOS (CONT'D)

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

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

Where:-

- C = as defined in By-Law 15.3(c) above;
- E = the subscription price for one (1) additional Share under the terms of such offer or invitation or one (1) additional security convertible into Shares or one (1) additional security with rights to acquire or subscribe for Shares;
- F = the number of existing Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or security convertible into Shares or one (1) additional security with right to acquire or subscribe for Shares; and
- D* = the “value of rights attributable to one (1) existing Shares” (as defined below).

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

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

Where:-

- C = as defined in By-Law 15.3(c) above;
- E* = the subscription price for one (1) additional Share under the terms of such offer or invitation to acquire or subscribe for Shares; and
- F* = the number of existing Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share.

For the purpose of By-Law 15.3(c) hereof, “**Capital Distribution**” shall (without prejudice to the generality of that expression) include distributions in cash or specie (other than dividends) or by way of issue of new Shares (not falling under By-Law 15.3(b) hereof) or other securities by way of capitalisation of profits or reserves of the Company (whether of a capital or income nature).

Any distribution out of profits or reserves made (whenever paid and howsoever described) shall be deemed to be a Capital Distribution unless the distribution is paid out of the aggregate of the net profits attributable to the ordinary shareholders as shown in the audited statement of comprehensive income of the Company for any period as shown in the audited consolidated profit and loss accounts of the Company.

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

(d) **Capitalisation of profits/reserves and rights issue of Shares/convertible securities**

If and whenever the Company makes any allotment to its ordinary shareholders as provided in By-Law 15.3(b) above and also makes any offer or invitation to its ordinary shareholders as provided in By-Law 15.3(c)(ii) or (iii) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the Option Exercise Price shall be adjusted by multiplying it by the following fraction:-

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

and where the Company makes any allotment to its ordinary shareholders as provided in By-Law 15.3(b) above and also makes any offer or invitation to its ordinary shareholders as provided in By-Law 15.3(c)(ii) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the number of additional Options to be issued shall be calculated as follows:-

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

Where:-

B = as defined in By-Law 15.3(b) above;

C = as defined in By-Law 15.3(c) above;

G = the aggregate number of issued shares of the Company on the Entitlement Date;

H = the aggregate number of new Shares to be issued 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 new Shares or rights to acquire or subscribe for new Shares, as the case may be;

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

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

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

T = as defined in By-Law 15.3(a) above.

Unless otherwise as may be prescribed by Bursa Securities, such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day immediately following the Entitlement Date for such issue.

(e) **Rights issue of Shares and rights issue of convertible securities**

If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire or subscribe for new Shares as provided in By-Law 15.3(c)(ii) above together with an offer or invitation to acquire or subscribe for securities convertible into new Shares or securities with rights to acquire or subscribe for new Shares as provided in By-Law 15.3(c)(iii) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the Option Exercise Price shall be adjusted by multiplying it by the following fraction:-

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

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

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

Where:-

C = as defined in By-Law 15.3(c) above;

G = as defined in By-Law 15.3(d) above;

H = as defined in By-Law 15.3(d) above;

H* = as defined in By-Law 15.3(d) above;

I = as defined in By-Law 15.3(d) above;

I* = as defined in By-Law 15.3(d) above;

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

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

T = as defined in By-Law 15.3(a) above.

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

(f) **Capitalisation of profits/reserve. rights issue of Shares and rights issue of convertible securities**

If and whenever the Company makes an allotment to its ordinary shareholders as provided in By-Law 15.3(b) above and also makes an offer or invitation to acquire or subscribe for Shares to its ordinary shareholders as provided in By-Law 15.3(c)(ii) above, together with rights to acquire or subscribe for securities convertible into new Shares or with rights to acquire or subscribe for Shares as provided in By-Law 15.3(c)(iii) above, and the Entitlement Date for the purpose of allotment is also the Entitlement Date for the purpose of the offer or invitation, the Option Exercise Price shall be adjusted by multiplying it by the following fraction:-

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

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

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

Where:-

B = as defined in By-Law 15.3(b) above;

C = as defined in By-Law 15.3(c) above;

G = as defined in By-Law 15.3(d) above;

H* = as defined in By-Law 15.3(d) above

I* = as defined in By-Law 15.3(d) above

J = as defined in By-Law 15.3(e) above;

K = as defined in By-Law 15.3(e) above;

T = as defined in By-Law 15.3(a) above.

