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

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LAY HONG BERHAD

(Registration No. 198301011738 (107129-H))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

- (I) PROPOSED EMPLOYEES' SHARE SCHEME ("PROPOSED ESS"); AND**
- (II) PROPOSED ALLOCATION OF AWARDS TO THE ELIGIBLE DIRECTORS AND MAJOR SHAREHOLDERS OF LAY HONG BERHAD ("PROPOSED ALLOCATION")**

(COLLECTIVELY, REFERRED TO AS THE "PROPOSALS")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



AmInvestment Bank

AmInvestment Bank Berhad

(Registration No.: 197501002220 (23742-V))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The resolutions in respect of the Proposals will be tabled at the Extraordinary General Meeting ("**EGM**") of Lay Hong Berhad ("**LHB**" or the "**Company**") which will be held on a fully virtual basis via the online meeting platform of Securities Services e-Portal at <https://sshsb.net.my/> provided by SS E Solutions Sdn. Bhd. in Malaysia on Wednesday, 28 September 2022 at 12.30 p.m. or immediately following the conclusion or adjournment of our Company's 38th Annual General Meeting, which will be held on the same day at the same venue at 11.00 a.m., whichever is later, or at any adjournment thereof. The Notice of EGM together with the Form of Proxy are enclosed with this Circular.

If you decide to appoint a proxy(ies) to attend and vote on your behalf at the EGM, the Form of Proxy should be completed and deposited at our registered office at A1-2-2, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) or fax to 03-6413 3271 or email to infosr@wscs.com.my not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned meeting at which the person named in such instrument proposes to vote. The lodging of the Form of Proxy shall not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Monday, 26 September 2022 at 12.30 p.m.

Date and time of the EGM : Wednesday, 28 September 2022 at 12.30 p.m. or any adjournment thereof

This Circular is dated 30 August 2022

DEFINITIONS

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

Act	: Companies Act 2016
AmInvestment Bank or Principal Adviser	: AmInvestment Bank Berhad, being the Principal Adviser for the Proposals
Awards	: The Share Grants and/or the ESS Options granted pursuant to the Proposed ESS
Board	: Board of Directors of our Company
Bursa Depositories	: Bursa Malaysia Depository Sdn Bhd
Bursa Securities	: Bursa Malaysia Securities Berhad
By-Laws	: The By-Laws governing the rules, terms and conditions of the Proposed ESS as set out therein and shall include any amendments or variations made thereto from time to time
CDS Account	: The account established by Bursa Depository for a depositor for the recording of deposits and withdrawals of securities and for dealings in such securities by that depositor
Circular	: This circular dated 30 August 2022 in relation to the Proposals
Director	: A director of our Company and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act 2007 and being a natural person that: (i) occupies or acts in the position of director; (ii) is in accordance with whose directions or instructions the directors of a corporation are accustomed to act; or (iii) is an alternate or substitute director, in the LHB Group
EGM	: Extraordinary General Meeting
Eligible Person	: The directors and/or eligible employees of the companies within our Group who fulfils the conditions of eligibility to participate in the Proposed ESS as stipulated in the By-Laws
EPS	: Earnings per share
ESS Committee	: The committee comprising such Directors and/or Senior Management of the Group to be approved by our Board to implement and administer the Proposed ESS in accordance with the By-Laws
ESS Options	: The right of the Participant to subscribe, exercise and receive a number of LHB Shares at the ESS Option Exercise Price subject to the terms and conditions of the By-Laws
ESS Option Exercise Price	: The price at which a Participant is required to pay to be entitled to receive each LHB Share pursuant to the exercise of an ESS Option

DEFINITIONS (CONT'D)

Innofarm	: Innofarm Sdn. Bhd.
LHB Group or Group	: LHB and its subsidiaries in Malaysia
LHB or Company	: Lay Hong Berhad
LHB Shares or Shares	: Ordinary shares in our Company
Listing Requirements	: Main Market Listing Requirements of Bursa Securities
LPD	: 1 August 2022, being the latest practicable date prior to the printing of this Circular
Mackan	: Mackan Holding Sdn. Bhd.
Major Shareholder	<p>: A person who has an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares, is:</p> <p>(i) 10% or more of the total number of voting shares in the corporation; or</p> <p>(ii) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation.</p> <p>For the purpose of this definition, “interest” shall have the meaning of “interest in shares” given in Section 8 of the Act</p>
Maximum Shares	: The maximum number of LHB Shares to be allotted and issued pursuant to the Awards granted under the Proposed ESS which shall not exceed 15% in aggregate of the total number of issued shares of our Company (excluding treasury shares, if any) at any point in time during the duration of the Proposed ESS
NA	: Net assets
Offer	: An offer made pursuant to the Share Grants and/or ESS Options, as the case may be, in writing by the ESS Committee to the Selected Persons pursuant to the By-Laws
Offer Date	: The date on which an Offer is made or deemed made by the ESS Committee to a Selected Person, which will be the date the Offer is served in accordance with the By-Laws
Participants	: The Selected Persons who have duly accepted the Offer in accordance with the By-Laws
Proposals	: Collectively, the Proposed ESS and the Proposed Allocation
Proposed ESS or Scheme	: The employees’ share scheme comprising the Share Grants and the ESS Options known as LHB Employees’ Share Scheme and to be set up under and governed by the By-Laws
Proposed Allocation	: Proposed allocation of Awards to the eligible Directors and Major Shareholders of LHB
Registrar	: Securities Services (Holdings) Sdn Bhd
RM and sen	: Ringgit Malaysia and sen, respectively

DEFINITIONS (CONT'D)

Selected Person	: An Eligible Person to whom an Offer has been made under the Proposed ESS
Senior Management	: Such employees as the ESS Committee may in its sole discretion determine to be senior management
Share Grants	: The rights granted to the Participant to receive a number of new and/or existing LHB Shares vested in the Participants on the vesting date specified in the Offer, subject to the terms and conditions of the By-Laws
Share Subscription Price	: The reference price which is used to determine the number of Share Grants to be granted as stipulated in the Offer
Termination Date	: The effective date of termination of the Proposed ESS
VWAP	: Volume weighted average market price

References to “we”, “us”, “our” and “ourselves” in this Circular are to the Company, and where the context otherwise requires, the subsidiaries. All references to “you” in this Circular are to our shareholders.

Words denoting the singular shall, where applicable, include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter gender, and vice versa. References to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

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

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TABLE OF CONTENTS

LETTER FROM OUR BOARD TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSALS

	PAGE
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSALS	2
3. RATIONALE FOR THE PROPOSALS	8
4. EFFECTS OF THE PROPOSALS	8
5. HISTORICAL SHARE PRICES	11
6. APPROVALS REQUIRED	11
7. CONDITIONALITY OF THE PROPOSALS	12
8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED TO THEM	12
9. DIRECTORS' STATEMENT AND RECOMMENDATION	13
10. CORPORATE EXERCISE ANNOUNCED BUT PENDING COMPLETION	13
11. ESTIMATED TIMEFRAME FOR THE COMPLETION OF THE PROPOSALS	13
12. EGM	13
13. FURTHER INFORMATION	13
APPENDIX I DRAFT BY-LAWS	14
APPENDIX II FURTHER INFORMATION	44

NOTICE OF EGM	ENCLOSED
FORM OF PROXY	ENCLOSED



LAY HONG BERHAD

(Registration No. 198301011738 (107129-H))
(Incorporated in Malaysia)

Registered Office:

A1-2-2, Solaris Dutamas
No. 1, Jalan Dutamas 1
50480 Kuala Lumpur
Wilayah Persekutuan (KL)

30 August 2022

Board of Directors

Dato' Yap Hoong Chai (*Executive Chairman*)
Dato' Yeap Weng Hong (*Executive Director*)
Dato' Yap Chor How (*Executive Director*)
Ng Kim Tian (*Executive Director*)
Gan Lian Peng (*Independent Non-Executive Director*)
Tan Chee Hau (*Independent Non-Executive Director*)
Yeap Fock Hoong (*Non-Independent Non-Executive Director*)
Tadaaki Ito (*Non-Independent Non-Executive Director*)
Yasuhito Igarashi (*Alternate Director to Tadaaki Ito*)

To: Our Shareholders

Dear Sir/Madam,

- (I) **PROPOSED ESS; AND**
- (II) **PROPOSED ALLOCATION**

(COLLECTIVELY, REFERRED TO AS THE "PROPOSALS")

1. INTRODUCTION

On 27 June 2022, AmInvestment Bank had, on behalf of our Board, announced that our Company proposed to establish the Proposed ESS comprising of up to 15% of the total issued share capital of our Company (excluding treasury shares, if any) at any point in time during the duration of the Scheme for eligible Directors and employees of our Group.

On 18 August 2022, AmInvestment Bank had, on behalf of our Board, announced that the listing application in relation to the Proposed ESS had been submitted to Bursa Securities.

Pursuant to the Proposed ESS, we are also undertaking the Proposed Allocation.

Subsequently, on 23 August 2022, AmInvestment Bank had, on behalf of our Board, announced that Bursa Securities had vide its letter dated 23 August 2022, approved the listing of up to 15% of the total number of issued Shares to be issued and allotted pursuant to the Proposed ESS on the Main Market of Bursa Securities subject to the conditions as set out in Section 6 of this Circular.

The purpose of this Circular is to provide you with the details of the Proposals and to seek your approval for the resolutions pertaining to the Proposals to be tabled at our forthcoming EGM. The Notice of the EGM and the form of proxy are enclosed together with this Circular.

You are advised to read and carefully consider the contents of this Circular together with the appendices contained herein before voting on the resolutions pertaining to the Proposals to be tabled at our forthcoming EGM.

2. DETAILS OF THE PROPOSALS

The Proposed ESS entails the granting of the following award to the Eligible Persons:

- (a) Share Grants which is the right to receive a number of new and/or existing LHB Shares at specified dates; and/or
- (b) ESS Options which is the right to subscribe, exercise and receive new and/or existing LHB Shares at the ESS Option Exercise Price,

provided that prior to such specified future date of vesting or exercise, as the case may be, the relevant service conditions of the Selected Persons and the relevant conditions as may be stipulated by the ESS Committee in the Offer, are duly fulfilled unless the ESS Committee otherwise determines.

The salient terms of the Proposed ESS are set out in the ensuing sections below. The Proposed ESS shall be governed by the By-Laws, a draft of which is appended in **Appendix I** of this Circular.

2.1 Size of the Proposed ESS

The Maximum Shares to be issued and allotted pursuant to the Awards to be granted under the Proposed ESS, shall not at any point in time in aggregate exceed 15% of the total number of issued shares of our Company (excluding treasury shares, if any) during the duration of the Proposed ESS.

In the event where our Company purchases or cancels our own shares or undertakes any other corporate proposal resulting in the number of LHB Shares to be issued and allotted under the Proposed ESS to exceed 15% of the total number of issued shares of our Company (excluding treasury shares, if any), no further Awards will be offered until the number of LHB Shares to be issued and allotted under the Proposed ESS falls below the 15% threshold.

2.2 Eligibility

Subject to the determination and sole discretion of the ESS Committee and the terms of the By-Laws, any Director and/or employee of the Group (excluding subsidiaries which are dormant and/or not incorporated in Malaysia) who performs an executive function and meets the following criteria of eligibility as at the Offer Date, will be eligible for consideration to participate in the Proposed ESS:

- (a) if he has attained the age of 18 years and is not an undischarged bankrupt;
- (b) if he is employed on a full-time basis and is on the payroll of any corporation in the Group (excluding subsidiaries which are dormant and/or not incorporated in Malaysia) and has not served a notice of resignation or received a notice of termination;
- (c) if his employment has been confirmed in writing prior to the Offer Date and is not under probationary period;

- (d) if he is a Director, chief executive officer, major shareholder of our Company and/or an employee who is a person connected to them, the specific allocation of Awards granted by our Company under the Proposed ESS to him in his capacity as Director, chief executive officer, major shareholder of our Company and/or a person connected to them has been approved by our shareholders at a general meeting;
- (e) if he is serving in a specific designation under an employment contract for a fixed duration (excluding those who are employed for a specific project or on short-term contract or any other employees under contract) as may be determined by the ESS Committee;
- (f) if he is not participating or entitled to participate in any other employee share or incentive scheme implemented by any other corporation within the Group which is in force for the time being provided that he may be eligible for consideration notwithstanding his participation or entitlement to participate if the ESS Committee shall so determine; and/or
- (g) if he fulfils any other criteria and/or falls within such category as may be set by the ESS Committee from time to time.

Notwithstanding the above, the ESS Committee may from time to time, at its sole discretion select and identify suitable Eligible Persons to offer the Awards.

The selection of any Eligible Person for participation in the Proposed ESS will be made by the ESS Committee in writing whose decision will be final and binding.

The eligibility for consideration under the Proposed ESS does not confer an Eligible Person a claim or right to participate in the Proposed ESS unless the ESS Committee has made an Offer in writing to the Eligible Person, and the Eligible Person has accepted the Offer in accordance with the terms of the By-Laws.

For clarification, non-executive directors will not be eligible to participate in the Proposed ESS.

2.3 Maximum allowable allocation and basis of allocation

The allocation of LHB Shares to the Selected Persons pursuant to the Proposed ESS will be determined at the sole discretion of the ESS Committee and subject to the provisions set out in the By-Laws. The percentage allocation of Share Grants and/or ESS Options have yet to be determined at this juncture and will depend on amongst others, the position, performance, ranking, length of service and his/her potential contribution to our Group, financial performance of our Group, and any other factors deemed appropriate by the ESS Committee. The number of Awards to be granted per financial year is dependent on amongst others, financial performance of our Group, the number of Selected Persons, retention periods, Awards subscription and/or exercise price and fair value of the Awards.

Notwithstanding the foregoing, subject to any adjustments which may be made in accordance with the By-Laws, the total number of Awards that may be granted to a Selected Person shall be subject to the following:

- (a) the Directors and senior management do not participate in the deliberation or discussion of their own allocations and the allocation to any person connected to them;
- (b) no allocation of more than 80% of the Maximum Shares will be made in aggregate to the Directors and/or senior management of our Group who are Selected Persons; and
- (c) no allocation of more than 10% of the Maximum Shares will be made to any Selected Person who, either singly or collectively through persons connected to them, hold 20% or more of the total number of issued shares of our Company (excluding treasury shares, if any),

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

The maximum allocation limit to the Directors and/or Senior Management of our Group was determined on the basis that the Directors and/or Senior Management of our Group are the key drivers to the growth of our Group's business.

As at LPD, the ESS Committee has yet to be established. The ESS Committee shall at its absolute discretion decide in relation to an Award, amongst others, the date of the Award, and whether the Awards will be staggered, performance targets, performance period(s), service period(s), the vesting period(s), vesting date(s), release schedule(s), retention period(s) and the extent to which the LHB Shares which are the subject of the Award shall be released on the performance targets being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the vesting period(s).

In the event the ESS Committee decides that the Awards are to be staggered, the number of Awards to be offered pursuant to each Awards and the timing for the vesting of the same shall be decided by the ESS Committee at its sole and absolute discretion and each Awards shall be separate and independent from the other.

2.4 Duration of the Proposed ESS

The Proposed ESS shall continue to be in force for a period of 5 years from the effective date, provided always that on or before the expiry thereof, our Board shall have the discretion whether or not, upon the recommendation of the ESS Committee, to extend in writing the tenure of the Proposed ESS for another 5 years or such shorter period as it deems fit immediately from the expiry of the first 5 years, provided that the Proposed ESS does not exceed a maximum period of 10 years. The Proposed ESS will take effect on the date which the last of the approvals and/or conditions stipulated in the By-Laws have been obtained and/or complied with.

On the expiry of the Proposed ESS, any Offers which have yet to be accepted by the Selected Person and any Awards which have yet to be released or vested (whether fully or partially) by the Participant shall be deemed cancelled, be null and void.

