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

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YI-LAI BERHAD

[Registration No. 200001013437 (516043-K)]
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

- I. PROPOSED DIVERSIFICATION OF THE EXISTING PRINCIPAL ACTIVITIES OF YI-LAI BERHAD ("YI-LAI") AND ITS SUBSIDIARIES TO INCLUDE THE PROVISION OF INFORMATION TECHNOLOGY SOLUTIONS; AND**
- II. PROPOSED ESTABLISHMENT OF AN EMPLOYEES' SHARE OPTION SCHEME ("ESOS") OF UP TO 15% OF THE TOTAL NUMBER OF ISSUED SHARES OF YI-LAI (EXCLUDING TREASURY SHARES, IF ANY) AT ANY POINT IN TIME OVER THE DURATION OF THE ESOS**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

UOBKayHian

UOB Kay Hian Securities (M) Sdn Bhd

[Registration No. 199001003423 (194990-K)]
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting ("**EGM**") of Yi-Lai will be held and conducted by way of virtual meeting entirely through live streaming via Remote Participation and Voting ("**RPV**") facilities from the broadcast venue at 1st Floor, Meeting Room, Lot 8, Jalan 51A/241, Seksyen 51A, 46100 Petaling Jaya, Selangor, on Friday, 30 October 2020 at 10.00 a.m., or at any adjournment thereof. The Notice of EGM together with the Proxy Form are enclosed herein.

A member of Yi-Lai entitled to participate, speak and vote at the EGM is entitled to appoint a proxy or proxies to participate, speak and vote on his/ her behalf. In such event, the completed and signed Proxy Form should be lodged at Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Wilayah Persekutuan, not less than forty eight (48) hours before the time for holding the EGM or any adjournment thereof. The lodging of the Proxy Form shall not preclude you from participating, speaking and voting remotely at the EGM should you subsequently wish to do so, but if you do, your proxy shall be precluded from participating in the EGM.

Last date and time for lodging the Proxy Form : Wednesday, 28 October 2020 at 10.00 a.m.

Date and time of the EGM : Friday, 30 October 2020 at 10.00 a.m.

This Circular is dated 15 October 2020

DEFINITIONS

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

| | |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Act | : The Companies Act 2016, as amended from time to time and all regulations made thereunder and any re-enactment thereof |
| Board | : The Board of Directors of Yi-Lai |
| Bursa Depository | : Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W)) |
| Bursa Securities | : Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W)) |
| Bylaw(s) | : Bylaw(s) of the Proposed ESOS (a draft of which is set out in Appendix I of this Circular) |
| Circular | : This circular dated 15 October 2020 in relation to the Proposals |
| Date of Offer | : Date on which an offer is made by the ESOS Committee in writing to a selected Eligible Person to participate in the Proposed ESOS |
| Director(s) | : The director(s) of Yi-Lai 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 any amendments from time to time and any re-enactment thereof) |
| EGM | : The extraordinary general meeting of Yi-Lai |
| Eligible Person(s) | : The eligible Directors and employees of Yi-Lai and its subsidiaries that are not dormant, and such parties who meet the criteria of eligibility for participation in the Proposed ESOS as set out in the Bylaws |
| EPS | : Earnings per share |
| ERP | Enterprise resource planning |
| ESOS | : Employees' share option scheme |
| ESOS Committee | : The committee to be duly appointed and authorised by the Board pursuant to the Bylaws to administer the ESOS in relation to the Proposed ESOS |
| ESOS Option(s) | : The option(s) to subscribe for Yi-Lai Shares to be granted to Eligible Person(s) |
| FPE | : Financial period ended/ ending |
| FYE | : Financial year ended/ ending |
| IT Solutions | Information Technology Solutions |
| JVA | Joint venture agreement dated 8 September 2020 between Yi-Lai and TechBase to jointly undertake the provision of IT Solutions business |
| JVC | Joint venture corporation for the purpose of running the New Business, namely, TechBase System Sdn Bhd (Registration No. 202001031826 (1388146-M)) |

DEFINITIONS (CONT'D)

| | | |
|-----------------------------|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Listing Requirements | : | Main Market Listing Requirements of Bursa Securities and any amendments from time to time |
| LPD | : | 8 October 2020, being the latest practicable date prior to the printing and despatch of this Circular |
| Market Day(s) | : | Any day from Mondays to Fridays (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for trading of securities |
| Maximum Scenario | : | Assuming all 484,900 treasury shares of Yi-Lai as at the LPD are resold at cost prior to the implementation of the Proposed ESOS |
| MFRS 2 | : | Malaysian Financial Reporting Standard 2 – Share-based Payment |
| Minimum Scenario | : | Assuming all 484,900 treasury shares of Yi-Lai as at the LPD are retained prior to the implementation of the Proposed ESOS |
| New Business | : | A new IT Solutions business which specializes in the provision of blockchain technology solutions and system integration services |
| Yi-Lai | : | Yi-Lai Berhad (Registration No. 200001013437 (516043-K)) |
| Yi-Lai Group or Group | : | Yi-Lai and its subsidiaries, collectively |
| Yi-Lai Share(s) or Share(s) | : | Ordinary share(s) in Yi-Lai |
| NA | : | Net assets attributable to the owners of Yi-Lai |
| PAT/ LAT | : | Profit or loss after tax |
| Proposals | : | The Proposed Diversification and Proposed ESOS, collectively |
| Proposed Diversification | : | Proposed diversification of the existing principal activities of Yi-Lai Group to include the provision of IT Solutions in the field of blockchain technology solutions and system integration services |
| Proposed ESOS | : | Proposed establishment of an ESOS of up to 15% of the total number of issued shares of Yi-Lai (excluding treasury shares, if any) at any point in time over the duration of the ESOS |
| RM and sen | : | Ringgit Malaysia and sen, respectively |
| TechBase | : | TechBase Solution Sdn Bhd (Registration No. 200901025479 (868581-M)) |
| UOBKH or the Adviser | : | UOB Kay Hian Securities (M) Sdn Bhd (Registration No. 199001003423 (194990-K)) |
| VWAP | : | Volume weighted average market price |

DEFINITIONS (CONT'D)

All references to "we", "us", "our" and "ourselves" are made to Yi-Lai, or where the context requires, shall include our subsidiaries.

All references to "you" in this Circular are made to shareholders who are entitled to attend and vote at the forthcoming EGM.

Unless specifically referred to, words denoting incorporating the singular shall, where applicable include the plural and vice versa and words denoting incorporating the masculine gender shall where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified.

Any reference to a time of day and date in this Circular shall be a reference to Malaysian time and date, respectively, unless otherwise specified. Any discrepancy in the figures included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding adjustments.

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EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposals. Shareholders are advised to read this Circular in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposals before voting at the EGM.

| Key information | Description | Reference to Circular |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| Summary of the Proposals | <u>Proposed Diversification</u> <ul style="list-style-type: none">As part of our Group's continuous effort to capture new opportunities, our Board intends to diversify our Group's existing principal activities to include the provision of IT Solutions in the field of blockchain technology solutions and system integration services pursuant to the JVA.Our management anticipates the New Business to potentially contribute 25% or more of the net profits of our Group moving forward, hence our Board proposes to seek the approval from shareholders for the Proposed Diversification pursuant to Paragraph 10.13(1) of the Listing Requirements. | Section 3 |
| | <u>Proposed ESOS</u> <ul style="list-style-type: none">The Proposed ESOS involves the granting of ESOS Options to Eligible Persons to subscribe for Yi-Lai Shares (whether by way of issuance of new Yi-Lai Shares and/ or transfer of treasury shares of Yi-Lai) on the terms and conditions as set out in the Bylaws. The Proposed ESOS will be administered by the ESOS Committee in such manner it shall in its discretion deem fit, in accordance with the provisions set out in the Bylaws.The maximum number of Yi-Lai Shares, which may be made available pursuant to the Proposed ESOS shall not exceed in aggregate 15% of the total number of issued Yi-Lai Shares (excluding treasury shares, if any) at any point in time over the duration of the Proposed ESOS. | Section 4 |
| Rationale for the Proposals | <u>Proposed Diversification</u> <ul style="list-style-type: none">Our Group had recorded losses for the past 3 financial years, as such the New Business presents an alternative income stream to our Group that may reduce our business concentration risk, mitigating our sole reliance on the existing tile business segment. Moving forward, our Board anticipates that the New Business provides an opportunity for our Group to expand our earnings base and in turn, improve our Group's bottom line. | Section 5.1 |
| | <u>Proposed ESOS</u> <ul style="list-style-type: none">To recognise and reward the Eligible Persons by giving recognition to their contributions and services that are considered vital to the operations, hence motivating employee performance to create sustainable growth and profitability for our Group.To retain, motivate and reward the Eligible Persons by allowing them to participate in our Group's profitability and eventually realise the value of Yi-Lai Shares upon disposal.To align the interests of Eligible Persons with that of shareholders' through the achievement of our Group's objectives and plans.To attract prospective employees with relevant skills and experience to our Group by making compensation packages offered more competitive. | Section 5.2 |