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

(g) **Others**

If and whenever (otherwise than pursuant to a rights issue available to all ordinary shareholders and requiring an adjustment under By-Laws 15.3(c)(ii), 15.3(c)(iii), 15.3(d), 15.3(e) or 15.3(f) above) the Company shall issue either new Shares or any security convertible into new Shares or with rights to acquire or subscribe for new Shares, and in any such case, the Total Effective Consideration per Share (as defined below) is less than ninety percent (90%) of the Average Price for one (1) Share (as defined below) or, as the case may be, the price at which the Shares will be issued upon conversion of such securities or exercise of such rights is determined, the Option Exercise Price shall be adjusted by multiplying it by the following fraction:-

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

Where:-

L = the number of Shares in issue at the close of business on Bursa Securities on the Market Day immediately preceding the date on which the relevant adjustment becomes effective;

M = the number of Shares which the Total Effective Consideration (as defined below) would have been purchased at the Average Price (as defined below) (exclusive of expenses); and

N = the aggregate number of new Shares so issued or, in the case of securities convertible into new Shares or securities with rights to acquire or subscribe for new Shares, the maximum number (assuming no adjustments of such rights) of new Shares which may be issued upon full conversion of such securities or the exercise in full of such rights.

BY-LAWS IN RELATION TO THE ESOS (CONT'D)

For the purpose of By-Law 15.3(g), “**Total Effective Consideration**” shall be determined by the ESOS Committee with the concurrence of the external auditor and shall be:-

- (i) in case of the issue of new Shares, the aggregate consideration receivable by the Company on payment in full for such Shares; or
- (ii) in the case of the issue by the Company of securities wholly or partly convertible into new Shares, the aggregate consideration receivable by the Company on payment in full for such securities or such part of the securities as is convertible together with the total amount receivable by the Company upon full conversion of such securities (if any); or
- (iii) in the case of the issue by the Company of securities with rights to acquire or subscribe for new Shares, the aggregate consideration attributable to the issue of such rights together with the total amount receivable by the Company upon full exercise of such rights;

in each case, without any deduction of any commission, discount or expenses paid, allowed or incurred in connection with the issue thereof, and the “**Total Effective Consideration per Share**” shall be the Total Effective Consideration divided by the number of new Shares issued as aforesaid or, in the case of securities convertible into new Shares or securities with rights to acquire or subscribe for new Shares, by the maximum number of new Shares issuable on full conversion of such securities or on exercise in full of such rights.

For the purpose of By-Law 15.3(g), “**Average Price**” of a Share shall be the average market price of one (1) Share as derived from the last traded prices for one or more board lots of Shares as quoted on Bursa Securities on the Market Days comprised in the period used as a basis upon which the issue price of such Shares is determined.

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

- (h) For the purpose of By-Laws 15.3(c), (d), (e) and (f), the current market price in relation to one (1) existing Share for any relevant day shall be the average of the last traded prices for the five (5) consecutive Market Days before such date or during such other period as may be determined in accordance with any guidelines issued, from time to time, by the relevant authorities.
- (i) Such adjustments (other than adjustments due to a bonus issue, subdivision or consolidation of Shares) must be confirmed in writing by the external auditors of the Company for the time being (acting as experts and not as arbitrators), upon reference to them by the ESOS Committee, to be in their opinion, fair and reasonable, **PROVIDED ALWAYS THAT:-**
 - (i) any adjustment to the Option Exercise Price shall be rounded up to the nearest one (1) sen;
 - (ii) in the event that a fraction of a new Share arising from the adjustment referred to in these By-Laws would otherwise be required to be issued upon the exercise of an Option by the Grantee, the Grantee's entitlement shall be rounded down to the nearest whole number;

BY-LAWS IN RELATION TO THE ESOS (CONT'D)

- (iii) upon any adjustment being made pursuant to these By-Laws, the ESOS Committee shall, within thirty (30) Days of the effective date of the alteration in the capital structure of the Company, notify the Grantee (or his/her Representative where applicable) in writing informing him of the adjusted Option Exercise Price thereafter in effect and/or the revised number of Options to be issued; and
- (iv) any adjustments made must be in compliance with the provisions for adjustment as provided in these By-Laws.

Notwithstanding the foregoing, any adjustments to the Option Exercise Price and/or the number of Options to be issued so far as unexercised arising from bonus issues, need not be confirmed in writing by the external auditors of the Company.

15.4 The provisions of this By-Law 15 shall not be applicable where an alteration in the capital structure of the Company arises from any of the following:-

- (a) an issue of Shares pursuant to the exercise of Options under the Scheme; or
- (b) an issue of securities as consideration or part consideration for an acquisition of any other securities, assets or business; or
- (c) an issue of securities pursuant to a private placement (including an issuance of securities pursuant to Sections 75(1) and 76(1) of the Act); or
- (d) an issue of securities pursuant to a special issue to Bumiputera parties or investors nominated by the Ministry of International Trade and Industry and/or other government authority to comply with the government's policy on Bumiputera capital participation; or
- (e) a restricted issue of securities; or
- (f) an issue of new Shares arising from the exercise of any conversion rights attached to securities convertible into new Shares or upon exercise of any other rights including warrants, convertible loan stocks and any other instruments (if any) issued by the Company; or
- (g) a purchase by the Company of its own Shares and cancellation of all or a portion of such Shares purchased pursuant to Section 127 of the Act; or
- (h) an issue of further ESOS Options to Eligible Persons pursuant to adjustments made under By-Law 15.