2.5 Retention Period

The Shares to be allotted and issued or transferred pursuant to the Scheme will not be subject to any retention period or restriction on transfer, save as otherwise provided in the Constitution of our Company, the Listing Requirements or the By-laws or unless the ESS Committee stipulates otherwise in the Offer.

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

2.6 Share Subscription Price and ESS Options Exercise Price

Subject to any adjustments in accordance with the provisions of the By-Laws, the Share Subscription Price and the ESS Options Exercise Price will be fixed based on a discount of not more than 10% of the 5-day VWAP of LHB Shares transacted on the Main Market of Bursa Securities immediately preceding the Offer Date (or such other basis as the relevant authorities may permit).

2.7 Ranking of the new LHB Shares

The new LHB Shares to be allotted and issued pursuant to the Proposed ESS shall, upon allotment and issue, rank equally in all respects with the existing issued LHB Shares except that the new LHB Shares so issued will not be entitled for any dividends, rights, allotments and/or other distribution declared, made or paid to shareholders unless the new LHB Shares so allotted and issued have been credited into the relevant CDS Account of the Participant before the entitlement date.

The LHB Shares to be transferred pursuant to the Proposed ESS shall not be entitled to any dividend, rights, allotments and/or other distributions that may be declared, made or paid to our shareholders, in respect of which the entitlement date is prior to the effective date on which the LHB Shares are credited into the CDS Account of the Participant.

The LHB Shares are subject to all the provisions of the Constitution of our Company in relation to their transfer, transmission or otherwise.

2.8 Listing of and quotation for the new LHB Shares to be issued pursuant to the Proposed ESS

Bursa Securities had vide its letter dated 23 August 2022 approved the listing of and quotation for such number of new LHB Shares, representing up to 15% of the total number of issued shares of our Company (excluding treasury shares, if any) to be issued pursuant to the Proposed ESS on the Main Market of Bursa Securities. The approval of Bursa Securities is subject to the conditions as set out in Section 6 of this Circular.

2.9 ESS Committee

The Proposed ESS will be implemented and administered by the ESS Committee, the members of which will be duly appointed and authorised by our Board. The ESS Committee will have the sole and absolute discretion in administering the Proposed ESS subject to the terms of reference which our Board may establish to regulate and govern the ESS Committee's functions and responsibilities under the By-Laws. The ESS Committee shall have the absolute discretion in determining whether the Awards will be granted in single tranche or on a staggered basis over the duration of the Proposed ESS.

The ESS Committee shall comprise persons from our Board and/or senior management of our Group and shall ensure that the respective Directors and/or senior management do not participate in the deliberation or discussion of their own allocations and/or the allocation to any person connected with them. A Selected Person who is a member of the ESS Committee shall abstain from deliberations in respect of any Awards granted or to be granted to that Selected Person and/or persons connected to them.

In implementing the Proposed ESS, the ESS Committee may in its sole discretion decide that the Awards be satisfied by way of:

- (a) issuance of new LHB Shares;
- (b) acquisition of existing LHB Shares from the open market;
- (c) transfer of LHB Shares held in treasury (if any);

- (d) payment by cash; or
- (e) combination of any of the above.

In considering the settlement of the Awards, the ESS Committee will take into consideration, amongst others, factors such as the prevailing market price of LHB Shares, funding considerations, impact on our Group's earnings and dilutive effects on our Company's capital base.

The Board and/or the ESS Committee may establish a trust, if required, to be administered by the trustee consisting of such trustee appointed by the Company from time to time, subject to the provisions set out in the trust deed, for purposes of subscribing for new Shares or acquiring existing Shares from the market or dealing with existing Shares acquired from the market and transferring them to the Selected Person at such time as the Committee may direct.

2.10 Alteration of capital and adjustment

In the event of any alteration in the capital structure of our Company during the period of the Proposed ESS (whether by way of capitalisation of profits or reserves, rights issues, bonus issue, reduction, subdivision or consolidation of capital or otherwise but excluding any cancellation of capital which is lost or unrepresented by available assets), our Board, shall have the absolute discretion, whether adjustments to the:-

- (a) subscription price for the Shares and/or the exercise price of the ESS Options; and/or
- (b) number of LHB Shares comprised in the Awards.

will be made in accordance with the provisions of the By-Laws.

Save for any alteration in the capital structure of our Company during the period of the Proposed ESS arising from bonus issues, subdivision or consolidation of shares, an approved Company auditor or our Company's adviser under the Guidelines on Submission of Corporate and Capital Market Product Proposals issued by the Securities Commission Malaysia, must be engaged to confirm in writing that all adjustments made are in their opinion fair and reasonable.

2.11 Amendment, variation and/or modification to the Proposed ESS

Subject to the By-Laws and compliance with the Listing Requirements and the approvals of any other relevant authorities (if required) being obtained, the ESS Committee may at any time recommend to our Board any additions, amendments and/or modifications to and/or deletions of the By-Laws as it shall in its discretion think fit and our Board shall have the power by resolution to add, amend, modify and/or delete all or any part of the By-Laws upon such recommendation.

Subject to the By-Laws, the approval of our shareholders in a general meeting shall not be required in respect of additions, amendments and/or modifications to and/or deletions of the By-Laws save and except if such additions, amendments and/or modifications and/or deletions would:-

- (a) increase the number of Shares available for issuance under the Proposed ESS beyond the maximum imposed by the By-Laws; or
- (b) alter to the advantage of any Participant or group of Participants or all the Participants in respect of any matters which are required to be contained in the By-Laws by virtue of the Listing Requirements, without the prior approval of the Company's shareholders in a general meeting unless otherwise permitted under the provisions of the Listing Requirements.

2.12 Acceptance of the Offer

The Offer may only be accepted by the Selected Person during the Offer period in such form and manner as may be prescribed in the Offer and must be accompanied by a non-refundable sum of RM1.00 only payable to our Company. The date of receipt by the ESS Committee of such form together with the money will be the date of acceptance of the Offer by the Selected Person, provided that the Proposed ESS is not terminated pursuant to the By-Laws.

In the event that the Selected Person fails to accept the Offer in the manner prescribed within the Offer period, the Offer shall automatically lapse and shall then be null and void provided that the ESS Committee will not be precluded from making a fresh Offer, on such terms as the ESS Committee may so decide, to the Selected Person subsequently.

2.13 Termination of the Proposed ESS

Notwithstanding anything set out in the By-Laws and subject always to compliance with the Listing Requirements and any other relevant rules or requirements, the Proposed ESS may be terminated by our Company at any time before its expiry without obtaining the approvals or consents from the Participants and/or our shareholders provided that our Company makes an announcement immediately to Bursa Securities and to give at least 30 days' notice period to the outstanding ESS Options that have been vested between announcing the Termination Date and the Termination Date. In the event of such termination:

- (a) no further Offers shall be made by the ESS Committee from the Termination Date;
- (b) all Offers which have yet to be accepted by Selected Persons shall automatically lapse on the Termination Date;
- (c) all outstanding ESS Options which have yet to be exercised by the Participants shall automatically lapse on the Termination Date; and
- (d) all unvested Awards will cease to be capable of being vested in the relevant Participants.

2.14 Fees, costs, and expenses

All fees, costs and expenses incurred in relation to the Proposed ESS including but not limited to the costs and expenses (including stamp duty, if any) relating to the allotment and issue and/or transfer of the LHB Shares pursuant to an Award and/or LHB Shares upon the exercise of any ESS Options (excluding the ESS Options Exercise Price), shall be borne by our Company.

However, each Participant will be solely responsible for any taxes (including income tax) which may be levied on the Participant arising out of or as a result of such allotment and issuance and/or transfer of LHB Shares.

2.15 Utilisation of proceeds

In relation to the Share Grants, we will not receive any proceeds from the granting of any Awards and subsequent allotment and listing of new LHB Shares.

In relation to the ESS Options, we will not receive any proceeds from the ESS Options until such time the ESS Options are exercised by the Participant. The actual proceeds to be received from the exercise of ESS Options will be dependent on amongst others, the number of ESS Options granted and exercised at the relevant point in time and the exercise price.

We intend to utilise such proceeds for working capital of our Group. At this juncture, we have not decided on the specific usage of such proceeds for our Company's working capital and the timeframe for the utilisation of such proceeds, if any.

Pending utilisation of the proceeds from the exercise of ESS Options, the proceeds will be placed in interest-bearing deposits with financial institutions or short-term money market instruments as our Board deems fit.

2.16 Proposed allocation

As part of the implementation of the Proposed ESS, our Board seeks our shareholders' approval in accordance with the Listing Requirements and the By-Laws, for the ESS Committee to offer and grant Awards to the following Eligible Persons, subject always to such terms and conditions and/or adjustments which may be made in accordance with the By-Laws and the allocation of the Awards as stated in Section 2.2 above:

- (a) Dato' Yap Hoong Chai (Executive Chairman);
- (b) Dato' Yeap Weng Hong (Executive Director);
- (c) Dato' Yap Chor How (Executive Director); and
- (d) Ng Kim Tian (Executive Director),

Details of the interests of the abovementioned Eligible Persons are set out under Section 8 below.

3. RATIONALE FOR THE PROPOSALS

Our Board believes that the Proposed ESS will act as an incentive plan to give an opportunity to the eligible Directors and employees to directly participate in the equity of our Company which will align the interests of the eligible Directors and employees with the objectives of our Group to create sustainable value enhancement for shareholders. Accordingly, the Proposed ESS is intended to:

- (a) recognise, reward, retain and motivate eligible Directors and employees whose contributions are important to our Group; and
- (b) create a sense of loyalty and ownership amongst the employees, by giving the employees an opportunity to participate in the equity of our Company.

4. EFFECTS OF THE PROPOSALS

4.1 Share capital

The Proposals will not have an immediate effect on the existing share capital of our Company until and unless new LHB Shares are vested and/or ESS Options are exercised pursuant to the Awards granted under the Proposed ESS. In this scenario, the issued share capital of our Company will increase progressively depending on the number of Awards vested and exercised. There will be no effect on the share capital of our Company if the Awards granted under the Proposed ESS is satisfied via transfer of existing LHB Shares or settled in cash to the relevant Participants.

The pro forma effects of the Proposals on the share capital of our Company are as follows:-

	Number of LHB Shares	RM
Issued share capital as at LPD	740,319,100	173,633,316
Assuming maximum number (15%) of new LHB Shares to be issued and allotted pursuant to the Proposed ESS	⁽¹⁾ 111,047,865	⁽¹⁾ 28,394,939
Enlarged share capital	851,366,965	202,028,255

Note:

(1) Assuming the Maximum Shares under the Proposed ESS are granted and the Awards are satisfied via the issuance and allotment of new LHB Shares at an indicative issue price of RM0.2557, being 10.0% discount to the 5-day VWAP of LHB Shares up to and including LPD of RM0.2841.

4.2 Earnings and EPS

The Proposals are not expected to have any immediate material effect on the earnings and EPS of our Company until such time when the Awards are granted.

The potential effect on the EPS of our Group cannot be determined at this juncture as it would depend on amongst others, the impact of Malaysian Financial Reporting Standard 2 (“**MFRS 2**”) issued by Malaysian Accounting Standards Board, the number and form of Awards granted and/or exercised, and the various factors that affect the fair value of the Awards to be granted.

Under the MFRS 2, the potential cost arising from the granting of Awards, which is measured by the fair value of the Awards after taking into account, inter-alia, the number of the Awards granted and vested and the subscription price and/or exercise price, will need to be measured at the grant date and to be recognised as an expense over the vesting period, and therefore may affect the future earnings of our Group, the quantum of which can be determined only at the grant date. However, the estimated cost does not represent a cash outflow by our Company as it is merely an accounting treatment.

Our Board has taken note of the potential effect of the Proposals on our Group’s earnings and will take this into consideration in administering the Proposals.

The estimated expenses of RM0.2 million pursuant to the establishment of the Proposals will be funded by internally generated funds of our Group.

4.3 NA, NA per share and gearing

The Proposals will not have an immediate effect on the consolidated NA and NA per Share of our Company until such time when the Awards granted under the Proposed ESS are vested and/or exercised. The potential effect on the consolidated NA and NA per Share of our Company would depend on factors such as the number and types of Awards granted and the fair value of the Awards after considering, amongst others, the Share Subscription Price and/or the ESS Option Exercise Price as well as any vesting conditions. Whilst the granting of the Awards under the Proposed ESS is expected to result in recognition of a charge in the statement of comprehensive income of our Group pursuant to the MFRS 2, the recognition of such MFRS 2 charge would not affect the NA and NA per Share of our Group as the corresponding amount will be classified as an equity compensation reserve which forms part of our shareholders’ equity.

If none of the granted Share Grants are vested and/or ESS Options are exercised within the duration of the Proposed ESS, the amount outstanding in the said equity reserve would be transferred into our Company's retained earnings. On the other hand, if the granted Share Grants are vested and/or ESS Options are exercised, the amount outstanding in the said equity reserve would be transferred into the share capital account of our Company.

The consolidated NA per Share following the exercise of the ESS Options will increase if the ESS Option Exercise Price exceeds the consolidated NA per Share at the point of exercise of the ESS Options and conversely will decrease if the ESS Option Exercise Price is below the consolidated NA per Share at the point of the exercise of the ESS Options.

The Proposals are not expected to have an immediate effect on our Group's gearing level until such time when the ESS Options are exercised. The effect on the gearing will depend on the change in the NA, which in turn will depend on the actual number of new Shares to be issued as well as the ESS Option Exercise Price payable upon the exercise of the ESS Options.

4.4 Substantial shareholders' shareholdings

The Proposals are not expected to have any immediate effect on the substantial shareholders' shareholdings in our Company unless the substantial shareholders of the Company are participants in the Proposed ESS themselves and/or until and unless new LHB Shares are issued pursuant to the vesting of the Awards or treasury shares being transferred, as the case may be, under the Proposed ESS. Any potential effect on the substantial shareholders' shareholdings in our Company would depend on the number of new LHB Shares issued or existing shares transferred pursuant to the Proposed ESS at the relevant point in time.

If existing LHB Shares are transferred to the Participants as a mode of settlement for the Awards, there will be no impact on the shareholdings of the substantial shareholders unless such Participants are also substantial shareholders of our Company. If the Awards are settled in cash, there will be no effect on the shareholdings of the substantial shareholders.

For illustration purposes, assuming the Maximum Shares under the Proposed ESS are granted, the Proposed Allocation are implemented, and the Awards are satisfied via the issuance of new LHB Shares, the pro forma effects of the Proposed ESS on the substantial shareholders' shareholdings are as follows:

	As at LPD				After the Proposed ESS			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Innofarm	181,889,800	24.6	-	-	181,889,800	21.4	-	-
NH Foods Ltd	132,500,000	17.9	-	-	132,500,000	15.6	-	-
Mackan	80,000,000	10.8	-	-	80,000,000	9.4	-	-
Dato' Yap Hoong Chai	9,384,700	1.3	261,889,800	35.4 ⁽¹⁾	20,489,486 ⁽²⁾	2.4	261,889,800	30.8 ⁽¹⁾

Notes:

- (1) Deemed interested by virtue of his interests in Innofarm and Mackan pursuant to Section 8 of the Act.
- (2) Assuming that 10% of the Maximum Shares will be issued to Dato' Yap Hoong Chai pursuant to Section 2.3 of this Circular.

4.5 Convertible securities

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

5. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of LHB Shares as traded on the Main Market of Bursa Securities for the past 12 months from August 2021 to July 2022 are as follows:

	High (RM)	Low (RM)
<u>2021</u>		
August	0.3150	0.2950
September	0.3000	0.2750
October	0.3000	0.2650
November	0.2750	0.2000
December	0.2450	0.2200
<u>2022</u>		
January	0.2750	0.2300
February	0.2650	0.2250
March	0.2350	0.2100
April	0.2450	0.2300
May	0.2500	0.2200
June	0.3300	0.2300
July	0.2950	0.2500
Last transacted market price of LHB Shares on 24 June 2022 (being the last trading date prior to the announcement of the Proposals)		0.2900
Last transacted market price of LHB Shares on LPD		0.3050

(Source: Bloomberg)

6. APPROVALS REQUIRED

The Proposals are subject to approvals from the following:

- (a) Bursa Securities for the listing of and quotation for new LHB Shares to be issued arising from granting of Awards under the Proposed ESS which was obtained vide its letter dated 23 August 2022 and is subject to the following conditions:

No.	Conditions imposed by Bursa Securities	Status of compliance
1.	AmInvestment Bank is required to submit a confirmation to Bursa Securities of full compliance of the Proposed ESS pursuant to the paragraph 6.43(1) of the Listing Requirements and stating the effective date of implementation together with a certified true copy of the resolution passed by the shareholders in general meeting approving the Proposed ESS; and	To be complied
2.	LHB is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the Proposed ESS as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied

(b) our shareholders at the EGM to be convened.