EXECUTIVE SUMMARY (CONT'D)

| Key information | Description | Reference to Circular |
|--------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| | <ul style="list-style-type: none">To foster and reinforce the Eligible Persons' loyalty and sense of belonging to our Group by enabling them to participate directly in our equity, thereby incentivising the Eligible Persons to contribute more actively to the operations and future growth and success of our Group. | |
| Key risks of the Proposed Diversification | <p><u>Dependency on key personnel</u></p> <ul style="list-style-type: none">The success of the Proposed Diversification will depend to a significant extent upon the abilities, skills, experience, competency and continued efforts of our key management personnel and TechBase management team. The loss of key management personnel without suitable and timely replacement, or the termination or default by any parties that may lead to the termination of the JVA could materially affect the performance of the New Business. <p><u>Business diversification risk</u></p> <ul style="list-style-type: none">Our Group will be subject to risks inherent in the IT industry, which our Group was not previously exposed to. The IT industry is ever changing with increasing levels of sophistication, and hence the JVC's ability to adapt to these changes and to remain technologically relevant will determine the sustainability of its business earnings, which subsequently affects our Group's business performance. <p><u>Competition risk</u></p> <ul style="list-style-type: none">Our Group faces competition from existing competitors and/ or new entrants operating in similar business in relation to the New Business. Nevertheless, our Group will take proactive measures to remain competitive in this business/ industry. <p><u>No assurances that future plans would be successful</u></p> <ul style="list-style-type: none">It should also be noted that any business diversification plans would typically require time to reach their full potential and full payback of investments, or may not even yield the results our Group expects. Pending our business diversification plan reaching its targeted business potential levels, the JVC will continue to incur rentals, staff costs, and other operating costs. Further, our Group may be required to seek additional financing to fund the working capital required in our business diversification strategies. <p><u>Overseas risk</u></p> <ul style="list-style-type: none">Pursuant to the JVA, the JVC will be appointed as the exclusive dealer for TechBase's overseas markets. Hence, our Group will be subject to the laws, regulations, policies, and political and social environments and other risks generally associated with the business operations in overseas countries which may be more onerous than the Malaysian market. These include, but are not limited to, dealership risk and fluctuation in foreign exchange rate. | <p>Section 7.1</p> <p>Section 7.2</p> <p>Section 7.3</p> <p>Section 7.4</p> <p>Section 7.5</p> |
| Conditionality of the Proposals | <ul style="list-style-type: none">The Proposed Diversification and Proposed ESOS are not inter-conditional upon each other. The Proposals are not conditional upon any other proposals undertaken or to be undertaken by Yi-Lai. | Section 10 |

EXECUTIVE SUMMARY (CONT'D)

| Key information | Description | Reference to Circular |
|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| Approvals required | <ul style="list-style-type: none">• The Proposals are subject to the following approvals being obtained:-<ul style="list-style-type: none">i. Bursa Securities, had vide its letter dated 6 October 2020, approved for the listing and quotation for such number of new Yi-Lai Shares, representing up to 15% of Yi-Lai's total number of issued shares (excluding treasury shares, if any) that may be issued pursuant to the Proposed ESOS on the Main Market of Bursa Securities subject to the conditions set out in Section 10 of this Circular;ii. our shareholders at an EGM to be convened; andiii. any other relevant authority, if required. | Section 10 |
| Board's recommendation | <ul style="list-style-type: none">• Our Board, having considered all aspects of the Proposals, including but not limited to the rationale and justification and the effects of the Proposals are of the opinion that the Proposals are in the best interest of Yi-Lai. Accordingly, our Board recommends that you VOTE IN FAVOUR of the resolutions pertaining to the Proposals at the forthcoming EGM. | Section 13 |

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YI-LAI BERHAD
[Registration No. 200001013437 (516043-K)]
(Incorporated in Malaysia)

Registered Office

Suite 10.02, Level 10
The Gardens South Tower, Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Wilayah Persekutuan

15 October 2020

Board of Directors

Dato' Wong Gian Kui (*Independent Non-Executive Chairman*)
Au Yee Boon (*Executive Director*)
Tan Jian Hong, Aaron (*Executive Director*)
Wendy Kang Hui Lin (*Non-Independent Non-Executive Director*)
Lee Boon Siong (*Independent Non-Executive Director*)

To: Our shareholders

Dear Sir/ Madam,

- I. PROPOSED DIVERSIFICATION; AND**
- II. PROPOSED ESOS**

1. INTRODUCTION

On 8 September 2020, UOBKH had, on behalf of our Board, announced that we proposed to undertake the following:-

- i. Yi-Lai had on 8 September 2020 entered into the JVA with TechBase to jointly undertake the provision of IT Solutions business;
- ii. diversification of our Group's existing principal activities to include the provision of IT Solutions in the field of blockchain technology solutions and system integration services; and
- iii. establishment of an ESOS of up to 15% of the total number of issued Shares (excluding treasury shares, if any) at any point in time over the duration of the ESOS for eligible persons.

For shareholders' information, the highest percentage ratio applicable for the JVA pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 4.84%, calculated based on the total project cost attributable to Yi-Lai over the latest audited total net assets of Yi-Lai as at 31 December 2019. As such, the JVA is not subject to our shareholders' approval. Nevertheless, given that the Proposed Diversification is undertaken in conjunction with the JVA, details of the JVA are set out in **Section 2** of this Circular for shareholders' information.

On 7 October 2020, UOBKH had, on behalf of our Board, announced that Bursa Securities had, vide its letter dated 6 October 2020, resolved to approve the listing of such number of additional new Yi-Lai Shares, representing up to 15% of the issued share capital of Yi-Lai (excluding treasury shares, if any), to be issued pursuant to the exercise of options under the Proposed ESOS, subject to the conditions as disclosed in **Section 10** of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

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

2. DETAILS OF THE JVA

On 8 September 2020, Yi-Lai had entered into the JVA with TechBase, with the agreement to work together and to collaborate for the purpose of establishing a New Business. On this note, it is the intention of the parties involved to set up a separate JVC for the purpose of running the New Business. Subsequently, on 7 October 2020, a supplemental agreement was entered to enable Yi-Lai to appoint YB Technologies Sdn Bhd, our wholly-owned subsidiary as our representative for the JVA. The aforesaid JVC, namely TechBase System Sdn Bhd had been incorporated on 7 October 2020, with the composition of its board of directors as follows:-

| Director | Company representative |
|-----------------|-------------------------------|
| Au Yee Boon | TechBase |
| Sam Chen Hoe | TechBase |
| Lee Boon Siong | Yi-Lai |

Pursuant to the JVA, Yi-Lai and TechBase shall hold approximately 49% and 51% of the equity interest in the JVC respectively. The JVC was incorporated with an initial issued share capital of RM100, comprising 100 ordinary shares. Nevertheless, the proposed issued share capital of the JVC may increase to RM19,387,755, comprising 19,387,755 ordinary shares at a later date, to be held in the following proportion:-

| Shareholder | Capital outlay RM | No. of ordinary shares to be held in JVC | % |
|--------------------|------------------------------|-----------------------------------------------------|--------------|
| Yi-Lai | 9,500,000 | 9,500,000 | 49.0 |
| TechBase | 9,887,755 | 9,887,755 | 51.0 |
| | 19,387,755 | 19,387,755 | 100.0 |

The issued share capital of the JVC shall be in the proportion set out above, and Yi-Lai and TechBase shall maintain their respective shareholdings in the JVC at all times, unless otherwise altered pursuant to the other provisions of the JVA.

TechBase was incorporated on 14 August 2009 in Malaysia under the Companies Act 1965, as a private limited company and is deemed registered under the Act. TechBase is an IT Solutions provider with approximately 11 years of experience in this particular field, and offers products ranging from ERP solutions, sales management systems, business productivity solutions and website design and development. TechBase specialises in providing customized ERP solutions to meet the needs of small and medium enterprises or large corporations, as well as upgrading and replacing an organisation's IT system. As part of TechBase's effort to provide a comprehensive package, it also provides after-sale maintenance services and ad hoc supports.