15.5 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to the Act, By-Law 15.1 shall be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which By-Law 15.1 is applicable, but By-Law 15.1 shall not be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which By-Law 15.1 is not applicable as described in By-Law 15.4.

15.6 An adjustment pursuant to By-Law 15.1 shall be made according to the following terms:-

- (a) in the case of a rights issue, bonus issue or other capitalisation issue, on the next Market Day immediately following the Entitlement Date in respect of such issue; or
- (b) in the case of a consolidation or subdivision of Shares or reduction of capital, on the next Market Day immediately following the date on which the consolidation or subdivision or capital reduction becomes effective (being the date when the Shares are traded on Bursa Securities thereafter), or such period as may be prescribed by Bursa Securities.

BY-LAWS IN RELATION TO THE ESOS (CONT'D)

Upon any adjustment being made, the ESOS Committee shall give notice in writing within thirty (30) Days from the date of adjustment to the Grantee, or his/her Representative, to inform him/her of the adjustment and the event giving rise thereto.

- 15.7 Notwithstanding the provisions referred to in this By-Laws, the ESOS Committee may exercise its discretion to determine whether any adjustments to the Option Exercise Price and/or the number of Options to be issued be calculated on a different basis or date or should take effect on a different date or that such adjustments be made to the Option Exercise Price and/or the number of Options to be issued notwithstanding that no such adjustment formula has been explicitly set out in this By-Laws provided that the adjustment is in compliance with the Listing Requirements and Act (if any) and not detrimental to the Grantee.

16. TAKE-OVERS AND MERGERS, SCHEMES OF ARRANGEMENT, AMALGAMATIONS AND RECONSTRUCTIONS

- 16.1 In the event of:-

- (a) A take-over offer being made for, under the Rules on Take-Overs, Mergers and Compulsory Acquisitions 2016 (or any replacement thereof), to acquire the whole of the issued share capital of the Company (or such part thereof not at the time held by the person making the take-over ("**Offeror**") or any persons acting in concert with the Offeror), a Grantee will be entitled within such period to be determined by the ESOS Committee, to exercise all or any part of his/her Options and the Board of Directors shall use their best endeavours to procure that such a general offer be extended to the Shares that may be issued pursuant to the exercise of the Options under this By-Law; or
- (b) The Offeror becoming entitled or bound to exercise the right of compulsory acquisition of Shares under the provisions of any applicable statutes, rules and/or regulations and gives notice to the Grantee that it intends so to exercise such rights on a specific date ("**Specified Date**"), a Grantee will be entitled to exercise all or any part of his/her Options from the date of service of the said notice to the Company until the expiry of the Specified Date.

In the foregoing circumstances, if the Grantee fails to exercise his/her Options or elects to exercise only in respect of a portion of such Shares, then any Options to the extent unexercised by the expiry of the periods stipulated in the aforesaid circumstances shall automatically lapse and be null and void.

- 16.2 Notwithstanding the provisions of By-Law 9 and subject to the discretion of the ESOS Committee, in the event of the court sanctioning a compromise or arrangement between the Company and its members proposed for the purpose of, or in connection with, a scheme of arrangement and reconstruction of the Company under the Act or its amalgamation with any other company or companies under the Act or the Company decided to merge with other company or companies, the ESOS Committee may at its absolute discretion decide whether a Grantee may be entitled to exercise all or any part of his/her Options which remains unexercised at any time commencing from the date upon which the compromise or arrangement is sanctioned by the court and ending on the date upon which it becomes effective PROVIDED ALWAYS THAT no Option shall be exercised after the expiry of the Option Period. Upon the compromise or arrangement becoming effective, all unexercised Options shall automatically lapse and shall become null and void and of no further force and effect.

BY-LAWS IN RELATION TO THE ESOS (CONT'D)**17. DIVESTMENT FROM AND TRANSFER TO/FROM THE GROUP**

17.1 If a Grantee is in the employment of a company within the Group and such company is subsequently divested, wholly or in part, from the Group:-

- (a) then the ESOS Committee will have the right to determine at its discretion whether or not the Grantee will be entitled to continue to hold and to exercise all the unexercised or partially exercised Options which were granted to him/her under the Scheme within a period which will be decided by the ESOS Committee, failing which the right of such Grantee to subscribe for that number of Shares or any part thereof granted under such unexercised or partially exercised ESOS Option(s) shall automatically lapse and be null and void and of no further force and effect upon the expiry of the relevant period; and
- (b) the Grantee shall no longer be eligible to participate for further Options under the Scheme as from the date of completion of such divestment.