7. CONDITIONALITY OF THE PROPOSALS

The Proposed Allocation is conditional upon the Proposed ESS but not vice versa. Save as disclosed, the Proposals are not conditional upon any other corporate proposals undertaken or to be undertaken by our Company.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED TO THEM

Presently, all Executive Directors of our Company (namely Dato' Yap Hoong Chai (Executive Chairman and a major shareholder of our Company), Dato' Yeap Weng Hong, Dato' Yap Chor How and Mr Ng Kim Tian) are eligible to participate in the Proposed ESS and are therefore deemed to be interested in the Proposed ESS to the extent of their respective allocations as well as the allocations to persons connected with them (if any) under the Proposed ESS. Mr Yeap Fock Hoong, a Non-Independent Non-Executive Director of our Company is the brother of Dato' Yap Hoong Chai and Dato' Yeap Weng Hong. The abovementioned Executive Directors together with Mr Yeap Fock Hoong are collectively referred to as "**Interested Directors**".

The Interested Directors have abstained and will continue to abstain from deliberating on their respective allocations and the allocations to any persons connected to them under the Proposed ESS at our relevant Board meetings.

The Interested Directors will abstain from voting and undertake to ensure that persons connected to them (if any) will also abstain from voting in respect of their direct and/or indirect shareholdings in our Company on the resolutions pertaining to their respective allocation under the Proposed ESS at the extraordinary general meeting to be convened.

The details of the Interested Directors' shareholdings and persons connected to them in our Company as at LPD are as follows:

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Dato' Yap Hoong Chai	9,384,700	1.3	289,999,660	39.2 ⁽¹⁾
Dato' Yeap Weng Hong	4,072,000	0.6	-	-
Dato' Yap Chor How	3,283,700	0.4	-	-
Yeap Fock Hoong	270,000	Neg	-	-

Neg - Negligible

Note:

(1) Deemed interested in 28,109,860 shares held by his direct family members, 181,889,800 shares by virtue of Innofarm and 80,000,000 shares by virtue of Mackan pursuant to Section 8 of the Act.

Save as disclosed above, none of the directors, chief executive, major shareholders and/or persons connected to them has any interest, direct or indirect, in the Proposed ESS.

9. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board (save for the Interested Directors) after having considered all relevant aspects of the Proposals is of the opinion that the Proposals are in the best interest of our Company. For avoidance of doubt, the Interested Directors have abstained from expressing any opinion and recommendation insofar on their specific allocations and specific allocations to any persons connected with them (if any) as the Proposals are concerned.

Accordingly, our Board (save for the Interested Directors) recommends that you vote in favour of the resolutions pertaining to the Proposals at our forthcoming EGM.

10. CORPORATE EXERCISE ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, there is no other corporate exercise which has been announced by our Company but not yet completed as at the date of this Circular.

11. ESTIMATED TIMEFRAME FOR THE COMPLETION OF THE PROPOSALS

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposals are expected to be implemented by the end of 4th quarter of 2022.

12. EGM

The EGM, the notice of which is enclosed in this Circular, will be held on a fully virtual basis via the online meeting platform of Securities Services e-Portal at <https://sshsb.net.my/> provided by SS E Solutions Sdn. Bhd. in Malaysia on Wednesday, 28 September 2022 at 12.30 p.m. or immediately following the conclusion or adjournment of our Company's 38th Annual General Meeting, which will be held on the same day at the same venue at 11.00 a.m., whichever is later, or at any adjournment thereof for the purpose of considering and if thought fit, passing the resolutions to give effect to the Proposals.

If you decide to appoint a proxy(ies) to attend and vote on your behalf at the EGM, the Form of Proxy shall be completed and deposited at our registered office at A1-2-2, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) or fax to 03-6413 3271 or email to infosr@wscs.com.my not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned meeting at which the person named in such instrument proposes to vote. The lodging of the Form of Proxy shall not preclude you from attending and voting at the EGM should you subsequently wish to do so.

13. FURTHER INFORMATION

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

Yours faithfully
For and on behalf of the Board of
LAY HONG BERHAD

NG KIM TIAN
Executive Director

**LAY HONG BERHAD
EMPLOYEES SHARE SCHEME**

LAY HONG BERHAD

LAY HONG BERHAD (“LHB”) EMPLOYEES’ SHARE SCHEME

BY-LAWS OF THE EMPLOYEES’ SHARE SCHEME FOR ELIGIBLE DIRECTORS AND EMPLOYEES OF LHB AND ITS SUBSIDIARIES

1. DEFINITIONS

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

“Adviser”	:	Any person who is eligible to act as a principal adviser that fulfils the requirements as set out in the Guidelines on Submission of Corporate and Capital Market Product Proposals as well as Chapter 7A of the Licensing Handbook issued by the Securities Commission Malaysia
“Auditor”	:	Shall have the meaning given in Section 2 of the Companies Act and shall be the external auditors for the time being of the Company or such other external auditors licensed by the Audit Oversight Board of Malaysia as may be nominated or approved by the Board for the purpose of carrying out such matter as required under this By-laws
“Award”	:	The Share Grant and/or the ESS Options granted pursuant to the By-Laws
“Board”	:	The board of directors of LHB, as may be constituted from time to time
“Bursa Depository”	:	Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
“Bursa Securities”	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
“By-Laws”	:	This By-Laws governing the rules, terms and conditions of the Scheme as set out herein and shall include any amendments or variations made thereto from time to time
“CDS”	:	The Central Depository System governed under SICDA
“CDS Account”	:	The account established by Bursa Depository for a depositor for the recording of deposit and withdrawal of securities and dealings in such securities by that depositor
“Companies Act”	:	Companies Act 2016, and any amendments made thereto from time to time and includes any re-enactment thereof

APPENDIX I – DRAFT BY-LAWS (CONT'D)

“Director”	:	(i) Have the same meaning as given in Section 2(1) of the Capital Markets and Services Act 2007 and being a natural person that occupies or acts in the position of director; (ii) is in accordance with whose directions or instructions the directors of a corporation are accustomed to act; or (iii) is an alternate or substitute director, in LHB Group
“Disciplinary Actions”	:	Actions instituted by LHB or its Subsidiaries against a Participant in writing for any alleged misbehaviour, misconduct and/or any other act of the Participant deemed to be unacceptable in the course of that Participant’s employment, whether or not such actions may give rise to a dismissal or termination of the employment contract and/or contract of service of such Participant
“Effective Date”	:	The date in which this Scheme takes effect being the date on which the last of the approvals and/or conditions referred to in By-Law 6.1 have been obtained and/or complied with and to be determined by the ESS Committee
“Eligible Person”	:	The Directors and/or eligible employees of the companies within LHB Group who fulfils the conditions of eligibility as stipulated in By-Law 4
“ESS Committee”	:	The committee comprising such Directors and/or Senior Management of the Group to be approved by the Board pursuant to By-Law 20 to implement and administer the Scheme in accordance with these By-Laws
“ESS Options”	:	The right of the Participant to subscribe, exercise and receive a number of Shares at the Exercise Price, subject to the terms and conditions of these By-Laws
“Exercise Price”	:	The price at which a Participant is required to pay to be entitled to receive each LHB Share pursuant to the exercise of an ESS Option
“LHB”	:	Lay Hong Berhad (Registration No.: 198301011738 (107129-H)) and, where the context admits, includes its successors- in-title
“LHB Group” “Group”	or :	LHB and its Subsidiaries in Malaysia which are not dormant
“LHB Share(s)” “Shares”	or :	Ordinary share(s) in LHB
“Listing Requirements”	:	The Main Market Listing Requirements of Bursa Securities including any amendments thereto that may be made from time to time
“Market Day”	:	Any day on which Bursa Securities is open for trading in securities

APPENDIX I – DRAFT BY-LAWS (CONT'D)

“Maximum Allowable Allocation”	:	The maximum number of Shares that can be offered and allocated to a Selected Person to participate in the Scheme in accordance with the provisions of By-Law 5
“Maximum Shares”	:	The maximum number of LHB Shares to be allotted and issued pursuant to the Awards granted under the Scheme which shall not exceed 15% in aggregate of the total number of issued shares of LHB (excluding treasury shares, if any) at any point in time during Scheme Period
“Offer”	:	An offer made pursuant to the Share Grant and/or ESS Option, as the case may be, in writing by the ESS Committee to the Selected Person pursuant to By-Law 8
“Offer Date”	:	The date on which an Offer is made or deemed made by the ESS Committee to a Selected Person which will be the date the Offer is served in accordance with By-Law 34
“Offer Period”	:	The period of 30 days from the Offer Date or such other period as may be determined by the ESS Committee having regard to the Terms of Reference and specified in the Offer during which an Offer may be accepted
“Option Period”	:	The period commencing from the date of acceptance of the Offer and expiring on the last day of the Scheme Period or upon the date of termination of the Scheme, whichever is earlier, or such other period as specified by the ESS Committee in the Offer
“Participant(s)”	:	The Selected Persons who have duly accepted the Offer in accordance with the By-Laws
“Performance Period”	:	The period in which the Performance Targets as may be stipulated by the ESS Committee and set out in the Offer are required to be performed
“Performance Targets”	:	The performance targets as may be stipulated by the ESS Committee and as set out in an Offer which are to be achieved by the Group during the Performance Period
“RM” and “sen”	:	Ringgit Malaysia and sen respectively, the lawful currency of Malaysia
“Scheme”	:	The employees’ share scheme comprising the Share Grant and ESS Options known as LHB Employees’ Share Scheme and to be set up under and governed by these By-Laws
“Scheme Period”	:	The period of the Scheme as set out in By-Law 6.1
“Selected Person”	:	An Eligible Person to whom an Offer has been made under the Scheme
“Senior Management”	:	Such employees as the ESS Committee may in its sole discretion determine to be senior management

APPENDIX I – DRAFT BY-LAWS (CONT'D)

- | | | |
|----------------------------|---|---|
| “Share Grant” | : | The rights granted to the Participants to receive a number of new and/or existing Shares vested in the Participants on the Vesting Date specified in the Offer, subject to the terms and conditions of these By-Laws |
| “Share Subscription Price” | : | The reference price which is used to determine the number of Share Grant to be granted as stipulated in the Offer |
| “SICDA” | : | Securities Industry (Central Depositories) Act 1991 as amended from time to time |
| “Subsidiaries” | : | Subsidiaries of LHB within the meaning of Section 4 of the Companies Act and include such subsidiaries which are existing as at the Effective Date and those subsequently acquired or incorporated at any time during the Scheme Period unless determined by the Board and/or ESS Committee, in its sole discretion, that any such subsidiary of LHB will not fall within this expression |
| “Terms of Reference” | : | The terms of reference which the Board may establish to regulate and govern the ESS Committee’s functions and/or responsibilities under these By-Laws as amended from time to time |
| “Termination Date” | : | The effective date of the termination of this Scheme |
| “Trust” | : | The trust established to facilitate the implementation of the Scheme |
| “Trust Deed” | : | The trust deed constituting the Trust |
| “Trustee” | : | The trustee for the time being appointed to be the trustee for the Scheme pursuant to By-law 21.4 |
| “Unexercised Options” | : | ESS Options and any part thereof which have not been fully exercised prior to the expiry of the Option Period |
| “Unvested Awards” | : | The Share Grant or the ESS Options or any part thereof which have not been vested in the Participant, by the relevant date |
| “Value” | : | The value which is used to determine the number of LHB Shares offered to a Participant under an Award as stipulated in the Offer |
| “Vesting Date(s)” | : | The date or dates on which the Awards or any part or proportion thereof granted are vested in the Participant, as stipulated by the ESS Committee in the Offer |
- 1.2 In these By-Laws, unless the context requires otherwise, words importing the singular number include the plural and vice versa and words importing the masculine, feminine or neuter gender include all genders.
- 1.3 The headings and sub-headings in the By-Laws are inserted for convenience only and do not affect the interpretation of these By-Laws.
- 1.4 Any reference to a statute, statutory provision, guidelines, regulations or rules includes a reference to that statute, statutory provision (and all statutory instruments or orders made pursuant to it), guidelines, regulations and rules, as from time to time amended, extended, re-enacted or consolidated.

APPENDIX I – DRAFT BY-LAWS (CONT'D)

- 1.5 Any liberty, power or discretion which may be exercised or any decision or determination which may be made pursuant to the By-Laws by the ESS Committee (including any selection) may be exercised in the ESS Committee's sole discretion having regard only to the Terms of Reference (where applicable) and the ESS Committee will not be under any obligation to give any reasons therefore, except as may be required by the relevant authorities.
- 1.6 If an event is to occur on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day.

2. THE SCHEME

- 2.1 The Scheme will be called the “**LHB Employees’ Share Scheme**” and will comprise the following:
- (a) the Share Grants; and/or
 - (b) the ESS Options.

3. MAXIMUM NUMBER OF SHARES AVAILABLE UNDER THE SCHEME

- 3.1 Subject to By-Law 3.2, the maximum number of Shares to be allotted and issued pursuant to the Awards under the Scheme shall not at any point in time in aggregate exceed 15% of the total number of issued shares of LHB (excluding treasury shares, if any) during the Scheme Period (“**Maximum Shares**”).
- 3.2 In the event that LHB purchases or cancels its own shares in accordance with the provisions of Section 127 of the Companies Act or otherwise howsoever or undertakes any other corporate proposal resulting in the reduction of its total number of issued shares (excluding treasury shares, if any), the following provisions will apply in respect of future Offers but all the Awards granted prior to such purchase and/or the reduction/adjustment of the issued ordinary shares of LHB will remain valid or exercisable in accordance with the provisions of the Scheme as if that reduction/adjustment had not occurred:
- (a) if, after such purchase, cancellation and/or reduction, the aggregate number of LHB Shares in respect of the Awards granted (including the LHB Shares comprised in ESS Options granted, whether or not exercised) by LHB as at the date of purchase, cancellation and/or reduction of Shares is greater than the Maximum Shares, no further Offers will be made by the ESS Committee until such aggregate number of LHB Shares in respect of the Offers and/or Awards granted falls below the Maximum Shares; and
 - (b) if, after such purchase, cancellation and/or reduction, the aggregate number of LHB Share in respect of the Awards granted (including the LHB Shares comprised in ESS Options granted, whether or not exercised) by LHB as at the date of purchase, cancellation and/or reduction of Shares is less than the Maximum Shares, the ESS Committee may make further Offers but only until such aggregate number of LHB Shares in respect of the Offers and/or Awards granted is equivalent to the Maximum Shares after such purchase, cancellation and/or reduction.
- 3.3 LHB will use all reasonable efforts to make available/ensure that it has available and sufficient LHB Shares to satisfy the Offers made during the Scheme Period.