Further details on TechBase are set out in the **Section 2.2 (ii)** of this Circular.

For shareholders' information, blockchain technology is essentially a distributed ledger technology that allows data to be stored globally on thousands of servers and provides the ability to create secure, real-time communication networks with multiple partners. Blockchain technology can be applied to almost any industry and is a more robust and secure means of executing transactions and record keeping.

System integration involves integration of various IT systems, services and/ or software with the objective of enabling all of them to work functionally together. System integration is expected to improve an organisation's productivity and quality of operations as information flow within the organisation can be accelerated which also reduces operational costs in return.

In this regard, the purpose of the JVC is to provide clients with blockchain technology solutions that are tailor-fit to their organisation's requirements as well as provision of system integration services on the implementation, planning, coordination, testing and maintenance of IT systems.

The development of blockchain technology solutions and system integration services will remain as the sole and exclusive property of the JVC. Pursuant to the terms of the JVA, TechBase will appoint the JVC as the exclusive dealer for its overseas markets for the distribution of its ERP solutions. TechBase will continue to distribute its ERP solutions in the Malaysian market, while the JVC will be responsible for distributing the ERP solutions in overseas markets on behalf of TechBase. The imposition of such geographical restriction is to prevent competition among the counterparties for the distribution of the same product and services.

In this regard, the JVC will be focusing on the following business activities at this juncture:-

- i. provision of blockchain technology solutions and system integration services in the Malaysian market; and
- ii. exclusive dealer for TechBase's ERP solutions in overseas markets which includes, amongst others, Singapore, Thailand, Hong Kong and Indonesia.

For avoidance of doubt, at the initial stage, the JVC will focus on developing and distributing its in-house blockchain technology solutions and system integration services in the Malaysian market, together with the distribution of TechBase's ERP solutions in overseas markets. However, in the future, should suitable opportunities arise, the JVC will not rule out the possibility of extending its blockchain technology solutions and system integration services abroad.

The JVA is deemed to be a related party transaction, by virtue of Au Yee Boon's interest in both Yi-Lai in which he emerged as the Executive Director and a major shareholder in Yi-Lai on 27 August 2020, and TechBase in which he was already the ultimate major shareholder ("**Interested Director**"). For information purpose, the JVA is not subject to the approval of our shareholders, as the highest percentage ratio applicable for the JVA pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 4.84%, calculated based on the total project cost attributable to Yi-Lai over the latest audited total net assets of Yi-Lai as at 31 December 2019.

2.1 Salient terms of the JVA

i. Information on the collaboration

Yi-Lai's contribution towards to the collaboration

Yi-Lai undertakes to provide funding to meet the financing conditions for the New Business up to a commitment amount of up to RM9,500,000 only for the purpose of undertaking our obligations under the JVA, which may be provided through financing of the New Business via bank facilities and/ or cash, provision of services and undertaking of work and/ or a combination of any of the foregoing. As at the date of this Circular, our Group intends to fund the commitment amount of up to RM9,500,000 via internally generated funds.

TechBase's contribution towards to the collaboration

- i. TechBase undertakes to provide a commitment of up to RM9,887,755 only for the purpose of undertaking its obligations under the JVA, which may be provided in the form of cash and/ or other equivalent manner such as source codes, software systems and/ or equipment to undertake the New Business;
- ii. responsible for the day-to-day operations of the New Business by providing equipment, software and technical assistance (including key personnel, training, experience, knowledge and data) for the provision of IT Solutions;
- iii. responsible for designing and developing the blockchain and system integration technologies for the purpose of the New Business; and
- iv. to appoint the JVC as the exclusive dealer for TechBase's overseas markets for the distribution of ERP solutions.

ii. Licensing

Pursuant to the JVA, the JVC will act as the dealer for the sale of ERP solutions in overseas markets as well as the provision of blockchain technology solutions and system integration services developed in-house, of which the scope and nature of the services are as follows:-

- | | | |
|--------------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ERP solutions | : | Providing business process management software that allows an organization to use a system of integrated applications to manage the business and automate many back-office functions related to technologies, services and human resources. |
| System integration | : | Providing system integration services specializing in implementing, planning, coordinating, scheduling, testing, improving and maintaining a computing operation. System integration may include designing or building a customized architecture or application, integrating it with new or existing hardware, packaged and custom software, and communications infrastructure. |

Blockchain technology solutions : Providing tailored-made blockchain technology solutions to prospective clients. One of the examples would be to provide a solution wherein the clients are allowed to monitor the consumer level demand in real time, and therefore allowing the clients to forecast the demand accurately and plan for manufacturing and replenishment. The blockchain technology solutions offered focus on replacing human processes and information storage solutions for companies.

Premised on the above, and to the best of our knowledge, apart from necessary business license(s) with the Malaysian Government, there are no other licenses, consents and permits that are required to be obtained for the operations of the JVC to act as the dealer for the sales of ERP solutions and the sales and development of blockchain technology solutions and system integration services.

iii. Entitlements

In the event where profits from the JVC are made available for distribution, the profits will be distributed in proportionate to each party's respective shareholding in the following manner:-

| | |
|------------------------------------------|---------------|
| Yi-Lai's entitlement to profit sharing | 49.0% |
| TechBase's entitlement to profit sharing | 51.0% |
| | <u>100.0%</u> |

The JVC shall not pay any dividend or make any other distributions unless both the parties have consented to such dividend or distributions in accordance with the provisions of the JVA.

iv. Breach/ Termination

The JVA party ("**Non-Defaulting Party**") may terminate the JVA in accordance with the following:-

- i. if the other party ("**Defaulting Party**") breaches a material term of the JVA and that breach, if capable of remedy, is not remedied by the Defaulting Party within 14 days after receiving notice from the Non-Defaulting Party. For avoidance of doubt, any non-performance of the responsibilities set out in **Section 2.1 (i)** hereinabove, leading to the dissolution of the joint venture could constitute a material breach; or
- ii. if the Defaulting Party's action results in a violation of the relevant Malaysian laws and regulations or violation of third party rights which the matter will cause imposition of penalties or claims by any government authorities or any third party on the JVC which the claim would result in serious losses to the agreement and serious impairment of the value of JVC; or
- iii. if the Defaulting Party's action results in any issuance of any orders, decrees, rulings, or take any other legal action to restrict or otherwise prohibit the joint venture or make the joint venture illegal or impossible; or
- iv. if the Defaulting Party has a petition presented for its bankruptcy and/ or winding-up and fails to have such petition set aside within 90 days from its presentation; or

- v. if the Defaulting Party have a receiver appointed over the whole or any material part of its undertaking or assets.

If the JVA is terminated, the Defaulting Party shall cease to have any rights under the JVA and shall, if so required by the Non-Defaulting Party to perform the following:-

- a. purchase the Non-Defaulting Party's ordinary shares; or
- b. sell its ordinary shares to the Non-Defaulting Party; or
- c. agree to a winding-up of the JVC.

The sale of the JVC shares to the Non-Defaulting Party shall be at the rate of 90% of fair value thereof as established by the JVC's auditors for the time being and the purchase of the Non-Defaulting Party's ordinary shares shall be at 100% of the fair value thereof. For the purposes of establishing such fair value, the JVC's tangible assets shall be valued at their fair value as the date of the termination notice.

The parties may also terminate the JVA by unanimous and mutual consent.

v. Indemnity

The parties have undertaken to indemnify and keep other party indemnified against all claims, actions, proceedings, suits, demands, losses, damages, expenses and costs which may be taken against, sustained or incurred by other party by reason of or arising from the breach of any of the covenants, undertakings, representations and warranties set out in the JVA.

2.2 Information on the Parties

i. Information on Yi-Lai

Yi-Lai was incorporated on 6 June 2000 in Malaysia under the Companies Act 1965, as a public company and is deemed registered under the Act. As at the LPD, our issued share capital is RM93,692,416 comprising 145,570,592 Shares (including 484,900 treasury shares). Our Group is principally involved in the manufacture and sale of ceramic and homogenous tiles, trading and distribution of tiles.