17.2 For the purposes of By-Law 17.1, a company shall be deemed to be divested from the Group or disposed off from the Group in the event that the effective interest of the Company in such company is reduced from above fifty percent (50%) to fifty percent (50%) or below so that such company would no longer be a subsidiary of the Company pursuant to the Act (other than pursuant to a takeover, scheme of arrangement, amalgamation, reconstruction, merger or otherwise as provided under the By-Law 16).

17.3 In the event that:-

- (a) an employee who was employed in a company which is related to the Company pursuant to the Act (that is to say, a company which does not fall within the definition of "the Group") and is subsequently transferred from such company to any company within the Group; or
- (b) an employee who was in the employment of a company which subsequently becomes a member of the Group as a result of a restructuring or acquisition exercise or otherwise involving the Company and/or any company within the Group with any of the first mentioned company stated in (a) above,

(the first abovementioned company in (a) and (b) herein referred to as the "**Previous Company**"), such an employee of the Previous Company will be eligible to participate in this Scheme for the remaining Option Period, if the affected employee becomes an "Eligible Person" within the meaning under these By-Laws.

For the avoidance of doubt, in the event of any acquisition or incorporation of any company into the Group pursuant to part (b) above as a subsidiary as defined in the Act or any other statutory regulation in place thereof during the tenure of the Scheme, the Scheme shall apply to the employees of such company (i) on the date such company becomes a subsidiary of the Group (provided that such subsidiary is not dormant) and (ii) falling within the meaning of the expression of "Eligible Person" under By-Law 1 and the provisions of the By-Laws shall apply.

18. WINDING UP

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

BY-LAWS IN RELATION TO THE ESOS (CONT'D)**19. DURATION AND TERMINATION OF SCHEME**

19.1 The Effective Date for the implementation of the Scheme shall be at the date of full compliance with all relevant requirements in the Listing Requirements, including the following:-

- (a) submission of the final copy of the By-Laws to Bursa Securities together with a letter of compliance pursuant to Paragraph 2.12 of the Listing Requirements and a checklist showing compliance with Appendix 6E of the Listing Requirements;
- (b) receipt of the approval or approval-in-principle from Bursa Securities for the listing of and quotation for the new Shares to be issued pursuant to the exercise of Options granted under the Scheme;
- (c) procurement of the approval of the shareholders of the Company for the Scheme in a general meeting;
- (d) receipt of the approval of any other relevant authorities whose approvals are necessary in respect of the Scheme; and
- (e) fulfilment or waiver (as the case may be) of all conditions attached to any of the abovementioned approvals, if any.

The Principal Adviser of the Company shall submit a confirmation letter to Bursa Securities of full compliance with the relevant requirements of the Listing Requirements stating the Effective Date of implementation of the Scheme together with a certified true copy of the relevant resolution passed by the shareholders of the Company in a general meeting approving the Scheme. The confirmation letter shall be submitted to Bursa Securities no later than five (5) Market Days after the Effective Date.

19.2 The Scheme, when implemented, shall be in force for a period of five (5) years from the Effective Date. The Company may, if the Board deems fit and upon the recommendation of the ESOS Committee, extend the Scheme for another period of up to a maximum of five (5) years in aggregate, commencing from the day after the date of expiration of the original five (5) years period. Such extended Scheme shall be implemented in accordance with the terms of these By-Laws, save for any amendment and/or change to the relevant statutes and/or regulations then in force. Unless otherwise required by the relevant authorities, no further approvals shall be required for the extension of the Scheme. In the event the Scheme is extended, the Company shall serve appropriate notices on each Grantee within 30 Days prior to the expiration of the original five (5) years period.

19.3 Offer can only be made during the duration of the Scheme and before 5:00 p.m. on the Date of Expiry.

19.4 Notwithstanding anything to the contrary, all unexercised Options shall lapse at 5:00 p.m. on the Date of Expiry.

19.5 Subject to compliance with the Listing Requirements, other requirements of Bursa Securities and any other relevant authorities, the Scheme may be terminated by the ESOS Committee at any time before the Date of Expiry without obtaining the approvals from the Grantees who have yet to exercise their Options or the Company's shareholders **PROVIDED THAT** the Company releases an announcement to Bursa Securities on the following:-

- (a) the effective date of termination ("**Termination Date**");
- (b) the number of Options exercised or Shares vested; and
- (c) the reasons and justification for termination.

BY-LAWS IN RELATION TO THE ESOS (CONT'D)

Notwithstanding anything to the contrary, all unexercised Options shall lapse on the Date of Expiry.