4. ELIGIBILITY

- 4.1 Any Director and/or employee of a corporation within LHB Group who performs an executive function and meets the following criteria as at the Offer Date, will be eligible for consideration and selection as a Participant by the ESS Committee:

APPENDIX I – DRAFT BY-LAWS (CONT'D)

- (a) If he has attained the age of 18 years and is not an undischarged bankrupt;
 - (b) if he is employed on a full time basis and is on the payroll of any corporation in the LHB Group and has not served a notice of resignation or received a notice of termination;
 - (c) if his employment has been confirmed in writing prior to the Offer Date and is not under probationary period;
 - (d) if he is a Director, chief executive officer, major shareholder of LHB and/or an employee who is a person connected to them, the specific allocation of Awards to him in his capacity as a Director, chief executive officer, major shareholder of LHB and/or a person connected to them has been approved by the shareholders of LHB at a general meeting;
 - (e) if he is serving in a specific designation under an employment contract for a fixed duration (excluding those who are employed for a specific project or on short-term contract or any other employees under contract) as may be determined by the ESS Committee;
 - (f) if he/she is not participating or entitled to participate in any other employee share scheme or incentive scheme implemented by any other corporation within the Group which is in force for the time being provided that he may be eligible for consideration notwithstanding his participation or entitlement to participate if the ESS Committee shall so determine; and/or
 - (g) if he fulfils any other criteria and/or falls within such category as may be set by the ESS Committee from time to time.
- 4.2 Notwithstanding By-Laws 4.1, the ESS Committee may from time to time, at its sole discretion select and identify suitable Eligible Persons to offer the Awards.
- 4.3 The eligibility for consideration under the Scheme does not confer an Eligible Person a claim or right to participate in the Scheme unless the ESS Committee has made an Offer in writing to the Eligible Person, and the Eligible Person has accepted the Offer in accordance with the terms of the By-Laws.
- 4.4 The selection of any Eligible Person for participation in the Scheme will be made by the ESS Committee in writing whose decision will be final and binding.

5. MAXIMUM ALLOWABLE ALLOCATION AND THE BASIS OF ALLOCATION

- 5.1 Subject to any adjustments which may be made under By-Law 18, the aggregate maximum number of Awards that may be granted to a Selected Person will be determined entirely at the discretion of the ESS Committee ("**Maximum Allowable Allocation**") provided that:
- (a) the Directors and Senior Management do not participate in the deliberation or discussion of their own allocation and the allocation to any person connected with them;
 - (b) no allocation of more than 80% of the Maximum Shares will be made in aggregate to the Directors and/or Senior Management of LHB Group who are Selected Persons; and
 - (c) no allocation of more than 10% of the Maximum Shares will be made to any Selected Person who, either singly or collectively through persons connected with them, hold 20% or more of the total number of issued shares of LHB (excluding treasury shares, if any),

APPENDIX I – DRAFT BY-LAWS (CONT'D)

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

- 5.2 Subject to By-Law 5.1 and any adjustments which may be made under By-Law 18, the ESS Committee will determine the actual number of Share Grants and ESS Options to be allocated to a Selected Person. The percentage allocation of Share Grants and/or ESS Options will depend on among others, various factors pertaining to the Selected Person such as position, performance, ranking, length of service, potential contribution to the Group, financial performance of the Group and any other factors deemed appropriate by the ESS Committee. The number of Awards to be granted per financial year is dependent on amongst others, financial performance of the LHB Group, the number of Eligible Persons, retention periods, Awards subscription and/or exercise price and fair value of the Awards.
- 5.3 At the time the Offer is made in accordance with By-Law 8, the ESS Committee will set out the basis of allocation, identifying the category or grade of the Selected Person and the Maximum Allowable Allocation for the Selected Person.
- 5.4 A set of criteria on eligibility in respect of the allocation as determined by the ESS Committee from time to time will be made available to all employees and Directors of the Group.
- 5.5 LHB and/or ESS Committee will ensure that:
- (a) the allocation of the LHB Shares to the Participants is verified at the end of each financial year of LHB by LHB's audit committee, as being in compliance with the criteria referred to in By-Law 5.2; and
 - (b) a statement by the audit committee, verifying such allocation, is included in LHB's annual report.
- 5.6 In the event that a Participant is promoted, such promoted Participant may be eligible for consideration for additional Awards to be decided by ESS Committee at its discretion subject to the following:
- (a) that the additional Offer will be from the balance of the Shares available under the Scheme; or
 - (b) the ESS Committee has the discretion not to make further additional Offer in the event that the balance of the Shares available is inadequate to make a meaningful additional allocation.
- 5.7 The ESS Committee has the absolute discretion in determining whether the Awards will be granted in a single tranche or on a staggered basis over the Scheme Period. In the event the ESS Committee decides that the Awards are to be staggered, the number of Awards to be offered pursuant to each Awards and the timing for the vesting of the same shall be decided by the ESS Committee at its sole and absolute discretion and each Award shall be separate and independent from the other.
- 5.8 In the event that the Participant is demoted to a lower grade for whatsoever reason, he will only be entitled to the allocation of that lower grade unless an Offer has been made and accepted by him before such demotion and where he has accepted an Offer which exceeds his Maximum Allowable Allocation under that lower grade, he will not be entitled to any further allocation for that lower grade.

- 5.9 The ESS Committee shall at its sole discretion decide in relation to an Award, amongst others, the date of the Award, Performance Target(s), Performance Period(s), Service Period(s), the vesting period(s), Vesting Date(s), release schedule(s), retention period(s) and the extent to which the LHB Shares which are the subject of the Award shall be released on the Performance Target(s) being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the vesting period(s).

6. SCHEME PERIOD AND TERMINATION OF THE SCHEME

- 6.1 The Scheme will take effect on the date on which the last of the following approvals and/or conditions will have been obtained and/or complied with ("**Effective Date**") and will continue to be in force for a period of 5 years from the Effective Date ("**Scheme Period**"):

- (a) receipt of the approval-in-principle of Bursa Securities for the listing of and quotation for the LHB Shares to be issued pursuant to the Scheme;
- (b) approval of the shareholders of LHB in a general meeting approving the Scheme and matters related to it;
- (c) the submission to Bursa Securities of the final copy of the By-Laws;
- (d) the approval of the relevant regulatory authorities whose approval is necessary in respect of the Scheme; and
- (e) fulfilment or waiver (as the case may be) of all conditions attached any of the abovementioned approvals (if any),

provided always that on or before the expiry of the Scheme Period, the Board shall have the discretion whether or not upon recommendation of the ESS Committee, to extend in writing the tenure of the Scheme for another 5 years or such shorter period as it deems fit immediately from the expiry of the first 5 years, provided that the Scheme does not exceed a maximum period of 10 years in its entirety.

- 6.2 Within 5 Market Days from the Effective Date, LHB will through its Adviser submit a confirmation to Bursa Securities of full compliance with approvals and/or conditions set out in By-Law 6.1 stating the Effective Date, together with a certified true copy of the relevant resolution passed by the shareholders of LHB in the general meeting approving the Scheme.

- 6.3 Notwithstanding anything set out in these By-Laws and subject always to compliance with Bursa Securities and any other regulatory authorities' guidelines or directives, the Scheme may be terminated by LHB at any time before its expiry without obtaining the approvals or consents from the Participants or LHB's shareholders, provided that LHB makes an announcement immediately to Bursa Securities and to give at least 30 days' notice period to the outstanding ESS Options that have been vested between announcing the Termination Date and the Termination Date. In the event of such termination:

- (a) no further Offer will be made by the ESS Committee from the Termination Date;
- (b) all Offers which have yet to be accepted by Selected Persons will automatically lapse on the Termination Date and be null and void;
- (c) all outstanding ESS Option which have yet to be exercised by the Participants shall automatically lapse on the Termination Date; and
- (d) all Unvested Awards will cease to be capable of being vested in the relevant Participants.

APPENDIX I – DRAFT BY-LAWS (CONT'D)

- 6.4 On the expiry of the Proposed ESS, any Offers which have yet to be accepted by the Selected Person and any Awards which have yet to be released or vested (whether fully or partially) by the Participant shall be deemed cancelled, be null and void.

7. RETENTION PERIOD

- 7.1 The LHB Shares to be allotted and issued or transferred pursuant to the Scheme will not be subject to any retention period or restriction on transfer, save as otherwise provided in the Constitution of LHB, the Listing Requirements or By-Law 4 or unless the ESS Committee stipulates otherwise in the Offer.
- 7.2 The expression “retention period” referred to in By-Law 7.1 means the period in which the LHB Shares allotted and issued or transferred pursuant to this Scheme must not be sold, transferred, assigned or otherwise disposed of by the Participant.
- 7.3 A non-executive Director must not sell, transfer or assign any LHB Shares obtained pursuant to an Offer made to him or LHB Shares obtained through the exercise of ESS Options within one year from the Offer Date, as per Listing Requirements or any prevailing applicable guidelines.

8. OFFER OF AWARDS UNDER THE SCHEME

- 8.1 Pursuant to the Scheme, the ESS Committee may, subject to compliance with all relevant regulatory authorities’ guidelines and/or directives, from time to time during the Scheme Period, make an Offer to a Selected Person to participate in the Scheme.
- 8.2 Subject to By-Law 8.3, an Offer will comprise an Award where a Participant is granted:
- (a) the right to have a number of Share Grants vested in the Participant on the Vesting Date; and/or
 - (b) the right to receive an ESS Options vested in the Participant on the Vesting Date to exercise and receive new LHB Shares during the Option Period,
- provided that the conditions as set out in By-Law 9.2 and such other conditions as may be stipulated by the ESS Committee in the Offer are duly and fully satisfied or waived by the ESS Committee (as the case may be).
- 8.3 Nothing in the By-Laws will prevent the ESS Committee from making:
- (a) an Offer to a Participant which consists of only an Award; or
 - (b) more than one Offer to any Participant provided always that the aggregate number of LHB Shares in respect of the Awards granted (including LHB Shares under ESS Options granted pursuant thereto) does not exceed the Maximum Allowable Allocation.
- 8.4 The Offer which has lapsed for any reason whatsoever may be made available for re-granting at the discretion of the ESS Committee under the Scheme.

9. TERMS OF THE OFFER

- 9.1 The ESS Committee may stipulate any terms and conditions it deems appropriate in an Offer and the terms and conditions of each Offer may differ.
- 9.2 The terms and conditions set out in the Offer relating to an Award may include the following, where applicable:

APPENDIX I – DRAFT BY-LAWS (CONT'D)

- (a) Value;
- (b) Share Subscription Price;
- (c) number of LHB Shares to be granted under an Award;
- (d) Exercise Price;
- (e) number of LHB Shares entitled to be received upon the exercise of the ESS Options;
- (f) Option Period;
- (g) Offer Date;
- (h) Offer Period;
- (i) Vesting Date;
- (j) Performance Targets;
- (k) Performance Period;

and may include such/any other conditions as may be stipulated by the ESS Committee.

- 9.3 In the event of any error in the stating of any particulars referred to in By-Law 9.2 or otherwise in the Offer, the ESS Committee may, to the extent permitted by law, issue a supplemental Offer stating the correct particulars referred to in By-Law 9.2.

10. SHARE SUBSCRIPTION PRICE AND EXERCISE PRICE

- 10.1 The Share Subscription Price and the Exercise Price shall not be priced at a discount (as determined by the ESS Committee) of more than 10% of the 5-day volume weighted average market price of the LHB Shares transacted on the Main Market of Bursa Securities immediately preceding the Offer Date (or such basis as the relevant authorities may permit).

11. ACCEPTANCE OF THE OFFER

- 11.1 The Offer may only be accepted by the Selected Person during the Offer Period in such form and manner as may be prescribed in the Offer and must be accompanied by a non-refundable sum of RM1.00 only payable to LHB. The date of receipt by the ESS Committee of such form together with the money will be the date of acceptance of the Offer by the Selected Person, provided that the Scheme is not terminated pursuant to By-Law 6.3.
- 11.2 In the event that the Selected Person fails to accept the Offer in the manner prescribed within the Offer Period, the Offer will automatically lapse and will then be null and void provided that the ESS Committee will not be precluded from making a fresh Offer, on such terms as the ESS Committee may so decide to the Selected Person subsequently.

12. SATISFACTION OF CONDITIONS

- 12.1 The determination as to whether the stipulated conditions in the Offer have been fulfilled will be made by the ESS Committee.
- 12.2 Where the ESS Committee has made the determination that the stipulated conditions have been fulfilled pursuant to By-Law 12.1, the ESS Committee will notify the Participant of:

APPENDIX I – DRAFT BY-LAWS (CONT'D)

- (a) the number of Share Grants vested/which will be vested in him on the Vesting Date; and
- (b) the number of LHB Shares which the Participant is entitled to receive upon the exercise of the ESS Options granted to him,

as the case may be. Upon receipt of such notification, the Participant will notify the ESS Committee (in the form as may be prescribed by the ESS Committee from time to time) of his CDS Account number.

In the event that the conditions stipulated in an Offer in respect of any one or more Participant cannot be achieved/satisfied, the ESS Committee may in its discretion by notice in writing to such Participants, waive any conditions stipulated in the Offer.

No Participant will have any right to or interest in the ESS Shares or right to exercise the ESS Options granted to him unless and until the ESS Committee has made a determination and notification under the provisions of By-Laws 12.1 and 12.2 and on and with effect from the Vesting Date or the date during the Option Period on which the ESS Options are duly exercised and the remittance for the full amount of the monies for the LHB Shares in respect of which the ESS Options are exercised is paid pursuant to By-Law 13.

In relation to the Share Grant to be vested on the Vesting Date, the ESS Committee will, within 8 Market Days after the receipt of the Participant's notice of his CDS Account number pursuant to By-Law 12.2 (or such other period as may be prescribed or allowed by Bursa Securities):

- (a) credit the relevant number of Share Grant into the CDS Account so notified;
- (b) despatch a notice of allotment and issue and/or transfer of such Share Grant to the Participant; and
- (c) make an application for the quotation of such relevant number of Share Grant (where applicable).

For the avoidance of doubt, no physical share certificates will be issued for the LHB Shares allotted and issued and/or transferred.

- 12.3 In relation to LHB Shares to be allotted and issued and/or transferred pursuant to an exercise of an ESS Options, the ESS Committee will, within 8 market days after the ESS Committee's receipt of the notice of exercise of an ESS Options and remittance for the full amount of monies for the LHB Share in respect of which the ESS Options is exercised pursuant to By-Law 13.3 (or such other period as may be prescribed or allowed by Bursa Securities):

- (a) credit the relevant number of LHB Shares into the CDS Account so notified;
- (b) despatch a notice of allotment and issue and/or transfer of such LHB Shares issued pursuant to the ESS Options to the Participant; and
- (c) make an application for the quotation of such relevant number of LHB Shares issued pursuant to the ESS Options (where applicable).

For the avoidance of doubt, no physical share certificates will be issued for the LHB Shares allotted and issued and/or transferred.

13. EXERCISE OF ESS OPTIONS UNDER THE AWARD

- 13.1 An ESS Option may be exercised by a Participant within the Option Period in full or in part by notice in writing to the ESS Committee in the prescribed form (as may be amended from time to time) during the Option Period, provided that where an ESS Option is exercised in part, such exercise must not be for less than 100 Shares and must be for multiples of 100 Shares other than in the case of the final exercise by the Participant under the ESS Options.
- 13.2 The partial exercise of an ESS Option will not preclude the Participant from exercising the ESS Option with respect to the balance of Shares comprised in the ESS Options during the Option Period.
- 13.3 Every notice of exercise of an ESS Option referred to in By-Law 13.1 must be in the form prescribed by the ESS Committee as amended from time to time and accompanied by a remittance for the full amount of the monies for the Shares in respect of which the ESS Option is exercised.
- 13.4 Subject to the discretion of the ESS Committee to waive any breach, failure by a Participant to comply with the procedure for an exercise of ESS Options as stipulated in the provisions of By-Law 13 will invalidate the purported exercise of such ESS Options by the Participant.
- 13.5 The ESS Committee may at any time and from time to time before and after the ESS Options are granted, limit the exercise of the ESS Options to a maximum number of new LHB Shares and/or such percentage of the total LHB Shares comprised in the ESS Options during such period within the Option Period and impose any other terms and/or conditions as the ESS Committee may, in its sole discretion deem appropriate including amending or varying any terms and conditions imposed earlier other than pertaining to the imposition of performance targets. Thereafter, the Participants are free to exercise the ESS Options without further Performance Targets being achieved.