As at the LPD, our Directors and their direct and indirect shareholdings in Yi-Lai are set out below:-

| Name | Designation | Nationality | Direct | | Indirect | |
|----------------------|----------------------------------------|-------------|---------------|------|---------------------------|-------|
| | | | No. of shares | % | No. of shares | % |
| Dato' Wong Gian Kui | Independent Non-Executive Chairman | Malaysian | - | - | - | - |
| Au Yee Boon | Executive Director | Malaysian | 7,857,500 | 5.42 | 12,515,300 ^{*1} | 8.63 |
| Tan Jian Hong, Aaron | Executive Director | Malaysian | - | - | 14,694,876 ^{**2} | 10.13 |
| Wendy Kang Hui Lin | Non-Independent Non-Executive Director | Singaporean | - | - | 14,694,876 ^{**2} | 10.13 |
| Lee Boon Siong | Independent Non-Executive Director | Malaysian | 497,800 | 0.34 | - | - |

Notes:-

^{*1} Deemed interest by virtue of his shareholding in TechBase and his spouse, Lim Lee Wheng's shareholding in Yi-Lai

^{*2} Deemed interest by virtue of his/ her shareholding in Hampton Capital Pte Ltd

As at the LPD, our substantial shareholders and their direct and indirect shareholdings in Yi-Lai are set out below:-

| Name | Place of incorporation/ Nationality | <-----Direct-----> | | <-----Indirect-----> | |
|--------------------------|----------------------------------------|--------------------|-------|----------------------|---------------------|
| | | No. of shares | % | No. of shares | % |
| Hampton Capital Pte Ltd | Singapore | 14,694,876 | 10.13 | - | - |
| Au Yee Boon | Malaysian | 7,857,500 | 5.42 | 12,515,300 | 8.63 ^{*1} |
| Tan Jian Hong, Aaron | Malaysian | - | - | 14,694,876 | 10.13 ^{*2} |
| Wendy Kang Hui Lin | Singaporean | - | - | 14,694,876 | 10.13 ^{*2} |
| Lim Lee Wheng | Malaysian | 2,945,300 | 2.03 | 17,427,500 | 12.01 ^{*3} |
| TechBase | Malaysia | 9,570,000 | 6.59 | - | - |
| Urusharta Jamaah Sdn Bhd | Malaysia | 11,074,500 | 7.63 | - | - |
| Gunung Resources Sdn Bhd | Malaysia | 19,950,000 | 13.75 | - | - |

Notes:-

^{*1} Deemed interest by virtue of his shareholding in TechBase and his spouse, Lim Lee Wheng's shareholding in Yi-Lai

^{*2} Deemed interest by virtue of his/ her shareholding in Hampton Capital Pte Ltd

^{*3} Deemed interest by virtue of her spouse, Au Yee Boon's shareholding in Yi-Lai

ii. Information on TechBase

TechBase was incorporated on 14 August 2009 in Malaysia under the Companies Act 1965, as a private limited company and is deemed registered under the Act. TechBase is an IT Solutions provider with approximately 11 years of experience in this particular field, and offers products ranging from ERP solutions, sales management systems, business productivity solutions and website design and development. As at the LPD, the issued share capital of TechBase is RM2,000,000 comprising 2,000,000 ordinary shares in TechBase. TechBase is principally involved in the development and the provision of business production system and sales management softwares.

The financial summary of TechBase based on the financial results for the past 3 financial years up to FYE 31 March 2020 is set out below:-

| | <-----Audited FYE 31 March-----> | | |
|---------------------------------------------------|----------------------------------|----------------|----------------|
| | 2018 RM'000 | 2019 RM'000 | 2020 RM'000 |
| Revenue | 5,793 | 10,203 | 11,649 |
| Gross profit | 4,703 | 6,618 | 7,541 |
| Profit before tax | 3,638 | 5,066 | 5,874 |
| PAT | 3,614 | 5,096 | 5,882 |
| EPS (sen) | 3.61 | 5.10 | 5.88 |
| | | | |
| Total interest-bearing borrowings | 2,317 | 3,578 | 3,521 |
| Total fixed deposits, cash and bank balances | 3,016 | 6,697 | 2,232 |
| Net cash from/ (used in) operating activities | 3,587 | 2,826 | 6,396 |
| | | | |
| Non-current assets | 2,273 | 2,074 | 3,507 |
| Current assets | 3,790 | 8,664 | 5,953 |
| Non-current liabilities | 1,765 | 3,181 | 2,811 |
| Current liabilities | 2,405 | 569 | 2,428 |
| NA/ total equity | 1,893 | 6,989 | 4,221 |
| | | | |
| Weighted average no. of Shares outstanding ('000) | 100 | 100 | 100 |
| NA per Share (RM) | 1.89 | 6.99 | 4.22 |
| Current ratio (times) | 1.58 | 15.23 | 2.45 |
| Gearing ratio (times) | 1.22 | 0.51 | 0.83 |

Further details of TechBase's revenue derived from its 10 major clients for the audited FYE 31 March 2020 and the respective industries they operate in are set out below:-

| Clients | Industries | Scope of project | Revenue RM'000 |
|---------|------------------------|--------------------------------------------------------------|-------------------|
| A | Manufacturing | System Support and Maintenance for TechBase ERP | 2,620 |
| B | Manufacturing | System Support and Maintenance for TechBase ERP | 2,004 |
| C | Manufacturing | System Support and Maintenance for TechBase ERP | 1,347 |
| D | Manufacturing | System Support and Maintenance for TechBase ERP | 1,034 |
| E | Manufacturing | Support and Maintenance for TechBase sales management system | 773 |
| F | Financial Technologies | Support and Maintenance | 660 |
| G | Financial Technologies | Support and Maintenance | 657 |
| H | Manufacturing | System Support and Maintenance for TechBase ERP | 366 |
| I | Automotive | System Support and Maintenance for TechBase ERP | 280 |
| J | Trading | System Support and Maintenance for TechBase ERP | 204 |
| | | | 9,945 |

As at the LPD, the shareholders and directors of TechBase and their direct and indirect shareholdings in TechBase are set out below:-

| Shareholders and Directors | Designation | Nationality | <-----Direct-----> | | <--Indirect--> | |
|----------------------------|-------------|-------------|--------------------|-------|----------------|---|
| | | | No. of shares | % | No. of shares | % |
| Au Yee Boon | Director | Malaysian | 1,999,000 | 99.95 | - | - |
| Au Yee Soon | Director | Malaysian | 1,000 | 0.05 | - | - |

Save for the JVC, TechBase does not have any other subsidiary or associate companies as at the LPD.

Going forward, TechBase will continue to market and distribute ERP solutions in the Malaysian market, whilst the JVC will be appointed as TechBase's exclusive dealer for the distribution of ERP solutions abroad. Nonetheless, TechBase will be providing its skills and expertise to the JVC for the design and development of the blockchain and system integration technologies for the New Business.

2.3 Source of funding

As set out in **Section 2.1 (i)** of this Circular, our Group intends to fund the New Business entirely via internally generated funds at this juncture.

For shareholders' information, our Group's cash and bank balance stood at approximately RM52.96 million as at 31 December 2019 and RM50.73 million as at 30 June 2020. As at the LPD, our Group does not have any outstanding borrowings.

2.4 Liabilities to be assumed

Save for the obligations and liabilities in and arising from, pursuant to or in connection with the JVA, there are no other liabilities, including contingent liabilities and guarantees, to be assumed by our Group.

The JVA sets out the obligations of both Yi-Lai and TechBase in respect of the New Business undertaken by the JVC including, amongst others, Yi-Lai shall provide the necessary funding to meet the financing requirements of the New Business, whereas TechBase undertakes to commit and provide the equipment and software, technical know-how and technical assistance for the New Business. In the event the financial commitment by Yi-Lai required for the business and operations of the JVC, exceeds 5% of the net tangible assets of our Group, our Board will make the necessary announcements and seek for our shareholders' approval at an EGM to be convened in accordance with Paragraph 8.23(2)(c) of the Listing Requirements. For avoidance of doubt, the highest percentage ratio applicable for the JVA is approximately 4.84%.

Further, in the event of breach of any provisions of the JVA, the Defaulting Party is liable to indemnify and keep the Non-Defaulting Party indemnified for all and any costs, losses, damages, penalties, claims and liabilities incurred and suffered by the Non-Defaulting Party as a result of or in connection with the default by the Defaulting Party.

3. DETAILS OF THE PROPOSED DIVERSIFICATION

Currently, our Group is principally involved in the manufacture and sale of ceramic and homogeneous tiles, trading and distribution of tiles. Our Group has recorded losses for the past 3 financial years as a result of stiffer competition from local and foreign players, coupled with the increase in natural gas tariff had resulted in shrinking profits margins and the gross profits recorded were insufficient to cover for operating expenses.