19.6 In the event of termination as stipulated in By-Law 19.5 above, the following provisions shall apply:-

- (a) no further Offer shall be made by the ESOS Committee from the Termination Date; and
- (b) all Offers which have yet to be accepted by Eligible Persons shall automatically lapse on the Termination Date.

20. ADMINISTRATION

20.1 The Scheme shall be administered by the ESOS Committee. The ESOS Committee shall, subject to these By-Laws, administer the Scheme in such manner as it shall think fit and with such powers and duties as are conferred upon it by the Board. The decision of the ESOS Committee shall be final and binding.

20.2 Without limiting the generality of By-Law 20.1, the ESOS Committee may, for the purpose of administering the Scheme, do all acts and things, execute all documents and delegate any of its powers and duties relating to the Scheme as it may at its discretion consider to be necessary or desirable for giving effect to the Scheme including the powers to:-

- (a) subject to the provisions of the Scheme, construe and interpret the Scheme and/or Options granted under it, to define the terms therein and to recommend to the Board to establish, amend and/or revoke rules and regulations relating to the Scheme and its administration. The ESOS Committee in the exercise of this power may correct any defect, supply any omission, or reconcile any inconsistency in the Scheme or in any agreement providing for an Option in a manner and to the extent it shall deem necessary to expedite and make the Scheme fully effective; and
- (b) determine all questions of policy and expediency that may arise in the administration of the Scheme and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interests of the Company.

20.3 The Board shall have power at any time and from time to time to approve, rescind and/or revoke the appointment of any person in the ESOS Committee as it shall deem fit.

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

21.1 Subject to By-Law 21.2 and compliance with the Listing Requirements, the ESOS Committee may at any time and from time to time recommend to the Board any additions, modifications or amendments to or deletions of the By-Laws as it shall, at its sole discretion, deems fit and the Board shall have the power at any time and from time to time by resolution to add to, amend, modify and/or delete all or any of the terms in the By-Laws upon such recommendation and subject to the Company submitting the amended By-Laws and a letter of compliance to Bursa Securities each time an amendment and/or modification is made, stating that the amendment and/or modification is in compliance with the provisions of the Listing Requirements and the Rules of Bursa Depository.

BY-LAWS IN RELATION TO THE ESOS (CONT'D)

- 21.2 Subject to By-Law 21.3, the approval of the shareholders of the Company in general meeting shall not be required in respect of additions, modifications or amendments to or deletions of these By-Laws (including any additions, modifications or amendments to or deletions of these By-Laws for purposes of complying with the Act) **PROVIDED THAT** no additions, modifications or amendments to or deletions of these By-Laws shall be made which would:-
- (a) prejudice any rights which would have accrued to any Grantee without the prior consent or sanction of that Grantee; or
 - (b) increase the number of Shares available under the Scheme beyond the maximum imposed by By-Law 3.1; or
 - (c) prejudice any rights of the shareholders of the Company; or
 - (d) alter the By-Laws 3.1, 4.1, 5.1, 5.2, 5.4, 7.1, 10, 12, 15, 19.1, 19.2 and the definition of Option Period, to the advantage of an Eligible Person and/or Grantee unless allowed by the provisions of the Listing Requirements.
- 21.3 Upon amending or modifying all or any of the provisions of the Scheme, the Company shall within five (5) Market Days after the effective date of the amendments, cause to be submitted to Bursa Securities the amended By-Laws and a confirmation letter that the said amendment or modification complies and does not contravene any of the provisions of the Listing Requirements.
- 21.4 The Grantees shall be given written notices in the term prescribed by the ESOS Committee from time to time in the event of any conditions, amendments to and/or modifications of these By-Laws within fourteen (14) Market Days of any of the foregoing taking effect.

22. INSPECTION OF ACCOUNTS

All Grantees are entitled to inspect the latest audited financial statements of the Company at the registered office of the Company during normal business hours on any working day of the registered office.

23. SCHEME NOT A TERM OF EMPLOYMENT

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

24. NO COMPENSATION FOR TERMINATION

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

- (a) this Scheme shall not form part of any contract of employment between the Company or any company within the Group and any Eligible Person of any company of the Group. The rights of any Eligible Person under the terms of his/her office and/or employment with any company within the Group shall not be affected by his/her participation in the Scheme, nor shall such participation or the Offer or consideration for the Offer afford such Eligible Person any additional rights to compensation or damages in consequence of the termination of such office or employment for any reason;

BY-LAWS IN RELATION TO THE ESOS (CONT'D)