14. DISCIPLINARY ACTIONS

- 14.1 In the event a Selected Person is subject to Disciplinary Actions after an Offer is made but before the acceptance of such Offer by such Selected Person, the Offer is deemed withdrawn and no longer capable of acceptance, unless otherwise decided by the ESS Committee who may in so doing, impose such terms and conditions as it deems appropriate having regard to the nature of the Disciplinary Actions made or brought against the Selected Person. Nothing in the By-Laws will prevent the ESS Committee (but the ESS Committee will not be obliged to do so) from making a fresh Offer to such Selected Person in the event that such Disciplinary Actions are not found against him or if such Disciplinary Actions are withdrawn provided that such Offer is made within the duration of the Scheme Period.
- 14.2 In the event a Participant is subject to Disciplinary Actions, the right of the Participant to have vested any Unvested Awards and/or to exercise any Unexercised Option will be suspended pending the outcome of the Disciplinary Actions unless otherwise decided by the ESS Committee who may in so doing, impose such terms and conditions as it deems appropriate having regard to the nature of the Disciplinary Actions made or brought against the Participant. Nothing in the By-Laws will prevent the ESS Committee (but the ESS Committee will not be obliged to do so) from making a fresh Offer and/or reinstating the right of the Participant to have vested any Unvested Awards and/or to exercise any Unexercised Option in the event that such Disciplinary Actions are not found against him or if such Disciplinary Actions are withdrawn provided that such Offer and/or reinstatement is made within the duration of the Scheme Period. If the ESS Committee does not reinstate such right of the Participant prior to the expiry of the Scheme Period, the Offer and acceptance of the Offer will automatically lapse and will immediately become null and void.

- 14.3 For the avoidance of doubt, Disciplinary Actions initiated against a Participant after the exercise by such Participant of his/her ESS Options in accordance with the terms of these By-Laws or after notice has been given by the ESS Committee of the right of the Participant to have the relevant number of LHB Shares vested in him on the Vesting Date pursuant to By-Law 12.2(a) will not affect the right of the Participant to receive the LHB Shares pursuant to such exercise of ESS Options or Share Grants.

15. TERMINATION OF OFFERS, UNVESTED AWARDS AND UNEXERCISED OPTIONS

- 15.1 Subject to By-Laws 15.2 and 15.3, any unaccepted Offers in respect of a Selected Person and/or any Unvested Awards and/or any Unexercised Option in respect of a Participant will forthwith lapse and/or be deemed to be cancelled and/or ceased to be capable of vesting in a Participant and/or ceased to be exercisable, as the case may be, without any liability to or right to claim against LHB and/or the ESS Committee upon the occurrence of any one or more of the following events:

- (a) service of a notice to resign by a Director and/or an employee or Participant, as the case may be;
- (b) service of a notice of termination on or termination of contract of service or cessation of employment of a Director (including removal thereof) and/or an employee or Participant with LHB Group, as the case may be;
- (c) bankruptcy of a Director and/or an employee or Participant, as the case may be; or
- (d) any other circumstances prescribed by the ESS Committee from time to time.

- 15.2 In the event of the termination or cessation of employment or contract of service of the Participant with LHB Group in any of the following circumstances:

- (a) retirement on attaining the retirement age under LHB Group's retirement policy;
- (b) retirement before attaining the normal retirement age by reason of ill-health, injury, physical or mental disability;
- (c) redundancy or voluntary separation scheme;
- (d) transfer to any company outside the Group at the direction of LHB;
- (e) termination or non-renewal of contract of service; or
- (f) any other circumstances which are acceptable to the ESS Committee in its sole discretion,

the ESS Committee may in its discretion permit the vesting of Unvested Awards (or any part thereof) in the Participant and/or the exercise of any Unexercised Options by the Participant at any time subject to such terms and conditions as may be prescribed notwithstanding that:

- (a) the Vesting Date is not due or has not occurred; and/or
- (b) the Option Period has not commenced; and/or
- (c) other terms and conditions set out in the Offer has not been fulfilled/satisfied,

APPENDIX I – DRAFT BY-LAWS (CONT'D)

provided that unless the ESS Committee in its sole discretion so permits such vesting or exercise, as the case may be by notice in writing to the Participant, any unaccepted Offers in respect of an Award and/or any Unvested Awards and/or any Unexercised Option in respect of a Participant will forthwith lapse and/or be deemed to be cancelled and/or cease to be capable of vesting in a Participant and/or cease to be exercisable, as the case may be, without any liability to or right to claim against LHB and/or ESS Committee.

- 15.3 In the event of death of the Participant, By-Law 15.2 may at the discretion of the ESS Committee apply mutatis mutandis to the Participant's legal or personal representatives as if the Participant's legal or personal representatives were the Participant.
- 15.4 All ESS Options which the ESS Committee permits to be exercisable pursuant to By-Law 15.2 will automatically lapse and will become null and void to the extent unexercised by the date prescribed notwithstanding that the Option Period has not commenced or expired.
- 15.5 Any unaccepted Offers, Unvested Awards and/or Unexercised Options will forthwith lapse and/or be deemed to be cancelled and/or cease to be capable of vesting/exercisable, as the case may be, without any claim against LHB and/or ESS Committee upon the occurrence of one or more of the following events:
- (a) winding-up or liquidation of LHB; or
 - (b) termination or expiration of the Scheme pursuant to By-Law 6.

16. TAKEOVER AND DISPOSAL OF ASSETS

- 16.1 In the event of:
- (a) a take-over offer being made for LHB under the Malaysian Code on Take-Overs and Mergers 2016 and Rules on Take-overs, Mergers and Compulsory Acquisitions (or any replacement thereof), to acquire the whole of the issued shares of LHB (or such part thereof not at the time owned by the person making the general offer ("**Offeror**") or any persons acting in concert with the Offeror) and such takeover offer is announced by the Offeror as being unconditional or have become unconditional; or
 - (b) the Offeror becoming entitled or bound to exercise the right of compulsory acquisition of the Shares under the provisions of any applicable statutes, rules and/or regulations and gives notice to the Participants that it intends so to exercise such rights on a specific date ; or
 - (c) LHB dispose of all or substantially all of its assets and the disposal becomes unconditional,

upon determination of the ESS Committee at its sole discretion, the Unvested Awards may be immediately vested in a Participant and/or any Unexercised Options may immediately be exercised by a Participant at any time subject to such terms and conditions (if any) as may be prescribed by the ESS Committee notwithstanding that:

- (i) the Vesting Date is not due or has not occurred; and/or
 - (ii) the Option Period has not commenced.
- 16.2 All ESS Options which the ESS Committee permits to be exercisable pursuant to By-Law 16.1 will automatically lapse and will become null and void to the extent they remain unexercised by the date prescribed notwithstanding that the Option Period has not commenced or expired.

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

- 17.1 In the event of the court sanctioning a compromise or arrangement between LHB and its members proposed for the purposes of, or in connection with, a scheme of arrangement and reconstruction of LHB or its amalgamation with any other company or companies the ESS Committee may permit the vesting of Unvested Awards (or any part thereof) in the Participant and/or the exercise of any Unexercised Options by the Participant at any time subject to such terms and conditions as may be prescribed notwithstanding that:
- (a) the Vesting Date is not due or has not occurred; and/or
 - (b) the Option Period has not commenced; and/or
 - (c) other terms and conditions set out in the Offer has not been fulfilled/satisfied.
- 17.2 All ESS Options which the ESS Committee permits to be exercisable pursuant to By-Law 17.1 will automatically lapse and will become null and void to the extent unexercised by the date prescribed notwithstanding that the Option Period has not commenced or expired.

18. ALTERATION OF CAPITAL

- 18.1 In the event of any alteration in the capital structure of LHB during the Scheme Period (whether by way of capitalisation of profit or reserves, rights issues, bonus issue, reduction, subdivision or consolidation of capital or otherwise but excluding any cancellation of capital which is lost or unrepresented by available assets), the Board shall have the absolute discretion, whether adjustments to the:
- (a) the Share Subscription Price and/or Exercise Price; and/or
 - (b) the number of LHB Shares comprised in the Awards;
- will be made in order to prevent dilution or enlargement provided that no adjustments will be made in the event of any alteration in the capital structure of LHB in respect of which rights/benefits arising therefrom are accrued to the Shares pursuant to By-Law 19.
- 18.2 If the ESS Committee at its absolute discretion decides that no material dilution or enlargement of the rights of the Participants would result from an alteration in the capital structure of LHB and no adjustments will be made, the ESS Committee will inform the Participants of this decision through an announcement to all the Directors and employees of the Group to be made in such manner deemed appropriate by the ESS Committee.
- 18.3 Save for any alteration in the capital structure of the Company during the duration of the Scheme arising from bonus issues, subdivision or consolidation of shares, all adjustments must be confirmed in writing by an approved company Auditor or the Company's Adviser, acting as an expert and not as an arbitrator, to be in his/her opinion fair and reasonable. Such confirmation shall be final and binding on all parties.
- 18.4 Subject to the ESS Committee's absolute discretion, the provisions of By-Laws 18.1, 18.2 and 18.3 will not apply where a change in the capital structure of LHB arises from:
- (a) the issue of LHB Shares or other securities convertible into LHB Shares or right to acquire or subscribe for LHB Shares in consideration or part consideration for any acquisition by LHB Group;
 - (b) a special issue, restricted issue or private placement of LHB Shares;
 - (c) a share buy-back arrangement by LHB and the cancellation of all or a portion of the shares pursuant to the relevant provisions of the Companies Act;

APPENDIX I – DRAFT BY-LAWS (CONT'D)

- (d) an issue of LHB Shares arising from the exercise of any conversion rights attached to securities convertible to LHB Shares or upon exercise of any other rights including warrants and convertible loan stocks (if any) issued by LHB;
- (e) a special issue of new LHB Shares to Bumiputera investors nominated by the Ministry of International Trade and Industry, Malaysia and/or any other government authority to comply with Government policy on Bumiputera capital participation; and
- (f) an issue of further Offers pursuant to the Scheme and the allotment and issuance of LHB Shares for the purpose of satisfying the Share Grants and ESS Options.

18.5 Subject to the ESS Committee's discretion in consultation with an Auditor and/or Adviser, any adjustment pursuant to this By-Law 18 will be made in accordance with the formulae as set out below on the Market Day immediately following the books closure date for the event giving rise to the adjustment:

- (a) If and whenever a consolidation or subdivision or conversion of LHB Shares occurs, then the Share Subscription Price and/or Exercise Price will be adjusted and the additional number of Shares comprised in the Offer will be calculated in accordance with the following formula:

$$\begin{aligned} \text{New Share Subscription Price/New Exercise Price} &= \left[S \times \frac{U}{V} \right] \\ \text{Adjustment on number of Awards unexercised} &= T \times \left[\frac{V}{U} \right] \end{aligned}$$

where

S = existing Share Subscription Price and/or Exercise Price; and

T = existing number of Shares comprised in the Offer that remains unexercised.

U = aggregate number of Shares (excluding Shares held as treasury shares, if any) in the share capital of LHB immediately preceding such consolidation, subdivision or conversion; and

V = aggregate number of Shares in the share capital of LHB after such consolidation, subdivision or conversion.

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

- (b) If and whenever LHB makes any issue of LHB Shares to its ordinary shareholders of LHB credited as fully paid, by way of bonus issue or capitalisation of profits or reserves (whether of a capital or income nature and including any share premium account and capital redemption reserve fund), the Share Subscription Price and/or Exercise Price will be adjusted by multiplying it by the following fraction:

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

and the additional number of Shares comprised in the Offer will be calculated as follows:

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

where

A = the aggregate number of issued and fully paid-up LHB Shares immediately before such bonus issue or capitalisation issue;

B = the aggregate number of LHB Shares to be issued pursuant to any allotment to ordinary shareholders of LHB credited as fully paid by way of capitalisation of profits or reserves (whether of a capital or income nature and including any share premium account and capital redemption reserve fund); and

T = as T above.

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

(c) If and whenever LHB makes:

- (i) a Capital Distribution (as defined below) to its ordinary shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets);
- (ii) any offer or invitation to its ordinary shareholders whereunder they may acquire or subscribe for LHB Shares by way of rights; or
- (iii) any offer or invitation to its ordinary shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into LHB Shares or securities with rights to acquire or subscribe for LHB Shares,

then and in respect of each such case, the Share Subscription Price and/or Exercise Price will be adjusted by multiplying it by the following fraction:

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

and in respect of the case referred to in By-Laws 18.5(c)(ii) and (c)(iii) hereof, the additional number of Shares comprised in the Offer will be calculated as follows:

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

where

C = the Current Market Price (as defined in By-Law 18.5(h) below) of each LHB 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;

D = (aa) in the case of an offer or invitation to acquire or subscribe for LHB Shares by way of rights under By-Law 18.5(c)(ii) above or for securities convertible into LHB Shares or securities with rights to acquire or subscribe for LHB Shares under By-Law 18.5(c)(iii) above, the value of rights attributable to 1 LHB Share (as defined below); or

- (bb) in the case of any other transaction falling within By-Law 18.5(c) hereof, the fair market value, as determined by an auditor of LHB and/or the Adviser, of that portion of the Capital Distribution attributable to 1 LHB Share.

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

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

where

- C = as C above;
- E = the subscription price for 1 additional LHB Share under the terms of such offer or invitation or subscription price for 1 additional LHB Share upon conversion of the convertible securities or exercise of such rights to acquire or subscribe for 1 LHB Share under the offer or invitation;
- F = the number of LHB Shares necessary for the LHB shareholder to hold in order to be offered or invited to acquire or subscribe for 1 additional LHB Share or security convertible into rights to acquire or subscribe for 1 additional LHB Share; and
- D* = the value of rights attributable to 1 LHB Share (as defined below); and

For the purpose of definition D* above, the “value of rights attributable to 1 LHB Share” will be calculated in accordance with the formula:

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

where

- C = as C above;
- E* = the subscription price for 1 additional LHB Share under the terms of such offer or invitation to acquire or subscribe for LHB Shares; and
- F* = the number of LHB Shares necessary for the LHB shareholder to hold in order to be offered or invited to acquire or subscribe for 1 additional LHB Share.

For the purpose of By-Law 18.5(c) hereof, “Capital Distribution” will (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of LHB Shares (not falling under By-Law 18.5(b) hereof) or other securities credited as fully or partly paid-up by way of capitalisation of profits or reserves (whether of a capital or income nature and including any share premium account or capital redemption reserve fund).

Any dividend charged or provided for in the accounts of any period will (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the ordinary shareholders of LHB as shown in the audited consolidated profit and loss accounts of LHB.

APPENDIX I – DRAFT BY-LAWS (CONT'D)

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

- (d) If and whenever LHB makes an allotment to its ordinary shareholders as provided in By-Law 18.5 (b) above and also makes an offer or invitation to its ordinary shareholders as provided in By-Law 18.5(c)(ii) or (c)(iii) above and the record date for the purpose of the allotment is also book closure date for the purpose of the offer or invitation, the Share Subscription Price and/or Exercise Price will be adjusted by multiplying it by the following fraction:

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

and where LHB makes an allotment to its ordinary shareholders as provided in By-Law 18.5(b) above and also makes an offer or invitation to its ordinary shareholders as provided in By-Law 18.5(c)(ii) above and the record date for the purpose of the allotment is also the book closure date for the purpose of the offer or invitation, the additional number of Scheme comprised in the Offer will be calculated as follows:

Additional number of Option Shares (as defined herein) comprised in ESS Options

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

Additional number of Share Grants to be vested

$$= \left[T \times \frac{(G + H + B) \times C}{(G \times C) + (H \times I)} \right] - T$$

where

B = as B above;

C = as C above;

G = the aggregate number of issued and fully paid-up LHB Shares on the book closure date;

H = the aggregate number of new LHB Shares under an offer or invitation to acquire or subscribe for LHB Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into LHB Shares or rights to acquire or subscribe for LHB Shares, as the case may be;

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

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

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

T = as T above.