Notwithstanding the Proposed Diversification, our Board intends to continue with the existing principal activities of our Group in the same manner. Nonetheless, in an effort to turn around our Group's business, our management had introduced the "just-in-time" concept with the aim of enhancing efficiency and productivity to lower our Group's outstanding inventories. Further, our management had also put in place a research and development team to develop new range of products, which have resulted in the following:-

- i. successful reformulation of the ingredients for tiles, which reduces firing cycle time between 5% and 24% (depending on the size of the tiles), and the reduction in firing temperature, which consequently reduces the use of natural gas in the production process; and
- ii. the launch of our Group's new premium tile brand, Talos Living Tiles ("**Talos**") on 7 November 2019. Talos represents a new generation of functional tiles that incorporates advanced nano glazing technology which is expected to bring about numerous health benefits from the release of negative ions and may receive favourable responses from customers in return.

Following the emergence of Au Yee Boon, who has over 16 years of experience in the IT industry as our major shareholder and his subsequent appointment as an Executive Director to our Board, we intend to leverage on his knowledge and experience to venture into the New Business. Pursuant thereto, the JVA represents a timely opportunity for our Group to venture into the New Business, which may yield sustainable earnings to our Group over the medium to long term. The New Business is expected to generate additional source of income for our Group, as well as to diversify and expand our earnings base to reduce the sole reliance on a single business segment, i.e. manufacturing, trading and distribution of tiles. In conjunction with the JVA, our Group intends to diversify our existing principal activities to include the provision of IT Solutions, namely in the provision of blockchain technology solutions and system integration services.

Further, pursuant to the JVA, our Group is able to leverage on the knowledge, expertise, skills and experience of TechBase as we venture into the IT Solutions business, which will ensure to a large extent, the successful implementation of the New Business.

In addition to the above, our Group may also in the future embark on additional viable ventures relating to IT services through organic approaches or otherwise, including but not limited to, strategic businesses/ investments, joint ventures, collaborative arrangements, business agreements, and/ or mergers and acquisitions of suitable businesses/ investments in the IT industry subject to applicable compliance/ rules required under the Listing Requirements and other relevant acts or authorities applicable at the material times.

Premised on the above, our Board anticipates that, barring any unforeseen circumstances, the New Business may contribute 25% or more of the net profits or net assets of our Group moving forward. Pursuant thereto, our Board proposes to seek the approval from the shareholders of Yi-Lai for the Proposed Diversification pursuant to Paragraph 10.13(1) of the Listing Requirements.

3.1 Key management personnel

Through the establishment of the JVA, Yi-Lai is able to leverage on the skills and expertise of TechBase's management team, who have the requisite skillset and expertise in the respective business activities under the New Business.

Notwithstanding the above, the New Business will be led by Au Yee Boon, the Executive Director of Yi-Lai, and William Tung Wei Nam, the Process Manager of Yi-Lai as the key personnel to spearhead the initiative for the New Business under our Group. Their brief profiles are set out below:-

3.1.1 Au Yee Boon ("**Mr Au**"), a Malaysian aged 40, is experienced in the areas of business management, development and strategy, and has accumulated more than 16 years of experience in the IT industry. He will be responsible for overseeing the strategic planning, business development and business direction of the New Business. Mr Au obtained a Bachelor's Degree in Computer Science from University of Malaya in 2004. Right after graduation, he started a telecommunication trading business from 2004 until 2007. In 2006, Mr Au established TechBase under a partnership with his wife to develop in-house products ranging from ERP solutions, sales management systems, business productivity solutions, website design and development. Under his stewardship, TechBase grew its business from 3 clients in 2006 to 321 clients to date, spanning across a variety of industries such as manufacturing, financial technologies, automotive and such.

3.1.2 William Tung Wei Nam ("**Mr William**"), a Malaysian aged 39, is experienced in the areas of management and executions of business plans as well as the supervision of daily business operations. He will be responsible for the day-to-day operations and the overall management and marketing of the New Business. Mr William obtained a Bachelor of Engineering from University Sains Malaysia in 2006. He started his career in the same year as a Technical Assistant for Kim Hin Industry Berhad and was responsible for quality control of raw materials and testing of ends products. In 2008 and 2010, Mr William joined Prestige Ceramics Sdn Bhd and Dominant Opto Technologies Sdn Bhd ("**Dominant**"), respectively, as a Process Engineer where his primary duties involved identifying cost-saving opportunities and conducting quality assurance related processes. Mr William was subsequently promoted as the Section Head of Dominant's Encapsulation Department overseeing the overall packaging process for semiconductor devices. In 2016, Mr William joined On Semiconductor Malaysia Sdn Bhd as a Process Manager, where he was the key person to lead the testing division for finished products.

He was mainly responsible for the delivery of quality products to customers in a timely manner, resolving customer complaints, new product development and overseeing cost management initiatives. In 2018, Mr William joined us as a Process Manager where he currently plays a vital role in spearheading initiatives to improve Yi-Lai's bottom line by limiting wastages, better management of machine efficiency and man power utilisation.

The management team will from time to time, review the capabilities and resources needed for the New Business. Should the need arises, Yi-Lai will recruit additional personnel who are experience, and with the relevant qualification, skillset and networks specifically in the New Business, to support this new business segment. At this juncture, we will leverage on the skillsets from TechBase and leadership of Mr Au and Mr William to embark on this new business segment.

4. DETAILS OF THE PROPOSED ESOS

The Proposed ESOS involves the granting of ESOS Options to Eligible Persons to subscribe for Yi-Lai Shares.

The Proposed ESOS will be administered by the ESOS Committee. The ESOS Committee shall be vested with such powers and duties as are conferred upon it by our Board to administer the Proposed ESOS in such manner it shall in its discretion deem fit, in accordance with the provisions set out in the Bylaws. The decision as to whether the allocation of the ESOS Options will be granted on staggered basis over the duration of the Proposed ESOS shall be determined by the ESOS Committee at a later date.

The ESOS Committee may at its absolute discretion decide that the ESOS Options be satisfied via the following methods:-

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

In considering the mode of satisfaction as referred to in item (i) to (iii) above, the ESOS Committee will take into consideration amongst others, factors such as the prevailing market price of Yi-Lai Shares and the potential cost arising from the granting of ESOS Options.

The salient features of the Proposed ESOS are set out below:-

4.1 Maximum number of new Yi-Lai Shares available under the Proposed ESOS

The maximum number of Yi-Lai Shares, which may be made available pursuant to the Proposed ESOS shall not exceed in aggregate 15% of the total number of issued Yi-Lai Shares (excluding treasury shares) at any point in time over the duration of the Proposed ESOS.

4.2 Basis of allotment and maximum allowable allotment

The maximum number of new Yi-Lai Shares that may be offered to an Eligible Person under the Proposed ESOS shall be determined at the sole and absolute discretion of the ESOS Committee after taking into consideration, amongst others and where relevant, the employment grade, length of service, performance appraisal and past and future contributions of the Eligible Person and shall be subject to the following:-

- i. The Directors and senior management of our Group (excluding dormant subsidiaries) do not participate in the deliberation or discussion of their respective allocation of ESOS Options;
- ii. The allocation to an Eligible Person, who either singly or collectively, through persons connected to the Eligible Person, holds 20% or more of the total number of issued Yi-Lai Shares (excluding treasury shares, if any), must not exceed 10% of the total number of new Yi-Lai Shares to be issued under the Proposed ESOS; and
- iii. not more than 70% of the total number of new Yi-Lai Shares to be issued under the Proposed ESOS ("**Maximum Allocation**") shall be allocated, in aggregate, to the Directors and senior management of our Group (excluding dormant subsidiaries), on the basis that they are crucial to the performance of our Group as determined by the ESOS Committee at their sole and absolute discretion,

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

In the event that any Eligible Person is a member of the ESOS Committee, such Eligible Person and persons connected with him/ her who are also members of the ESOS Committee shall not participate in the deliberation, discussion or voting of such Eligible Person's own allocation of the ESOS Options or allocation to persons connected with them.

The ESOS Committee has the discretion to determine whether the ESOS Options are subject to any vesting period and if so, the vesting conditions and whether such vesting conditions are subject to performance target. As at the date of this Circular, we have yet to determine any specific performance targets, which are required to be achieved before the exercise of ESOS Options by an Eligible Person. The ESOS Committee has the discretion to determine whether the Eligible Person is required to achieve any specific performance target(s) before he/ she may exercise the ESOS Options granted to him/ her. Any such performance target(s) if set, shall be stated in the offer letter to the Eligible Person.