- (b) this Scheme shall not confer on any person any legal or equitable right or other rights under any law (other than those constituting the Options) against the Company or any company of the Group, directly or indirectly, or give rise to any course of action in law or in equity or under any other theory of law against any company within the Group;
- (c) no Grantee or his/her Representative shall bring any claim, action or proceeding against any company of the Group, the ESOS Committee or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension/cancellation of his/her rights/exercise of his/her Options or his/her rights/Options ceasing to be valid pursuant to the provisions of these By-Laws; and
- (d) the Company, the Board (including Directors that had resigned but were on the Board during the Option Period) or the ESOS Committee shall in no event be liable to the Grantee or his/her Representative (as the case may be) or any other person or entity for any third party claim, loss of profits, loss of opportunity, loss of savings or any punitive, incidental or consequential damage, including without limitation lost profits or savings, directly or indirectly arising from the breach or non-performance of these By-Laws or any loss suffered by reason of any change in the price of the Shares or from any other cause whatsoever whether known or unknown, contingent, absolute or otherwise, whether based in contract, tort, equity, indemnity, breach of warranty or otherwise and whether pursuant to common law, statute, equity or otherwise, even if any company of the Group, the Board or the ESOS Committee has been advised of the possibility of such damage.

25. DISPUTES

- 25.1 In case any dispute or difference shall arise between the ESOS Committee and an Eligible Person or a Grantee or in the event of an appeal by an Eligible Person, as the case may be, as to any matter of any nature arising hereunder, such dispute or appeal must have been referred to and received by the ESOS Committee during the duration of the Scheme, then the ESOS Committee shall determine such dispute or difference by a written decision (without the obligation to give any reason thereof) given to the Eligible Person and/or Grantee, as the case may be PROVIDED THAT where the dispute is raised by a member of the ESOS Committee, the said member shall abstain from voting in respect of the decision of the ESOS Committee in that instance. In the event the Eligible Person or Grantee, as the case may be, shall dispute the same by written notice to the ESOS Committee within fourteen (14) Days of the receipt of the written decision, then such dispute or difference shall be referred to the Board, whose decision shall be final and binding in all respects, provided that any Director of the Company who is also in the ESOS Committee shall abstain from voting and no person shall be entitled to dispute any decision or certification which is stated to be final and binding under these By-Laws. Notwithstanding anything herein to the contrary, any costs and expenses incurred in relation to any dispute or difference or appeal brought by any party to the ESOS Committee shall be borne by such party.
- 25.2 Notwithstanding the foregoing provisions of By-Law 25.1 above, matters concerning adjustments made pursuant to By-Law 15 shall be referred to external auditors or the Principal Adviser of the Company who shall act as experts and not as arbitrators and whose decision shall be final and binding in all respects.

BY-LAWS IN RELATION TO THE ESOS (CONT'D)

26. COSTS AND EXPENSES

Unless otherwise stipulated by the Company in the Scheme, all fees, costs and expenses incurred in relation to the Scheme including but not limited to the fees, costs and expenses relating to the issuance and/or transfer of the Shares pursuant to the exercise of Options, shall be borne by the Company. Notwithstanding this, the Grantee shall bear any fees, costs and expenses incurred in relation to his/her acceptance and exercise of the Options under the Scheme, any holding or dealing of Shares to be allotted and issued pursuant to the exercise of the Options, including but not limited to brokerage commissions and stamp duties, and any costs related to the replacement of a lost Option Certificate, upon such terms and conditions as the ESOS Committee shall determine.

27. CONSTITUTION

Notwithstanding the terms and conditions contained in these By-laws, if a situation of conflict should arise between these By-Laws and the Constitution of the Company, the provisions of the Constitution of the Company shall prevail at all times.

28. TAXES

All taxes (including income tax), if any, arising from the acceptance and/or exercise of any Options under the Scheme shall be borne by the Grantee for his/her own account and the Company shall not be liable for any one or more of such costs, fees, levies, charges and/or taxes.

29. LISTING OF AND QUOTATION FOR SHARES

- 29.1 The Company shall apply to Bursa Securities for the listing of and quotation for such new Shares to be issued pursuant to the Offer.
- 29.2 The Company and the ESOS Committee shall not under any circumstances be held liable for any costs, losses and damages whatsoever and however relating to the delay on the part of the Company in allotting and issuing the Shares or in procuring Bursa Securities to list the Shares for which the Grantee is entitled to subscribe.

30. NOTICE

- 30.1 Any notice under the Scheme required to be given to or served upon the ESOS Committee by an Eligible Person or Grantee or any correspondence to be made between an Eligible Person or Grantee to the ESOS Committee shall be given or made in writing and either delivered by hand or sent to the ESOS Committee or the Company by facsimile or ordinary letter. Notwithstanding the foregoing, proof of posting shall not be evidence of receipt of the letter.
- 30.2 Any notice or request which the Company is required to give, or may desire to give, to any Eligible Person or the Grantee pursuant to the Scheme shall be in writing and shall be deemed to be sufficiently given:-
 - (a) if it is sent by ordinary post by the Company to the Eligible Person or the Grantee at the last address known to the Company as being his/her address, such notice or request shall be deemed to have been received three (3) Market Days after posting;
 - (b) if it is delivered by hand to the Eligible Person or the Grantee, such notice or request shall be deemed to have been received on the date of delivery; and

BY-LAWS IN RELATION TO THE ESOS (CONT'D)

- (c) if it is sent by electronic media, including but not limited to electronic mail, to the Eligible Person or the Grantee, such notice or request shall be deemed to have been received upon confirmation or notification received after the sending of notice or request by the Company.