APPENDIX I – DRAFT BY-LAWS (CONT'D)

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

- (e) If and whenever LHB makes any offer or invitation to its ordinary shareholders to acquire or subscribe for LHB Shares as provided in By-Law 18.5(c)(ii) above together with an offer or invitation to acquire or subscribe for securities convertible into Shares or rights to acquire or subscribe for LHB Shares as provided in By-Law 18.5(c)(iii) above, the Share Subscription Price and/or Exercise Price will 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 additional number of Shares comprised in the Offer will be calculated as follows:

Additional number of Option Shares (as defined herein) comprised in ESS Options

$$= T \times \left[\frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*)} \right] - T$$

Additional number of Share Grants to be vested

$$= T \times \left[\frac{(G + H^* + J) \times C}{(G \times C) + (H^* \times I^*) + (J \times K)} \right] - T$$

where

C = as C above;

G = as G above;

H = as H above;

H* = as H* above;

I = as I above;

I* = as I* above;

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

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

T = as T above.

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

- (f) If and whenever LHB makes an allotment to its ordinary shareholders as provided in By-Law 18.5(b) above and also makes an offer or invitation to its ordinary shareholders to acquire or subscribe for LHB Shares as provided in By-Law 18.5(c)(ii) above, together with rights to acquire or subscribe for securities convertible into LHB Shares or with rights to acquire or subscribe for Shares as provided in By-Law 18.5(c)(iii) above, and the record date for the purpose of allotment is also the book closure for the purpose of the offer or invitation, the Share Subscription Price and/or Exercise Price will be adjusted by multiplying it by the following fraction:

APPENDIX I – DRAFT BY-LAWS (CONT'D)

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

and the additional number of Shares comprised in the Offer will be calculated as follows:

Additional number of Option Shares (as defined herein) comprised in ESS Options

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

Additional number of Share Grants to be vested

$$= T \times \left[\frac{(G + H^* + J + B) \times C}{(G \times C) + (H^* \times I^*) + (J \times K)} \right] - T$$

where

B = as B above;

C = as C above;

G = as G above;

H = as H above;

H* = as H* above;

I = as I above;

I* = as I* above;

J = as J above;

K = as K above; and

T = as T above.

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

- (g) If and whenever (otherwise than pursuant to a rights issue available to all ordinary shareholders of LHB and requiring an adjustment under By-Laws 18.5(c)(ii), (c)(iii), (d), (e) or (f) above), LHB will issue either any LHB Shares or any securities convertible into LHB Shares or any rights to acquire or subscribe for LHB Shares, and in any such case, the Total Effective Consideration per LHB Share (as defined below) is less than 90% of the Average Price for 1 LHB Share (as defined below) or, as the case may be, the price at which the LHB Shares will be issued and/or transferred upon conversion of such securities or exercise of such rights is determined, the Share Subscription Price and/or Exercise Price will be adjusted by multiplying it by the following fraction:

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

where

APPENDIX I – DRAFT BY-LAWS (CONT'D)

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

For the purpose of By-Law 18.5(g), the “Total Effective Consideration” will be determined by the Board with the concurrence of an auditor or relevant expert in the following manner:

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

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

For the purpose of By-Law 18.5(g), the Average Price of a LHB Share will be the average price of 1 LHB Share as derived from the last dealt prices for one or more board lots of LHB 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 LHB Shares is determined.

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

- (h) For the purpose of By-Law 18.5(c), (d), (e) and (f), the “Current Market Price” in relation to 1 LHB Share for any relevant day will be the volume weighted average market price for the 5 consecutive Market Days before such date.

APPENDIX I – DRAFT BY-LAWS (CONT'D)

- 18.6 Upon any adjustment being made, the ESS Committee shall, within 30 Market Days give notice in writing to the Participant (or his/ her duly appointed personal representatives where applicable), to inform him/ her of the adjustment and the event giving rise thereto.
- 18.7 Notwithstanding the other provisions referred to in this By-Laws, in any circumstances where the ESS Committee considers that adjustments to the Exercise Price and/or Shares Subscription Price relating to the Awards to be issued or vested as provided for under the provisions hereof should not be made, or should be or should not be calculated on a different basis or different date or that an adjustment to the Exercise Price and/or Shares Subscription Price and/or the adjustments to the number of the Shares to be issued or vested relating to the Awards should be made notwithstanding that no adjustment is required under the provisions hereof, the Company may appoint an Adviser and/or an Auditor to consider whether for any reasons whatever the adjustment calculation or determination to be made (or the absence of an adjustment calculation or determination) is appropriate or inappropriate as the case may be. If such Adviser and/or Auditor shall consider the adjustment calculation or determination to be inappropriate, the adjustments shall be modified or nullified (or an adjustment calculation or determination made even though not required to be made) in such manner as may be considered by such Adviser and/or Auditor to be in their opinion appropriate.
- 18.8 In the event that a fraction of an LHB Share arises from the adjustments pursuant to this By-Law 18, the number of LHB Shares will automatically be rounded down to the nearest whole number.
- 18.9 The provisions of By-Law 18 will also apply to a situation where the Offer Period has not lapsed and the Offer has not been accepted by the Participant or withdrawn by the ESS Committee.

19. RIGHTS ATTACHED TO SHARES

- 19.1 The Share Grants and/or ESS Options, as the case may be, shall not carry any right to vote at any general meeting of the Company or rank for any distributions in the event of any voluntary or involuntary liquidation or dissolution of the Company until and unless such LHB Shares so allotted and issued have been credited into the relevant CDS Account of the Participant. A Participant shall not be entitled to any dividends, right or other entitlements on his/ her unvested or unexercised ESS Options and/or unvested Share Grants, as the case may be, until and unless such LHB Shares so allotted and issued have been credited into the relevant CDS Account of the Participant.
- 19.2 Awards satisfied via Share Grants
- (a) The new LHB Shares to be allotted and issued pursuant to the Share Grants shall upon allotment and issuance, rank equally in all respects with the existing issued LHB Shares except that the new LHB Shares so issued will not be entitled for any dividends, rights, allotments and/or other distribution declared, made or paid to shareholders unless the new LHB Shares so allotted and issued have been credited into the relevant CDS Account of the Participants before, the entitlement date.
 - (b) In the event the Share Grants are satisfied via a transfer of existing LHB Shares, the Participant will not be entitled to any dividends, rights, allotments and/or other distribution declared, made or paid to shareholders in respect of which the entitlement date is prior to the effective date on which the LHB Shares are credited into the CDS Account of the Participant.

19.3 Awards satisfied via grant of ESS Options

- (a) The new LHB Shares to be allotted and issued upon exercise of the ESS Options pursuant to the Awards shall upon allotment and issuance, rank equally in all respects with the existing issued LHB Shares except that the new LHB Shares so issued will not be entitled for any dividends, rights, allotments and/or other distribution declared, made or paid to shareholders unless the new LHB Shares so allotted and issued have been credited into the relevant CDS Account of the Participants before the entitlement date.
- (b) In the event the ESS Options exercised are satisfied via a transfer of existing LHB Shares, the Participant will not be entitled to any dividends, rights, allotments and/or other distribution declared, made or paid to shareholders in respect of which the entitlement date is prior to the effective date on which the LHB Shares are credited into the CDS Account of the Participant.

19.4 The LHB Shares under the Scheme will be subject to all the provisions of the Constitution of LHB in relation to their transfer, transmission or otherwise.**20. ADMINISTRATION**

20.1 The Scheme will be implemented and administered by the ESS Committee, the members of which shall be duly approved by the Board. The ESS Committee will have sole and absolute discretion in administering the Scheme subject to the Terms of Reference. The ESS Committee shall comprise persons from the Board and/or Senior Management of the Group and shall ensure that the respective Directors and/or Senior Management do not participate in the deliberation or discussion of their own allocation and/or allocation to persons connected to them. A Selected Person who is a member of the ESS Committee shall abstain from deliberations in respect of any Awards granted or to be granted to that Selected Person and/or persons connected to them.

20.2 The ESS Committee will administer the Scheme in such manner as it in its discretion deems fit. For the purpose of administering the Scheme, the ESS Committee may do all such acts and things and enter into any transactions, agreements, deeds, documents or arrangements, and make rules, regulations or impose terms and conditions or delegate part of its power relating to the administration of the Scheme, as the ESS Committee may in its discretion deem fit necessary and/or expedient for the implementation and administration of, and to give full effect to, the Scheme.

20.3 The Board will have power at any time and from time to time to:

- (a) approve, rescind and/or revoke the appointment of any member of the ESS Committee and appoint replacement members to the ESS Committee; and
- (b) assume and/or exercise or execute any of the powers and authorities conferred upon the ESS Committee pursuant to these By-Laws.

20.4 The ESS Committee has the absolute discretion in determining whether the Awards will be granted in a single tranche or on a staggered basis over the duration of the Scheme.

21. IMPLEMENTATION OF THE SCHEME

21.1 In implementing the Scheme, the ESS Committee may in its sole discretion and subject to compliance with the provisions of the Companies Act and the Listing Requirements, decide that the Awards be satisfied either by way of:

- (a) issuance of new LHB Shares;

APPENDIX I – DRAFT BY-LAWS (CONT'D)

- (b) acquisition of existing LHB Shares from the open market;
 - (c) transferring LHB Shares held in treasury (if any);
 - (d) payment of cash; or
 - (e) a combination of any of the above.
- 21.2 In considering the settlement of the Awards, the ESS Committee will take into consideration, amongst others, factors such as the prevailing market price of LHB Shares, funding considerations, impact on LHB Group's earnings and dilutive effects on LHB's capital base.
- 21.3 For the avoidance of doubt, should the ESS Committee decide to satisfy the Awards via payment by cash, the amount to be paid to the Participant for each Share Grant or ESS Option exercised will be the excess of the 5-day volume weighted average market price of LHB Shares up to the date of Share Grants or exercise of the ESS Options over the Exercise Price, if any.
- 21.4 The Board and/or the ESS Committee may establish a Trust, if required, to be administered by the Trustee consisting of such trustee appointed by the Company from time to time, subject to the provisions set out in the Trust Deed, for purposes of subscribing for new Shares or acquiring existing Shares from the market or dealing with existing Shares acquired from the market and transferring them to the Selected Person at such time as the Committee may direct. To enable the Trustee to subscribe for new Shares and/or purchase existing Shares from the market for purposes of implementing the aforesaid and to pay expenses in relation to the administration of the Trust, the Trustee will, to the extent permitted by law, be entitled from time to time to accept funding and/or assistance, financial or otherwise, from the Company and its subsidiaries.
- 21.5 The Trustee shall exercise the voting rights attached to such Shares in such manner and extent as may be directed by the ESS Committee in writing.
- 21.6 The Trustee shall administer the Trust in accordance with the Trust Deed. For purposes of administering the Trust, the Trustee shall do all such acts and things and enter into any transactions, agreements, deeds, documents or arrangements and make rules, regulations or impose terms and conditions or delegate part of its power relating to the administration of the Trust as the ESS Committee may in its discretion direct for the implementation and administration of the Trust.
- 21.7 The Company and/or the ESS Committee shall have the power from time to time, appoint or rescind the appointment of any Trustee as it deems fit in accordance with the provisions of the Trust Deed.

22. QUOTATION

In cases where the Share Grants and/or ESS Options are satisfied by the issue of new LHB Shares, the new LHB Shares to be allotted will not be listed or quoted on the Main Market of Bursa Securities until an application is made to Bursa Securities for such listing and quotation of the new LHB Shares.

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

- 23.1 Subject to the By-Law 23.2 and compliance with the Listing Requirements and the approvals of any other authorities (if required) being obtained, the ESS Committee may at any time recommend to the Board any additions, amendments and/or modifications to and/or deletions of these By-Laws as it shall in its discretion think fit and the Board shall have the power by resolution to add, amend, modify and/or delete all or any part of these By-Laws upon such recommendation.

APPENDIX I – DRAFT BY-LAWS (CONT'D)

- 23.2 The approval of the shareholders of LHB in general meeting will not be required in respect of additions, amendment and/or modification to and/or deletion of these By-Laws save and except if such addition, amendment, modifications and/or deletion would:
- (a) increase the number of Shares available for issuance under the Scheme beyond the Maximum Shares; or
 - (b) alter to the advantage to any Participant or group of Participants or all the Participants in respect of any matters which are required to be contained in this By-Laws by virtue of the Listing Requirements, without the prior approval of LHB's shareholders in a general meeting unless otherwise permitted under the provisions of the Listing Requirements
- 23.3 Where an amendment and/or modification is made to these By-Laws, LHB must submit to Bursa Securities, the amendment and/or modification to these By-Laws and a confirmation letter that the amendment and/or modification complies with the provisions of the guidelines on employee share scheme stipulated under the Listing Requirements no later than 5 Market Days from the effective date of the said amendment and/or modification.

24. NON-TRANSFERABILITY

The rights of a Participant to the vesting of Share Grants and where applicable, to ESS Options are personal to him and cannot be assigned, transferred or otherwise disposed of in any manner whatsoever unless By-Laws 15.3, 16.1 and 17.1 (where applicable) apply.

25. DISPUTES

In the event of any dispute between the ESS Committee with an Eligible Person or any Participant or group of Participants, as to any matter or thing of any nature arising hereunder, such dispute or difference are to be referred the Board whose decision will be final and binding on all parties in all respects, provided that any Director of LHB who is also in the ESS Committee shall abstain voting in respect of the decision and no parties shall be entitled to dispute any decision which is stated to be final and binding under these By-laws.

26. SCHEME NOT A TERM OF EMPLOYMENT/ CONTRACT OF SERVICE

This Scheme does not form part of or will not in any way be construed as forming part of the terms and conditions of employment or contract of service of any Director or employee. This Scheme will not confer or be construed to confer on any Director and/or employee any special rights or privileges over the Director and/or employees' terms and conditions of employment or contract of service in LHB Group or any rights in addition to compensation or damages that the Director and/or employee may be normally entitled to arising from the cessation of such employment or contract of service.

27. COMPENSATION

- 27.1 No Directors, employees or Participants who cease to hold office in or employment or under a contract of service with LHB Group will be entitled to any compensation for the loss of any right or benefit or prospective right or benefit under the Scheme.
- 27.2 LHB, the Board or the ESS Committee will not be liable for any compensation, loss or damages of any claim, action or proceeding by any Director, employee, Participant or legal or personal representatives whatsoever and howsoever arising from the suspension of rights to the vesting of Share Grants and/or his rights to exercise his ESS Options, ceasing to be valid pursuant to the provisions of these By-Laws.

28. DIVESTMENT FROM THE GROUP

- 28.1 If a Participant who held office or was in the employment or under a contract of service with a corporation of LHB Group which has ceased to be a Subsidiary as a result of a restructuring or divestment exercise or otherwise (other than a takeover or reconstruction as provided under these By-Laws), the ESS Committee may in its discretion permit the vesting of Unvested Awards (or any part thereof) in the Participant and/or the exercise of any Unexercised Options by the Participant at any time subject to such terms and conditions as may be prescribed notwithstanding that:
- (a) the Vesting Date is not due or has not occurred;
 - (b) the Option Period has not commenced; and/or
 - (c) other terms and conditions set out in the Offer has not been fulfilled/satisfied.
- 28.2 All ESS Options which may be allowed by the ESS Committee to be exercisable under By-Law 28.1(b), to the extent they remain unexercised by the date prescribed by the ESS Committee, will automatically lapse and will become null and void.

29. TRANSFER TO OTHER COMPANIES NOT WITHIN THE GROUP

- 29.1 Notwithstanding By-Law 15.1, in the event a Participant who was employed in a corporation within the Group and is subsequently transferred from such corporation to an associate company of LHB, the Participant will be entitled to:
- (a) continue to have a right in any Unvested Awards; and
 - (b) exercise any Unexercised Options.
- upon the same terms and conditions as may be set out in the Offer as if the Participant is still in employment or under a contract of service with the Group for the purposes of the Scheme Period.
- 29.2 In the event that a person who was in the employment or under a contract service of a company which subsequently becomes a Subsidiary as a result of a restructuring or acquisition or otherwise involving LHB and/or any company within the Group, such person ("**Affected Participant**") will, if the Affected Participant satisfies all the relevant conditions of these By-Laws, be eligible to be considered for an Offer for the remaining Scheme Period at the discretion of the ESS Committee.