4.3 Eligibility

Subject to the discretion of the ESOS Committee, only Eligible Persons who meet the following conditions as at the Date of Offer shall be eligible to participate in the Proposed ESOS:-

- i. the Director or employee shall have attained the age of 18 years on the Date of Offer and neither an undischarged bankrupt nor subject to any bankruptcy proceedings;
- ii. if an employee or executive Director, he/ she must have been employed by Yi-Lai and/ or a subsidiary within our Group, which is not dormant, and his/ her employment as an Eligible Person must have been confirmed on the Date of Offer, irrespective of whether he/ she was transferred to a subsidiary within our Group, in which case he/ she must have been a confirmed employee in that subsidiary within our Group and has not served a notice to resign nor received a notice of termination;
- iii. if a non-executive Director, he/ she must have been appointed and remain appointed as a Director of Yi-Lai and/ or any subsidiary within our Group, which is not dormant, as at the Date of Offer; and/ or
- iv. they must fulfil such other eligibility criteria as may be determined by the ESOS Committee from time to time.

The Directors are eligible to participate in the ESOS, provided such entitlement under the ESOS is approved by the shareholders at the forthcoming EGM.

The ESOS Committee may, in its absolute discretion, waive any of the conditions of eligibility as set out above. The eligibility and number of ESOS Options to be offered to an Eligible Person under the Proposed ESOS, subject to **Section 4.2** of this Circular, shall be at the sole and absolute discretion of the ESOS Committee and the decision of the ESOS Committee shall be final and binding.

4.4 Duration

The Proposed ESOS, when implemented, shall be in force for a period of 5 years from the effective date of implementation of the Proposed ESOS ("**ESOS Effective Date**").

On or before the expiry of the above initial 5-year period, the Proposed ESOS may be extended by our Board at its absolute discretion, without having to obtain approval from our shareholders, for a further period of up to 5 years, but will not in aggregate exceed 10 years from the ESOS Effective Date or such longer period as may be allowed by the relevant authorities.

4.5 Basis of determining the exercise price

Subject to any adjustments made under the Bylaws and pursuant to the Listing Requirements, the exercise price of the ESOS shall be based on the 5-day VWAP of Yi-Lai Shares immediately preceding the Date of Offer, with a discount of not more than 10% or such other percentage of discount as may be permitted by Bursa Securities and/ or any other relevant authorities from time to time, as determined by our Board upon recommendation of the ESOS Committee which shall be binding and conclusive.

4.6 Ranking of the ESOS Options and new Yi-Lai Shares to be issued arising from the exercise of the ESOS Options

The new Yi-Lai Shares to be issued and/ or transferred via treasury shares upon the exercise of the ESOS Options, shall upon allotment and issuance, rank equally in all respects with the existing Yi-Lai Shares, save and except that such Yi-Lai Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distributions declared, made or paid to shareholders where the entitlement date of such distributions precedes the relevant date of allotment and issuance of such Yi-Lai Shares.

4.7 Holding of Yi-Lai Shares

The ESOS Committee shall be entitled to prescribe or impose, in relation to any offer, any condition relating to any retention period or restriction on transfer of the Yi-Lai Shares as it deems fit.

In addition to the above, pursuant to Paragraph 8.20 of the Listing Requirements, an eligible Director who is a non-executive Director of Yi-Lai and/ or any of our subsidiaries, which are not dormant, shall not sell, transfer or assign the Yi-Lai Shares obtained through the exercise of the ESOS Options offered to him/ her within 1 year from the Date of Offer.

4.8 Listing and quotation for the new Yi-Lai Shares to be issued arising from the exercise of the ESOS Options

Bursa Securities had vide its letter dated 6 October 2020, approved the listing and quotation for such number of new Yi-Lai Shares, representing up to 15% of the total number of issued shares of Yi-Lai (excluding treasury shares, if any) at any point in time, arising from the exercise of ESOS Option(s) to be granted pursuant to the Proposed ESOS on the Main Market of Bursa Securities.

4.9 Utilisation of proceeds from the Proposed ESOS

The actual amount of proceeds to be raised from the Proposed ESOS will depend on the number of ESOS Options granted and exercised at the relevant point of time and the exercise price payable upon the exercise of the ESOS Options, respectively.

The proceeds to be raised from the Proposed ESOS will be utilised for the working capital requirements of our Group, as and when received. Thus, the exact timeframe for utilisation of such proceeds is not determinable at this juncture.

The proceeds for working capital will be utilised to finance our Group's day-to-day operational costs including, amongst others, repayment to trade creditors as well as general expenses such as but not limited to staff costs, office rental costs and utilities. Notwithstanding the foregoing, a detailed breakdown of each component of the working capital requirements of our Group cannot be determined at this juncture as there is no certainty in the timing and amount to be raised from the Proposed ESOS. The estimated expenses in relation to the Proposed ESOS is approximately RM210,000, of which the indicative breakdown is set out below:-

| | RM'000 |
|-------------------------------------------------------------------------------------------|-------------------|
| <i>Professional fees (i.e. adviser, solicitor, company secretary and share registrar)</i> | 140 |
| <i>Regulatory fees</i> | 28 |
| <i>Other incidental expenses in relation to the Proposals</i> | 42 |
| Total | <u>210</u> |

5. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSALS

5.1 JVA and Proposed Diversification

Currently, our Group is principally involved in the manufacture and sale of ceramic and homogenous tiles, trading and distribution of tiles. The key financial performance of our Group for the past 2 financial years up to the FYE 31 December 2019 and for the 6-month FPE 30 June 2020 (together with its corresponding financial quarter) is as follows:-

| | <----- Audited -----> | | <----- Unaudited -----> | |
|-------------------------------------------|-----------------------|----------|-------------------------|--------------|
| | FYE 31 | FYE 31 | 6-month FPE | 6-month FPE |
| | December | December | 30 June 2019 | 30 June 2020 |
| | 2018 | 2019 | RM'000 | RM'000 |
| | RM'000 | RM'000 | | |
| Revenue | 117,736 | 117,233 | 54,495 | 32,336 |
| PAT/ (LAT) attributable to equity holders | (3,155) | (5,799) | (5,011) | (9,745) |

Based on the above, our Group is relying on a single business segment and has been recording losses for the past 3 financial years as a result of shrinking profits margins and higher cost of production. As such, the lower gross profits generated were insufficient to cover for the increasing operating expenses. Despite efforts taken to turn around the existing business, our Group still faces external headwinds such as current economic climate and developments in the property industry. Hence, as part of our Group's strategy to mitigate the reliance on our existing principal activities as well as to diversify and expand our earnings base, our Group has identified the provision of IT Solutions services as a viable business to venture into.

The JVA serves as an entry point for our Group to venture into the IT industry, and is intended to provide a new source of income as well as expected to offer growth prospects for our Group. Moving forward, our Group intends to seek further opportunities in the IT industry. Barring any unforeseen circumstances, our Board believes that the Proposed Diversification will potentially contribute positively to our Group's future earnings.

5.2 Proposed ESOS

The Proposed ESOS is expected to achieve the following objectives:-

- i. to recognise and reward the Eligible Persons by giving recognition to their contributions and services that are considered vital to the operations, hence motivating employee performance to create sustainable growth and profitability for our Group;
- ii. to retain, motivate and reward the Eligible Persons by allowing them to participate in our Group's profitability and eventually realise the value of Yi-Lai Shares upon disposal;
- iii. to align the interests of the Eligible Persons with that of our shareholders' through the achievement of our Group's objectives and plans;
- iv. to attract prospective employees with relevant skills and experience to our Group by making compensation packages offered more competitive; and
- v. to foster and reinforce the Eligible Persons' loyalty and sense of belonging to our Group by enabling them to participate directly in our equity, thereby incentivising the Eligible Persons to contribute more actively to the operations and future growth and success of our Group.

The Proposed ESOS is also extended to non-executive Directors of our Group in recognition of their contributions towards the growth and performance of our Group.

6. INDUSTRY OVERVIEW, OUTLOOK AND PROSPECTS

6.1 Overview and outlook of the Malaysian economy

Economic growth thus expanded by 4.3% in 2019 (2018: 4.7%), driven by private sector spending.

(Source: Annual Report 2019, Bank Negara Malaysia)

Overall, the Malaysian economy is forecasted to grow within the range of -3.5% to -5.5% in 2020, before staging a rebound within a growth range of 5.5% to 8.0% in 2021.