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

- 30.3 Where any notice which the Company or the ESOS Committee is required to give, or may desire to give, in relation to matters which may affect all the Eligible Persons or all the Grantees (as the case may be) pursuant to the Scheme, the Company or the ESOS Committee may give such notice through an announcement to all employees of the Group to be made in such manner deemed appropriate by the ESOS Committee (including via electronic media). Upon the making of such an announcement, the notice to be made under By-Law 30.2 shall be deemed to be sufficiently given, served or made to all affected Eligible Persons or Grantees, as the case may be.

31. SEVERABILITY

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

32. DISCLOSURES IN ANNUAL REPORT

The Company will make the relevant disclosures in relation to the Scheme in its annual report for as long as the Scheme continues in operation as from time to time required by the Listing Requirements.

33. SUBSEQUENT EXECUTIVE OR EMPLOYEE SHARE OPTION SCHEME

- 33.1 Subject to the approval of Bursa Securities and any other relevant authorities, the Company may establish a new executive or employees' share option scheme after the expiry date of this Scheme or upon termination of this Scheme.
- 33.2 The Company may implement more than one (1) Scheme provided that the aggregate number of shares available under all the Schemes does not breach the maximum limit prescribed in the prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as amended from time to time.

34. GOVERNING LAW AND JURISDICTION

The Scheme, these By-Laws, all Offers made and Options granted and actions taken under the Scheme shall be governed by and construed in accordance with the laws of Malaysia. The Eligible Persons, by accepting the Offer in accordance with the By-Laws and terms of the Scheme and the Constitution, irrevocably submit to the exclusive jurisdiction of the courts in Malaysia.

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

The Board has seen and approved the contents of this Circular, and they collectively and individually accept full responsibility for the accuracy of the information given in this Circular. The Board confirms that after making all reasonable enquires and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular false or misleading.

2. CONSENT AND DECLARATION OF CONFLICT OF INTEREST

Affin Hwang IB, being the Principal Adviser for the Proposed Granting of ESOS Options, 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.

Save as disclosed below, Affin Hwang IB hereby declares that there is no situation of conflict of interest that exists or is likely to exist in relation to the role of Affin Hwang IB as the Principal Adviser to VEB in relation to the Proposed Granting of ESOS Options.

ABB (the holding company of Affin Hwang IB) and its related and associated companies ("**Affin Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading and credit transaction services businesses. The Affin Group has engaged and may in the future, engage in transaction with and perform services for VEB and/or VEB's affiliates, in addition to the roles set out in the Circular. In addition, in the ordinary course of business, any member of Affin Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of the Group, the shareholders of VEB, VEB's affiliates and/or any other entity or person, hold long or short positions in securities issued by VEB and/or VEB'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 any members of the Group and/or VEB's affiliates.

As at the LPD, Affin Group has in the ordinary course of its business extended credit facilities /services to the Group, its directors and its shareholders. Affin Group may also in the future extend credit facilities/services to the Group, its directors and its shareholders.

Affin Hwang IB has considered the factors involved and believes its objective and independence as the Principal Adviser to VEB in relation to the Proposed Granting of ESOS Options are maintained at all times notwithstanding the aforementioned roles and services performed as these are mitigated by the following:

- (i) the businesses of Affin Group generally act independently of each other, and accordingly, there may be situations where parts of Affin 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 Group. Nonetheless, Affin 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 Walls between different business divisions;
- (ii) the said credit facilities/services, where relevant, have been extended by Affin Group in its ordinary course of business;
- (iii) the conduct of Affin Group in its banking business is strictly regulated by the Financial Services Act, 2013, the Islamic Financial Services Act, 2013, the Capital Markets and Services Act, 2007 and Affin Group's own internal controls and checks;

FURTHER INFORMATION (CONT'D)

- (iv) the total outstanding amount owed by the Group to Affin Group is not material when compared to the unaudited NA of Affin Group as at 31 December 2022 of RM10.75 billion; and
- (v) save for the professional advisory fees to be received by Affin Hwang IB as the Principal Adviser to VEB for the Proposed Granting of ESOS Options, there is no other direct interest to be derived from Affin Hwang IB's appointment as the Principal Adviser to VEB in respect of the Proposed Granting of ESOS Options, and neither is Affin Hwang IB interested in nor affected by the outcome of the Proposed Granting of ESOS Options.