30. INSPECTION OF THE AUDITED FINANCIAL STATEMENTS

All Participants will be entitled to inspect a copy of the latest audited financial statements of LHB at the registered office of LHB from Monday to Friday (excluding public holidays) during normal office hours.

31. COSTS, EXPENSES AND TAXES

- 31.1 All fees, costs and expenses incurred in relation to the Scheme including but not limited to the costs and expenses (including stamp duty, if any) relating to the allotment and issue and/or transfer of LHB Shares pursuant to the Share Grants or exercise of the ESS Options (excluding the exercise price of such ESS Options), shall be borne by LHB.

- 31.2 For the avoidance of doubt, each Participant will be solely responsible for any taxes (including income tax) which may be levied on the Participant arising out of or as a result of such allotment and issuance and/or transfer of such LHB Shares.

32. CONSTITUTION

Notwithstanding the terms and conditions contained in this Scheme, if a situation of conflict should arise between any provision of these By-Laws and the Constitution of LHB and/or the Listing Requirements, the provisions of the Constitution of LHB shall prevail at all times save and except where such provision of these By-Laws are included pursuant to the Listing Requirements.

33. ERRORS AND OMISSIONS

If in consequence of an error or omission, the ESS Committee discovers/determines that:

- (a) a Director and/or an employee who was selected by the ESS Committee as a Participant, has not been given the opportunity to participate in the Scheme on any occasion; or
- (b) the number of the LHB Shares allotted and issued and/or transferred to any Participant (including those allotted and issued and/or transferred pursuant to an exercise of ESS Option(s)) on any occasion is found to be incorrect;

and such error or omission cannot be corrected within the relevant period specified in the Scheme, the ESS Committee may do all such acts and things to rectify such error or omission and ensure that the Participant is given the opportunity to participate in the Scheme and/or the aggregate number of LHB Shares to which the Participant is correctly entitled to is credited into his CDS Account.

34. NOTICE

- 34.1 Any notice under the Scheme required to be given to or served upon the ESS Committee by a Director, employee, Participant or any correspondence to be made between a Director, employee, Participant to the ESS Committee will be given or made in writing and sent to the registered office of LHB or such other office which the ESS Committee may have stipulated for a particular purpose of delivery by hand (with acknowledgement of receipt) or registered letter.
- 34.2 Unless otherwise provided in these By-Laws, any notice which under the Scheme is required to be given to or served upon a Director, employee, Participant and correspondence to be made with a Director, employee or Participant will be deemed to be sufficiently given, served or made if it is given, served or made by hand or registered letter addressed to the Director, employee or Participant at the place of employment or address known to LHB or address. Any notice served by hand or post as aforesaid will be deemed to have been received at the time when such notice if by hand is received and duly acknowledged if by registered letter would in the ordinary course of post be delivered.
- 34.3 Notwithstanding By-Law 34.2, where any notice is required to be given by LHB or the ESS Committee under these By-Laws in relation to matters which may affect all the Directors, employees or Participants, as the case may be, LHB or ESS Committee may give notice through an announcement to all employees of the Group to be made in such manner deemed appropriate by the ESS Committee. Upon the making of such an announcement, the notice to be made under By-Law 34.2 will be deemed to be sufficiently given, served or made to all affected Directors, employees, or Participants, as the case may be.

35. SEVERABILITY

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

36. DELAY OF PERFORMANCE

The performance of any obligations provided herein may be delayed, prohibited or become impossible by reason of events beyond the control of LHB or the ESS Committee.

37. DISCLAIMER OF LIABILITY

37.1 Notwithstanding any provisions contained herein and subject to the Companies Act, the ESS Committee and LHB, the Board (including Directors of LHB who have resigned but were on the Board during the Scheme Period) and/or the Trustee will not under any circumstances be liable for any cost, loss, expense and/or damage whatsoever incurred, arising and/or suffered by any Participant howsoever arising in the event of:-

- (a) any delay on the part of LHB or ESS Committee in allotting and issuing new LHB Shares and/or applying for or procuring the listing of the new LHB Shares on Bursa Securities and/or transferring the Share Grants in accordance with these By-Laws for any reason whatsoever;
- (b) any delay in crediting the new LHB Shares into the CDS Account as stated in the notice of exercise given by the Participant; and
- (c) any other matter or dealing which is outside the control of the Company.

37.2 The Participant will at all times indemnify and keep LHB indemnified against all losses, damages, claims, proceedings, demands, actions, penalties and expenses whatsoever that may be made or brought against and/or suffered by LHB at any time as a result of and/or in connection with or arising from any failure on the part of the Participant to perform and/or observe the terms and conditions and stipulations of the By-Laws as from and including the Effective Date or for any act or default under or for any breach of any provision of the By-Laws by the Participant or that may be incurred, suffered or sustained by LHB as a result thereof and the Participant will promptly upon a demand being made by LHB pay to LHB all amounts so paid, incurred, suffered or sustained by LHB.

38. DECISION OF THE ESS COMMITTEE

Any decision and/or determination made by the ESS Committee under these By-Laws (other than a matter to be certified and/or approved by the Auditors and/or Advisers) will, in the absence of any manifest error, be final and binding.

39. GOVERNING LAW

The Scheme is governed by and construed in accordance with the laws of Malaysia. The Participant, by accepting the Offer in accordance with the By-Laws and terms of the Scheme and the Constitution of LHB, irrevocably submit to the non-exclusive jurisdiction of the courts in Malaysia.

1. RESPONSIBILITY STATEMENT

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

2. CONSENT AND DECLARATION OF CONFLICT OF INTEREST**2.1 AmInvestment Bank**

AmInvestment Bank has given and has not subsequently withdrawn its consent to the inclusion in this Circular of its name and all references thereto in the form and context in which it appears in this Circular.

AmInvestment Bank is a wholly-owned subsidiary of AMMB Holdings Berhad. AMMB Holdings Berhad and its group of companies (collectively, “**AmBank Group**”) forms a diversified financial group and are engaged in a wide range of transactions relating to amongst others, investment banking, commercial banking, private banking, brokerage, securities trading, asset and funds management and credit transaction services businesses. AmBank Group's securities business is primarily in the areas of securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trade.

In ordinary course of their businesses, any member of AmBank Group may at any time extend services to any company as well as hold long or short positions, and trade or otherwise effect transactions, for its own account or the account of its other client, in debt or equity securities or senior loans of any company. Accordingly, there may be situations where parts of the AmBank Group and/or its clients now have or in the future, may have interests or take actions that may conflict with the interests of LHB Group.

As at LPD, AmBank Group has extended credit facilities of RM22.74 million to LHB Group.

Notwithstanding the above, AmInvestment Bank is of the opinion that its role as the Principal Adviser for the Proposals are not likely to result in a conflict of interest or potential conflict of interest situation in view that:

- (i) AmBank Group form a diversified financial group and are engaged in a wide range of transactions as highlighted above. AmInvestment Bank is a licensed investment bank and its appointment as Principal Adviser in respect of the Proposals is in the ordinary course of business; and
- (ii) Each of the entities and departments of the AmBank Group are also subject to internal control and checks, which regulate the sharing of information between entities and departments. Additionally, each department and entity within AmBank Group have separate and distinct operations and decisions are made independent of each other. In addition, the conduct of AmInvestment Bank is also regulated by Bank Negara Malaysia.

Premised on the above, AmInvestment Bank confirms that it is not aware of any conflict of interest which exists or is likely to exist in its capacity as the Principal Adviser for the Proposals.

APPENDIX II – FURTHER INFORMATION (CONT'D)

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**3.1 Material commitments**

Save as disclosed below, as at LPD, there is no material commitment incurred or known to be incurred by our Group, which may have a material impact on the financial results or position of our Group:

	Group level as at LPD (RM'000)
Capital expenditure for property, plant and equipment:-	
Approved and contracted for	6,009
Total	6,009

3.2 Contingent liabilities

Save as disclosed below, as at LPD, there are no material contingent liabilities incurred or known to be incurred by our Group which upon being enforced may have material impact on the financial results or position of our Group:

	Group level as at LPD (RM'000)
Guarantees granted to third parties	7,445
Total	7,445

4. MATERIAL LITIGATION

As at LPD, our Group is not engaged in any other material litigation, claims, and/or arbitration either as plaintiff or defendant, which may have a material effect on the financial position or business of our Group and there is no proceeding which is pending or threatened against our Group, or of any fact likely to give rise to any proceeding which may materially and adversely affect the financial position or business of our Group save for the following:-

(i) Malacca Sessions Court Summons No. MA-B52-8-10/2020

Lay Hong Berhad (“Plaintiff”) against Heng Trading Sdn Bhd (“First Defendant”) and Heng Yoke Kam (“Second Defendant”) (collectively, the “Defendants”)

The Plaintiff had filed a writ of summons and a statement of claim on 28 October 2020 and had obtained judgements in default of appearance on 29 December 2020 and 5 March 2021 against the Defendants in the Malacca Sessions Court for the following:

- (a) RM566,009.20 being the outstanding invoices as at 30 September 2020;
- (b) interest of RM100,427.08 as at 30 September 2020;
- (c) further and/or alternatively general damages to be assessed by the Honourable Court;

APPENDIX II – FURTHER INFORMATION (CONT'D)

- (d) interest at the rate of 5% per annum on the total judgement sum of RM566,009.20 or other rate deemed appropriate and reasonable by the Honourable Court calculated from 1 October 2020 until the date of full settlement;
- (e) legal costs to be fully borne by the Defendants; and
- (f) other reliefs and/or costs deemed appropriate by the Court.

As at LPD, the Plaintiff's solicitors had filed a bankruptcy notice against the Second Defendant on 2 June 2022 and the matter has been fixed for hearing on 6 September 2022. The Plaintiff's solicitors are confident that the Court will grant the Bankruptcy Order against the Defendants.

(ii) Malacca Sessions Court Suit No. MA-B52NCC-35-11/2021

Lay Hong Berhad ("Plaintiff") against Lian Foo Poultry Farm Sdn Bhd and Lee Yoon Yean ("Defendants")

The Plaintiff had filed a writ of summons and a statement of claim on 3 November 2021 against the Defendants for the following:

- (a) RM660,959.96 being the outstanding invoices as at 30 September 2021;
- (b) interest of RM43,351.55 as at 30 September 2021;
- (c) further and/or alternatively general damages to be assessed by the Honourable Court;
- (d) interest at the rate of 5% per annum on the total judgement sum of RM660,959.96 or other rate deemed appropriate and reasonable by the Honourable Court calculated from 1 October 2021 until the date of full settlement;
- (e) legal costs to be fully borne by the Defendants; and
- (f) other reliefs and/or costs deemed appropriate by the Court.

The matter has been fixed for trial on 28 March 2023 and 30 March 2023. The Defendants had on 1 June 2022 filed a notice of application to amend their amended defence ("**Enclosure 19**").

As at LPD, a case management for the Enclosure 19 has been fixed on 8 September 2022. The Plaintiff's solicitors believe that the Plaintiff has reasonably good chances of success in this case.

(iii) Sandakan Sessions' Court Suit No. SDK-A52NCvC-6/5-2021

ST Food Sdn Bhd ("Plaintiff") v Jubita Julali (trading under the name & style of Bitu Trading) ("First Defendant") and Alim Bin Kasron ("Second Defendant") ("Defendants")

The Plaintiff had filed a writ of summons dated 6 May 2021 against the Defendants claiming for the outstanding sum due and owing to the Plaintiff for goods sold and delivered to the First Defendant and Second Defendant act as a guarantor for the First Defendant.

The Plaintiff had entered into a judgement in default of appearance dated 9 November 2021 against the First and Second Defendant for the following:

- (a) outstanding sum of RM281,662.80 or any part thereof;

APPENDIX II – FURTHER INFORMATION (CONT'D)

- (b) statutory interest at the rate of 5% per annum on the sum of RM281,662.80 or any part thereof from the date of the judgment until payment in full;
- (c) summons filing fee of RM208.00;
- (d) fixed costs of RM1,000.00; and
- (e) costs pursuant to Order 59 of the Rules of Court 2012.

As at LPD, no execution proceedings have been taken against the Defendants.

(iv) Kota Kinabalu Sessions Court Suit No. BKI-A52NCVC-119/8-2019

STF Agriculture Sdn Bhd (“Plaintiff”) against Brian Loh (Trading under the name & style of Century Jaya Enterprise) (“First Defendant”) and Loh Chon Yong (“Second Defendant”) (“Defendants”)

The Plaintiff had filed a writ of summons on 7 August 2019 and had obtained a judgment in default of appearance on 5 November 2019 against the Defendants in the Kota Kinabalu Sessions Court for the following:

- (a) RM257,201.81 or any part thereof;
- (b) statutory interest at the rate of 5% per annum on the sum of RM257,201.81 or any part thereof from the date of judgment until date of full payment;
- (c) summons filing fee of RM208.00 and fixed costs of RM1,000.00; and
- (d) costs pursuant to Order 59 Rules of Court 2012.

A bankruptcy notice dated 7 May 2021 was served on the First Defendant on 18 June 2021 and a bankruptcy notice dated 7 May 2021 was served on the Second Defendant on 5 August 2021.

The Plaintiff's solicitors had filed two separate creditor's petitions dated 15 September 2021 against the First Defendant and the Second Defendant.

As at LPD, the bankruptcy proceedings against both the First Defendant and Second Defendant were withdrawn upon the agreement between the Plaintiff and the First Defendant and the Second Defendant for settlement of the total outstanding amount of RM155,085.59 by way of a monthly instalment of RM2,000.00 per month beginning November 2021.

**(v) Shah Alam High Court Suit No. BA-22NCVC-315-07/2018
Court of Appeal No. B-02 (NCvC)(W)-463-03/2021**

Lay Hong Berhad (“Plaintiff”) against:

- (a) **Loke Chee Min practising as The Law Office of CM Loke (formerly known as Yap Loke & Loh) (“First Defendant”)**
- (b) **Beh Yong Hock practising as Beh & Associates (“Second Defendant”)**
- (c) **Leong Sze Seng (“Third Defendant”)**
- (d) **The Roof Realty Sdn Bhd (“Fourth Defendant”)**

(Collectively known as the **“Defendants”**)

APPENDIX II – FURTHER INFORMATION (CONT'D)

The Plaintiff had on 2 July 2018 filed a claim against the Defendants for special damages of RM3,256,902.84 with interest and costs upon the recommendation/misrepresentation of the Third Defendant wherein the Third Defendant represented inter alia to the Plaintiff that the owners of the lands held under Geran Mukim 6469 for Lot 31982 and Geran Mukim 6470 for Lot 31983 both in Mukim of Kapar, District of Klang, Selangor Darul Ehsan ("the said lands") wished to sell the said lands and that the First Defendant is the solicitors representing the land owners. The Second Defendant is the solicitors appointed by the Plaintiff to handle the sale and purchase of transaction of its behalf while the First Defendant purportedly acted for the owners of the said lands. The Plaintiff paid the monies to the First Defendant as stakeholder based on the sale and purchase agreements executed between the parties. The Plaintiff subsequently found out that the owners of the said land did not appoint the First Defendant as their solicitors neither did they sell their said lands.

The Plaintiff had claimed against the Defendants inter alia for loss and damage suffered by the Plaintiff:

- (a) breach of fiduciary duty and/or trust as the stakeholder of the purchase price of the said lands and wrongfully deprived the Plaintiff the said payments against the First Defendant;
- (b) breach of contract and negligence against the Second Defendant;
- (c) fraudulent and/or negligence misrepresentation against the Third Defendant; and
- (d) vicarious liability in respect of the act and/or omission of the Third Defendant against the Fourth Defendant as the principal and/or employer of the Third Defendant.