The Malaysian economy was confronted by concurrent supply and demand shocks arising from weak external demand conditions and strict containment measures in 2Q 2020. As a result, the economy registered its first contraction since the Global Financial Crisis (2Q 2020: -17.1%; 3Q 2009: -1.1%). On the supply side, this was reflected in negative growth across most sectors. From the expenditure side, domestic demand declined, while exports of goods and services registered a sharper contraction. On a quarter-on-quarter seasonally-adjusted basis, the economy declined by 16.5% (1Q 2020: -2.0%).

Weak growth was recorded across most economic sectors amid the imposition of the Movement Control Order ("**MCO**"), followed by the Conditional and Recovery MCO, during 2Q 2020.

Domestic demand declined by 18.7% in 2Q 2020 (1Q 2020: 3.7%), due mainly to weaker private sector expenditure. Spending by the private sector was impacted by lower income, movement restrictions and subdued consumer and business sentiments. While net exports continued to decline, the contribution of the external sector to the economy improved due mainly to the larger contraction in imports vis-a-vis the previous quarter.

Private consumption growth declined by 18.5% in 2Q 2020 (1Q 2020: 6.7%). Household spending was particularly impacted by the strict movement restrictions in the early part of the quarter and income losses amid weak economic conditions. As movement restrictions were gradually relaxed towards the end of the quarter, retail and financing data indicated some improvement in spending, albeit remaining subdued. During this challenging period, stimulus measures such as the disbursement of Bantuan Prihatin Nasional cash transfers, Employees Provident Fund i-Lestari withdrawals and the implementation of the loan moratorium helped to cushion consumption spending. Public consumption continued to expand, albeit at a more moderate pace of 2.3% (1Q 2020: 5.0%). Growth was supported by continued increase in emoluments amid lower spending on supplies and services. Public consumption continued to expand, albeit at a more moderate pace of 2.3% (1Q 2020: 5.0%). Growth was supported by continued increase in emoluments amid lower spending on supplies and services.

Gross fixed capital formation registered a sharper contraction of 28.9% (1Q 2020: -4.6%), weighed by significantly lower capital spending by both public and private sectors. By type of asset, both investment in structures and machinery & equipment ("**M&E**") declined by 41.2% (1Q 2020: -4.0%) and 11.1% (1Q 2020: -6.2%), respectively. Private investment declined by 26.4% (1Q 2020: -2.3%), due mainly to the COVID-19 containment measures and heightened uncertainty which affected business sentiments and investment intentions. During the quarter, investment was affected by mobility restrictions, which temporarily halted the implementation of projects. Despite the gradual relaxation of the MCO, firms maintained a cautious approach to capital expenditure amid slower production and disruptions to global value chains.

Furthermore, businesses also faced challenges in the delivery and installation of M&E amid border closures. Public investment also recorded a larger decline of 38.7% (1Q 2020: -11.3%). This was due to a contraction in capital spending by both general government and public corporations due mainly to the movement restrictions.

(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2020, Bank Negara Malaysia)

Against a highly challenging global economic outlook, Malaysia's GDP growth is projected to be between -2.0 to 0.5% in 2020. The domestic economy will be impacted by the necessary global and domestic actions taken to contain the COVID-19 outbreak. Of significance, tourism-related sectors are expected to be affected by broad-based travel restrictions and travel risk aversion, while production disruptions in the global supply chain will weigh on the manufacturing sector and exports. The implementation and subsequent extension of the MCO, while critical, will dampen economic activity following the suspension of operations by non-essential service providers and lower operating capacity of manufacturing firms. Beyond the MCO period, reduced social and recreational activities until the pandemic is fully controlled globally and domestically will continue to dampen consumption and investment activity. Apart from the pandemic, the domestic economy will also be affected by the sharp decline and volatile shifts in crude oil prices and continued supply disruption in the commodities sector. Unfavourable weather conditions and maintenance works will weigh on the production of oil palm, crude oil and natural gas.

Given the significant headwinds to growth arising from COVID-19, the Government and Bank Negara Malaysia ("**BNM**") have introduced large countercyclical policy measures to mitigate the economic impact of the pandemic. Two economic stimulus packages amounting to RM250 billion were introduced to provide immediate relief to affected households and businesses. These packages also include loan guarantees and an automatic 6-month moratorium on loan repayments for individuals and small and medium enterprises. The economic stimulus measures were complemented by two consecutive Overnight Policy Rate reductions early this year and measures to provide additional liquidity in the banking system.

Private consumption is expected to be dampened by weak labour market conditions, mobility restrictions and subdued sentiments. Nonetheless, policy measures introduced in the two economic stimulus packages, including cash transfers to vulnerable households, flexibility to withdraw from Employees Provident Fund savings and the moratorium on loan repayments will increase disposable income and improve cash flow for households. In addition to supporting household spending, these broad-based measures will facilitate a gradual recovery in private consumption as labour market conditions eventually stabilise following the projected improvement in global and domestic economic activities.

Domestic growth prospects are expected to improve towards the end of the year, in line with the projected recovery in global demand and amid continued support from policy measures. Recovering external demand will lift growth in the export-oriented sectors. Consumer sentiments are also expected to gradually improve following the easing of travel restrictions and resumption of tourism activities as risks from the pandemic subside. In addition, the anticipated recovery from supply disruptions in the commodities sector and higher public sector expenditure will support the gradual improvement in the Malaysian economy in the latter part of the year. Public sector spending will be underpinned by the continuation of large-scale transport-related projects by public corporations and the implementation of more small-scale projects worth RM4 billion by the Federal Government.

Overall risks to the domestic growth outlook are tilted to the downside, mainly due to the risk of a prolonged and wider spread of COVID-19 and its effects on the global and domestic economy. Domestic growth also remains susceptible to a recurrence of commodities supply shocks and continued low commodity prices which could pose additional risks to production in the commodities sector, exports and income growth. In addition, heightened financial market volatility due to ongoing external uncertainties may lead to tighter domestic financial market conditions. The baseline growth projection could, however, be lifted by a stronger-than-expected impact from the various stimulus measures by the Federal Government and additional measures implemented by several state governments.

(Source: Executive Summary, Economic and Monetary Review 2019, Bank Negara Malaysia)

6.2 Overview and outlook of the Information and Communication Technology industry in Malaysia

The services sector expanded by 6.1% in 2019 (2018: 6.8%), as growth normalised following a robust performance in 2018, when the tax holiday period encouraged greater consumer spending. Growth in the wholesale and retail trade as well as food, beverages and accommodation subsectors remained firm, lifted by firm household spending amid supportive labour market conditions. The transport and storage subsector benefitted from higher transshipment activity, despite being partially offset by slower global trade activity. Growth in the finance and insurance subsector moderated amid slower loan and deposit growth. However, this was partially mitigated by the rebound in the fee-based income as a result of more initial public offerings during the year. Growth in the Information and Communication Technology subsector moderated (2019: 6.6%), following the one-off price reduction in fixed broadband prices under the Mandatory Standard Access Pricing regulation in 2018.

(Source: Economic, Monetary and Financial Developments in 2019, Economic and Monetary Review 2019, Bank Negara Malaysia)

The services sector contracted by 16.2% (1Q 2020: 3.1%) in the second quarter of 2020. The sector was affected by the implementation of a nationwide restrictive MCO, with only essential services such as food-related retail, utilities, banking, transportation as well as Information and Communication Technology entities allowed to operate with very limited capacity. The subsequent transition to Conditional MCO in May and Recovery MCO in June provided some relief to businesses in the sector. The lockdown had substantially affected consumer spending and tourism activity, as shown by the significant declines in the wholesale and retail trade, as well as food and beverages and accommodation sub-sectors. The transport and storage sub-sector was impacted by a sudden stop in tourist arrivals due to travel restrictions imposed domestically as well as the international border closures. Growth in the finance and insurance sub-sector was weighed down by lower net interest income, and lower fee-based income amid subdued capital market activity. Meanwhile, growth in the Information and Communication Technology sub-sector was relatively sustained by the continued high demand for data communication services especially during this period of remote working arrangements.

(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2020, Bank Negara Malaysia)

The Information and Communication Technology industry in Malaysia continues to grow in size and distribution to the economy, albeit at a pace slower than the desired rate to reach 20.0% of national GDP by 2020. As reported in PIKOM's Information and Communication Technology Strategic Review 2018/2019 published in November 2018, the industry grew by 10.3% year-on-year in 2017 to contribute RM247.1 billion or 18.3% to the national economy. However, this was a mere increase of 0.1 percentage points over the 18.2% share of GDP in 2016.