Accordingly, the 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 as the Principal Adviser to VEB in relation to the Proposed Granting of ESOS Options.

3. MATERIAL LITIGATION

As at the LPD, VEB Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware of any proceedings pending or threatened against VEB Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the business or financial position of VEB Group.

4. MATERIAL COMMITMENTS

Save as disclosed below, as at 31 December 2022, there are no other commitments incurred or known to be incurred by VEB Group, which upon becoming enforceable may have a material effect on the business or financial position of VEB Group:

	RM'000
Approved and contracted for:	
– Equipment, plant and machinery	146,024
– Others	9,377
	155,401
Approved but not contracted for:	
– Land and buildings	7,500
– Equipment, plant and machinery	51,839
– Others	5,080
	64,419
Total	219,820

5. CONTINGENT LIABILITIES

As at the 31 December 2022, there are no contingent liabilities incurred or known to be incurred by VEB Group, which upon becoming enforceable may have a material effect on the business or financial position of VEB Group.

FURTHER INFORMATION (CONT'D)

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal office hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the 13th AGM of the Company, at the Registered Office of the Company at Level 18, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur:

- (i) the Constitution of the Company;
- (ii) the audited consolidated financial statements of VEB for the past 2 FYEs 31 December 2021 and 31 December 2022;
- (iii) the By-Laws; and
- (iv) letter of consent referred to in **Section 2** of this **Appendix II**.

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EXTRACT OF NOTICE OF THE 13TH AGM OF THE COMPANY

NOTICE IS HEREBY GIVEN that the 13th Annual General Meeting (“AGM”) of Velesto Energy Berhad (the “Company”) will be conducted entirely through live streaming from the broadcast venue at Ballroom, Level 2, Aloft KL Sentral, 5, Jalan Stesen Sentral, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia on Monday, 29 May 2023 at 2.00 p.m. for the following business:

AS SPECIAL BUSINESS

Proposed waiver of pre-emptive rights of shareholders over all options granted and/or to be offered/granted and all new shares to be issued in relation to the Employees Share Option Scheme (“ESOS”) of the Company

“THAT further to the approvals granted by the shareholders of the Company at the Extraordinary General Meeting held on 31 October 2019 for the establishment of the Company’s ESOS under which options will be granted to eligible employees and executive director of the Company and/or its subsidiaries (“Grantees”) to subscribe for new ordinary shares in the share capital of the Company in accordance with the By-Laws of the ESOS (“By-Laws”) as set out in the Circular to Shareholders dated 2 October 2019, pursuant to Section 85 of the Companies Act 2016 (“the Act”), to be read together with Article 60 of the Constitution of the Company, the shareholders of the Company do hereby waive their pre-emptive rights over all options granted and/or to be offered/granted to the Grantees, as well as all new shares of the Company to be issued pursuant to the ESOS, whether before or after the date of this resolution, such new shares when issued, to rank *pari passu* with existing shares in the Company.”

(Ordinary Resolution 8)

Proposed Granting of ESOS Options to Megat Zariman Abdul Rahim

“THAT, the Company has an existing ESOS which was effective on 1 November 2019 and shall expire on 31 October 2024, and subject to the approvals of the relevant authorities and/or parties (where required) being obtained, the Board of Directors of the Company (“Board”) be and is hereby authorised at any time and from time to time during the duration of the ESOS, to offer and grant up to a maximum number of 11,400,000 ESOS options to Megat Zariman Abdul Rahim, being the President and Non-Independent Executive Director of the Company, subject to the provisions of the By-Laws, provided always that:

- (i) he must not participate in the deliberation or discussion of his own allocation, as well as that of the persons connected with him, under the ESOS; and
- (ii) not more than 10% (or such other percentage as may be permitted by Bursa Malaysia Securities Berhad (“Bursa Securities”) or any other relevant authorities from time to time) of the total number of shares made available under the ESOS shall be allocated to him, if he, either singly or collectively through persons connected with him (as defined in the Main Market Listing Requirements of Bursa Securities (“Listing Requirements”), holds 20% (or such other percentage as may be permitted by Bursa Securities or any other relevant authorities from time to time) or more of the total number of issued shares of the Company (excluding treasury shares, if any), subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws and any prevailing guidelines issued by Bursa Securities, the Listing Requirements or any other relevant authorities as amended from time to time.

AND THAT, the Board be further authorised to issue such number of Shares arising from the exercise of the ESOS options under the ESOS, from time to time, to the abovementioned person.

AND THAT in connection with the above, pursuant to Section 85 of the Act, to be read together with Article 60 of the Constitution of the Company, the shareholders of the Company do hereby waive their pre-emptive rights to be offered the ESOS options and/or any new shares ranking equally to the existing issued shares of the Company.”

(Ordinary Resolution 9)