The High Court had proceeded with the trials on 12 November 2019, 13 November 2019, 14 November 2019, 21 November 2019, 31 January 2020, 9 September 2020 and 10 September 2020 and at the decision delivered on 19 February 2021, the High Court adjudged as follows:

- (a) The Plaintiff's claim against the First Defendant was allowed in the sum of RM3,057,367.09 as damages with costs of RM50,000.00 to the Plaintiff;
- (b) The Plaintiff's claim against the Second Defendant was allowed in the sum of RM611,473.42 being 20% of the damages of RM3,057,367.09 with costs of RM20,000.00 to the Plaintiff;
- (c) The Plaintiff's claim against the Third Defendant was allowed in the sum of RM75,744.56 being the commission received by him with costs of RM10,000.00 to the Plaintiff;
- (d) The Plaintiff's claim against the Fourth Defendant was dismissed with costs of RM20,000.00 to the Fourth Defendant; and
- (e) In view of (iv) above, no order was made in respect of the Fourth Defendant's third-party claims against the First and Third Defendants.

The Second Defendant appealed against the aforesaid decision of the High Court to the Court of Appeal vide Civil Appeal No. B-02(NCvC)(W)-513-03/2021. The Plaintiff had on 23 February 2021, instructed its solicitors to appeal against the decision of the High Court on 19 February 2021 against the Second Defendant, Third Defendant and Fourth Defendant and the appeal was filed on 4 March 2021 vide Court of Appeal Civil Appeal No. B-02(NCvC)(W)-461-03/2021. On 19 May 2021, the Plaintiff and the Second Defendant had agreed with regard to payment of the Judgment Sum pending hearing of both appeals to the Court of Appeal as follows:-

APPENDIX II – FURTHER INFORMATION (CONT'D)

- (a) That the Plaintiff's solicitors shall hold the sum of RM611,473.42, costs of RM20,000.00 and judgement interest up to the date of payment awarded by the High Court to the Plaintiff as stakeholder pending the Plaintiff's or the Second Defendant's appeal to the Court of Appeal;
- (b) That the Plaintiff's solicitors shall deposit the sum of RM611,473.42, costs of RM20,000.00 and judgment interest up to the date of payment paid to the Plaintiff's solicitors as stakeholder in an interest-bearing fixed deposit account and forward to the Second Defendant's solicitors a copy of the fixed deposit certificate;
- (c) In the event the Second Defendant's appeal is allowed and/or the Plaintiff's appeal is dismissed, the Plaintiff's solicitors shall refund to the Second Defendant the sum of RM611,473.42, costs of RM20,000.00 and judgment interest up to the date of payment paid (together with all interest accrued thereon) within 7 days from the date of Court of Appeal order. Similarly, if the Court of Appeal allows the Plaintiff's appeal by the High Court, and/or the Second Defendant's appeal is dismissed, the Plaintiff's solicitors shall release the sum of RM611,473.42, costs of RM20,000.00 and judgment interest up to the date of payment (together with all interest accrued thereon) to the Plaintiff notwithstanding any application for leave to appeal and/or appeal by any party to the Federal Court; and
- (d) If the Court of Appeal increases the award of judgment by the High Court, the Second Defendant shall top up the balance judgment sum, interest and/or costs, as the case may be. Similarly, if the Court of Appeal decreases the award of judgment by the High Court, the Plaintiff's solicitors shall refund the balance of the judgment sum together with the interest accrued and/or costs as the case may be.

The stakeholder sum of RM639,598.48 (being Judgment sum together with interest up to 27 May 2021) ("**Stakeholder Sum**") was paid by the Second Defendant's solicitors to the Plaintiff's Solicitors on 27 May 2021. The Stakeholder Sum has been placed in interest-bearing fixed deposit account by the Plaintiff's solicitors.

In relation to the appeals against the Second Defendant, Third Defendant and Fourth Defendant, a hearing is fixed on 25 October 2022. The Second Defendant has also appealed to the Court of Appeal by filing a notice of appeal on 9 March 2021 and the appeal is also fixed for hearing on 25 October 2022.

The Plaintiff's solicitors are of the view that the plaintiff has a good and arguable case in both the appeals.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at A1-2-2, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:

- (i) our Constitution;
- (ii) draft By-Laws;
- (iii) the audited consolidated financial statements of our Company for the past 2 FYs 2021 and 2022 as well as the latest unaudited financial statement for the 3-months financial period ended 30 June 2022;
- (iv) the relevant cause papers in Section 4 above; and
- (v) the letters of consent referred to in Section 2 above.



LAY HONG BERHAD

(Registration No. 198301011738 (107129-H))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (“EGM”) of Lay Hong Berhad (“LHB” or the “Company”) will be held on a fully virtual basis via the online meeting platform of Securities Services e-Portal at <https://sshsb.net.my/> provided by SS E Solutions Sdn. Bhd. in Malaysia on Wednesday, 28 September 2022 at 12.30 p.m. or immediately following the conclusion or adjournment of the Company’s 38th Annual General Meeting, which will be held on the same day at the same venue at 11.00 a.m., whichever is later, or at any adjournment thereof to consider and if thought fit, to pass the following resolutions with or without modifications:

ORDINARY RESOLUTION 1

PROPOSED ESTABLISHMENT OF AN EMPLOYEES’ SHARE SCHEME (“ESS”) OF UP TO FIFTEEN PERCENT (15%) OF THE TOTAL NUMBER OF ISSUED SHARE CAPITAL OF THE COMPANY (EXCLUDING TREASURY SHARES, IF ANY) AT ANY POINT IN TIME FOR ELIGIBLE DIRECTORS AND EMPLOYEES OF LHB AND ITS SUBSIDIARY COMPANIES (“LHB GROUP”) (EXCLUDING DORMANT SUBSIDIARIES AND/OR SUBSIDIARIES NOT INCORPORATED IN MALAYSIA) (“PROPOSED ESS”)

“**THAT**, subject to the approvals from all relevant regulatory authorities and parties being obtained for the Proposed ESS, and to the extent permitted by law and the Constitution of the Company, approval and authority be and is hereby given to the Board of Directors (“**Board**”) of the Company to undertake the following:-

- (i) to establish, implement and administer the Proposed ESS for the benefit of the eligible directors and employees of the Company and its subsidiaries (excluding subsidiaries which are dormant and/or subsidiaries not incorporated in Malaysia) (“**LHB Group**”) who meet the criteria of eligibility for participation in the Proposed ESS and to implement and administer the same in accordance with the By-Laws governing the terms, rules and conditions of the Proposed ESS (“**By-Laws**”) a draft of which is set out in Appendix I of the circular to shareholders of LHB dated 30 August 2022 (“**Circular**”);
- (ii) to allot and issue and/or procure the transfer of such number of new or existing ordinary shares in the Company (“**LHB Shares**”) (as adjusted or modified from time to time pursuant to the By-Laws) from time to time as may be required for the purpose of or in connection with the Proposed ESS, provided that the total number of LHB Shares be allotted and issued pursuant to granting of LHB Shares (“**Share Grants**”) and/or options to subscribe for and/or acquire LHB Shares (“**ESS Options**”) (collectively, the “**Awards**”) to the eligible directors and eligible employees of LHB Group in relation to the Proposed ESS shall not exceed fifteen percent (15%) in aggregate of the total number of issued shares of the Company (excluding treasury shares, if any) at any point in time throughout the duration of the Proposed ESS and such new LHB Shares shall, upon allotment and issuance, carry the same rights as the existing LHB Shares, save and except that the new LHB Shares would not be entitled to dividend, rights, allotments and/or other forms of distribution which may be declared, made or paid to shareholders of LHB, the entitlement date of which is prior to the date of allotment of the new LHB Shares to be issued pursuant to the Awards;
- (iii) to appoint and authorise a committee (“**ESS Committee**”) by which the Proposed ESS will be administered in accordance with the By-Laws by the said ESS Committee, who will be responsible for, amongst others, implementing and administering the Proposed ESS. The members of the ESS Committee shall comprise such number of Directors and/ or senior management personnel of the Group to be identified from time to time;
- (iv) to make the necessary application to Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for permission to deal in and for the listing of and quotation for the new LHB Shares (as adjusted or modified from time to time pursuant to the By-Laws) that may hereafter from time to time be allotted and issued pursuant to the Proposed ESS;

- (v) to do all such acts, execute all such documents and to enter into all such transactions, arrangements and agreements, deeds or undertakings and to make such rules and regulations, or to impose such terms and conditions or delegate part of its power as may be necessary or expedient in order to give full effect to the Proposed ESS;
- (vi) to appoint a trustee to facilitate the implementation of the Proposed ESS, if required ("**Trustee**");
- (vii) to provide money or other assistance (financial or otherwise), and/or to authorise and/or procure any one or more of the subsidiaries of the Company, to provide money or other assistance (financial or otherwise) from time to time if required to enable the Trustee to subscribe for and/or purchase such number of new or existing ordinary shares in the Company (as adjusted or modified from time to time pursuant to the By-Laws ("**Shares**"), if required;
- (viii) add, amend, modify and/ or delete all or any part of the terms and conditions as set out in the By-Laws governing the Proposed ESS from time to time provided that such addition, amendment, modification and/ or deletion are effected in accordance with the provisions of the By-Laws, and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Proposed ESS; and
- (ix) extend the duration of the Proposed ESS for a period of up to another five (5) years, provided always that such extension of the Proposed ESS made in accordance with the provisions of the By-Laws shall not in aggregate exceed a duration of ten (10) years from the date the Proposed ESS takes effect or such other period determined by the relevant authorities.

AND THAT the By-Laws which is in compliance with the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**") (a draft of which is set out in Appendix I of this Circular), be and is hereby approved and adopted and the Directors of the Company be and are hereby authorised with full power to assent to any conditions, modifications, revaluations, variations and/or amendments as may be required by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as they may deem necessary or expedient for the Proposed ESS to be in effect."

Refer to Explanatory Note below.

ORDINARY RESOLUTIONS 2 TO 5

PROPOSED ALLOCATION TO THE FOLLOWING ELIGIBLE PERSONS WHO ARE DIRECTORS AND/OR MAJOR SHAREHOLDERS OF LHB UNDER THE PROPOSED ESS

"**THAT** subject to the passing of Ordinary Resolution 1 and the approvals of all relevant authorities being obtained, approval be and is hereby given to the ESS Committee from time to time throughout the duration of the Proposed ESS, to offer and grant the Awards to each of the following Directors or major shareholders of the Company as named therein below respectively, of not more than 10% of the total number of ordinary shares in the Company to be issued under the Proposed ESS, subject always to such terms and conditions of the By-Laws and/or any adjustment which may be made in accordance with the provisions of the By-Laws."

ORDINARY RESOLUTION 2	DATO' YAP HOONG CHAI Executive Chairman
ORDINARY RESOLUTION 3	DATO' YEAP WENG HONG Executive Director
ORDINARY RESOLUTION 4	DATO' YAP CHOR HOW Executive Director
ORDINARY RESOLUTION 5	NG KIM TIAN Executive Director

By Order of the Board

WONG YUET CHYN (MAICSA 7047163)
(SSM PC 202008002451)
 Company Secretary

Kuala Lumpur
 30 August 2022

Notes:

1. A member of the Company entitled to attend and vote is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote in his stead.
2. A member of the Company may appoint not more than two (2) proxies to attend the meeting, provided that the member specifies the proportion of the members shareholdings to be represented by each proxy, failing which, the appointments shall be invalid.
3. A proxy may but need not be a member and there shall be no restriction as to the qualification of the proxy.
4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**") there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, shall be deposited at the registered office of A1-2-2, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) or fax to 03-6413 3271 or email to infosr@wscs.com.my not less than forty-eight (48) hours before the time appointed for holding this meeting or adjourned meeting at which the person named in such instrument proposes to vote.
6. An instrument appointing a proxy shall in the case of an individual, be signed by the appointor or by his attorney duly authorised in writing and in the case of a corporation, be either under its common seal or signed by its attorney or in accordance with the provision of its constitution or by an officer duly authorised on behalf of the corporation.
7. In respect of deposited securities, only members whose names appear on the Record of Depositors on 21 September 2022, shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.
9. The members are encouraged to refer the Administrative Guide on registration and voting for the meeting.

Explanatory Note

Section 85(1) of the Companies Act 2016 provides that:

"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".

Clause 65 of the Constitution of the Company states that:

"Subject to any direction to the contrary that may be given by the Company in general meeting, any new shares or other convertible securities shall before they are issued, 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 other convertible securities to which they are entitled. The offer shall be made by notice specifying the number of shares or other convertible 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 other convertible securities offered, the Directors may dispose of those shares or other convertible securities in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares or other convertible securities which (by reason of the ratio which the new shares or other convertible securities bear to shares or other convertible securities held by persons entitled to an offer of new shares or other convertible securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution."

By approving the issue and allotment of the LHB Shares in the Company pursuant to the Proposed ESS which will rank equally with the existing issued shares in LHB, the shareholders of the Company are deemed to have waived their pre-emptive rights pursuant to Section 85(1) of the Companies Act 2016 and Clause 65 of the Constitution of the Company to be first offered the LHB Shares which will result in a dilution to their shareholding percentage in the Company.



LAY HONG BERHAD

(Registration No. 198301011738 (107129-H))
(Incorporated in Malaysia)

CDS ACCOUNT NO.				-											
NO. OF SHARES HELD															

FORM OF PROXY

I/We

(FULL NAME IN BLOCK LETTERS)

(NRIC No./Passport No./Company Registration No.....)

of

(FULL ADDRESS)

Email Address Contact No.

being a member/members of **LAY HONG BERHAD**, hereby appoint

Name of Proxy	NRIC No./Passport No.	% of Shareholding to be Represented
Address		
Email Address	Contact No.	

and/or failing him/her

Name of Proxy	NRIC No./Passport No.	% of Shareholding to be Represented
Address		
Email Address	Contact No.	

or failing him/her, the **CHAIRMAN OF THE MEETING** as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company will be held at a fully virtual basis via online meeting platform of Securities Services e-Portal at <https://sshsb.net.my/> provided by SS E Solutions Sdn. Bhd. in Malaysia on Wednesday, 28 September 2022 at 12.30 p.m., or any adjournment thereof.

ORDINARY RESOLUTIONS		FOR	AGAINST
1.	Proposed ESS		
2.	Proposed Allocation of ESS Awards to Dato' Yap Hoong Chai		
3.	Proposed Allocation of ESS Awards to Dato' Yeap Weng Hong		
4.	Proposed Allocation of ESS Awards to Dato' Yap Chor How		
5.	Proposed Allocation of ESS Awards to Ng Kim Tian		

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

Dated this day of 2022.

Signature(s) of member(s)

Notes:

- A member of the Company entitled to attend and vote is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote in his stead.
- A member of the Company may appoint not more than two (2) proxies to attend the meeting, provided that the member specifies the proportion of the members shareholdings to be represented by each proxy, failing which, the appointments shall be invalid.



3. A proxy may but need not be a member and there shall be no restriction as to the qualification of the proxy.
4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**") there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, shall be deposited at the registered office of A1-2-2, Solaris Dutamas, No. 1, Jalan Dutamas 1, 50480 Kuala Lumpur, Wilayah Persekutuan (KL) or fax to 03-6413 3271 or email to infosr@wscs.com.my not less than forty-eight (48) hours before the time appointed - for holding this meeting or adjourned meeting at which the person named in such instrument proposes to vote.
6. An instrument appointing a proxy shall in the case of an individual, be signed by the appointor or by his attorney duly authorised in writing and in the case of a corporation, be either under its common seal or signed by its attorney or in accordance with the provision of its constitution or by an officer duly authorised on behalf of the corporation.
7. In respect of deposited securities, only members whose names appear on the Record of Depositors on 21 September 2022, shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.
9. The members are encouraged to refer the Administrative Guide on registration and voting for the meeting.

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AFFIX
STAMP

THE COMPANY SECRETARY
Lay Hong Berhad
Registration No. 198301011738 (107129-H)
A1-2-2, Solaris Dutamas
No. 1, Jalan Dutamas 1
50480 Kuala Lumpur
Wilayah Persekutuan (KL)

2nd Fold Here

Fold This Flap For Sealing