At this stage, it should be noted that the 11th Malaysia Plan has envisaged a growth rate of at least 17.0% per annum from 2016 – 2020 in order for the industry's GDP contribution to reach the 20.0% milestone. Given the prevailing rate of growth, PIKOM had previously expressed doubts the industry could achieve 19.0% of the national economy by 2018. According to PIKOM's projections, this figure should reach 18.6% in 2018, 18.8% in 2019 and potentially pass the 20.0% milestone only in 2022.

It is interesting to note that research house IDC expects the industry to account for 21.0% of GDP by 2022. Nevertheless, any slowdown in the growth rate in recent times is expected to be arrested with the latest moves to develop Malaysia as a digital nation powered by Industry4RWD or smart manufacturing, the internet of things, blockchain, cloud computing and artificial intelligence. The Department of Statistics Malaysia's Information and Communication Technology Satellite Account reported the value of Information and Communication Technology's contribution to GDP at RM247.1 billion, comprised of Information and Communication Technology -GDP of RM178.2 billion and non-Information and Communication Technology industry e-commerce of RM68.9 billion. The Information and Communication Technology -GDP is the sum total of contributions by the various industry segments: Information and Communication Technology services; Information and Communication Technology Manufacturing; Information and Communication Technology Trade; and Content & Media while non-Information and Communication Technology industry e-commerce takes into account the value of retail e-commerce and business-to-business transactions in other industries.

(Source: ICT Industry Outlook in Malaysia 2019, The National Tech Association of Malaysia (PIKOM))

The communication segment will continue to spearhead the subsector with various Government's initiatives to enhance broadband access and coverage through National Fiberisation and Connectivity Plan ("**NFCP**"). This plan focuses on expanding the existing fibre optic network, installing the existing fibre optic network, installing submarine cables and developing gigabyte networks in several locations in state capitals and selected industrial areas. In addition, the Digital Free Trade Zone which emphasises on the growth of the digital economy and cross-border e-commerce activities, including e-fulfilment hub to enhance exports will continue to support the segment.

Meanwhile, the introduction of the fifth generation cellular network is anticipated to drive the growth of the subsector to 6.9% in 2020. The 5G technology will create a competitive market for home broadband services as well as increase the coverage and network quality. This will strengthen Malaysia's capacity to participate in the Industrial Revolution 4.0, allowing the industry to fully utilise artificial intelligence, robotics, virtual reality, big data analytics, Internet of Things and software engineering, leading to higher digital adoption. In addition, NFCP will provide affordable broadband services to support the digital economy, especially to small to medium enterprises. In the meantime, i-Solutions offers a seamless, borderless digital connectivity solution for the Malaysian market mainly for the small-medium enterprises and multi-national corporations.

(Source: Macroeconomic Outlook, Economic Outlook 2020, Ministry of Finance Malaysia)

6.3 Prospects of Yi-Lai Group

The Proposed Diversification represents a timely opportunity for our Group to venture into a New Business, which has growing demand and may yield favourable and sustainable earnings to our Group over the medium to long term.

The JVA serve as entry points into the IT industry by our Group without significant investment commitment, whilst enable our Group to leverage on the skills and expertise of the counterparty, namely TechBase in the IT industry.

The JVC's blockchain technology solutions and system integration services will firstly be introduced and promoted in Malaysia with the primary focus on capturing market share in the Malaysian market. Once the business of the JVC is stable, generating sufficient profit and should suitable opportunities arise, our Board may consider extending the blockchain technology solutions and system integration services of the JVC abroad.

Pursuant to the terms of the JVA, TechBase undertakes to appoint the JVC as the exclusive dealer for all its overseas markets for the distribution of its ERP solutions. TechBase has clients from various other countries such as Singapore, Thailand, Hong Kong and Indonesia which employ its ERP solutions. Moving forward, TechBase will refer all of its ERP clients from abroad to the JVC, and subsequent future dealings in overseas markets will be through the JVC.

For avoidance of doubt, at the initial stage, the JVC will focus on developing and distributing its in-house blockchain technology solutions and system integration services in the Malaysian market, together with the distribution of TechBase's ERP solutions in overseas markets. However, in the future, the JVC will not rule out the possibility of expanding its blockchain technology solutions and system integration services abroad.

Moving forward, our Group intends to leverage on the successful establishment of the New Business and accumulate sufficient experience to embark on additional viable ventures relating to IT Solutions services through organic and/ or inorganic approaches.

In view of the positive outlooks of the IT industry as set out in **Section 6.2** of this Circular, respectively and barring any unforeseen circumstances, our Board is optimistic of the outlook of the New Business and that the Proposed Diversification is expected to enhance the future financial performance of our Group moving forward.

(Source: Management of Yi-Lai)

7. RISK FACTORS

Pursuant to the Proposed Diversification, our Group will be exposed to risks inherent in the IT industry which include, but not limited to, the following:-

7.1 Dependency on key personnel

The success of the Proposed Diversification will depend to a significant extent upon the abilities, skills, experience, competency and continued efforts of our key management personnel and TechBase management team. The loss of key management personnel without suitable and timely replacement, or the termination or default by any parties that may lead to the termination of the JVA could materially affect the performance of the New Business.

Recognizing the importance of retaining the key management personnel, our Group will adopt appropriate approaches, including incentives, remuneration packages as well as provide a good working environment to promote productivity and loyalty. Suitable consultant(s), partner(s) and/ or third party service provider(s) will be engaged in the areas necessary for the operation and/ or management of IT Solutions services to manage the risk arising from dependency on key management personnel. Notwithstanding that, there is no assurance that the loss of any such key personnel will not adversely affect our Group's ability to succeed in the New Business.

7.2 Business diversification risk

Our Group will be subject to risks inherent in the IT industry, which our Group was not previously exposed to. The IT industry is ever changing with increasing levels of sophistication, these include, but are not limited to, demand conditions for IT Solutions services, amendments to the regulation governing the IT industry, downturns in regional and/ or national economies, changes in law and tax regulations, increase in production cost, and changes in business and credit conditions. The JVC's ability to adapt to these changes and to remain technologically relevant will determine the sustainability of its business earnings. There can be no assurance that the JVC would have sufficient resources or know-how to successfully and accurately anticipate technological changes and market trends as well as developing solutions/ services in a timely and cost-effective manner. The JVC may also experience difficulties that could delay or prevent the development of new services and solutions which may have a negative impact on its business and financial conditions.

Notwithstanding that, Yi-Lai will conduct periodic reviews of the JVC's business and operations and also adopt prudent financial management and efficient operating procedures to limit the impact of the aforementioned risks. However, there can be no assurance that our Group may be able to successfully mitigate the various risks inherent in the IT industry, and if unable to do so, the business operation and financial performance of our Group may be adversely affected.

7.3 Competition risk

Our Group faces competition from existing competitors and/ or new entrants operating in similar business related to the New Business. Nevertheless, our Group will take proactive measures to remain competitive in this business by, amongst others, constantly keeping abreast with the latest market conditions, and making efforts in maintaining a competitive edge in terms of cost efficiency, service quality, product quality and reliability.

However, there can be no assurance that our Group will be able to compete effectively with existing and new entrants in similar business related to the New Business in the future, which may materially affect our Group's financial performance.

7.4 No assurances that future plans would be successful

Our Group plans to diversify our existing principal activities to include the provision of IT Solutions, namely in the provision of blockchain technology solutions and system integration services. Such plans carry inherent risks and uncertainties, and requires management's attention and resources, but may not yield the results our Group expects. It should also be noted that any business diversification plans would typically require time to reach their full potential and full payback of investments. Pending our business diversification plan reaching its targeted business potential levels, the JVC will continue to incur rentals, staff costs, and other operating costs. Further, our Group may be required to seek additional financing to fund the working capital required in our business diversification strategies. Nevertheless, our Group endeavours to ensure that attention and necessary resources would be channelled into the New Business. There can be no assurance that the necessary financing will be available in amounts or on terms acceptable to us, if at all. As a result, our business diversification plan could be hampered.

7.5 Overseas risk

Pursuant to the JVA, the JVC will be appointed as the exclusive dealer for TechBase's overseas markets. Hence, our Group will be subject to the laws, regulations, policies, and political and social environments and other risks generally associated with the business operations in overseas countries which may be more onerous than the Malaysian market. These include, but are not limited to, dealership risk and fluctuation in foreign exchange rate.

In the event that the sales of the JVC is not in Ringgit Malaysia (i.e. denominated in foreign currency), any adverse changes to the foreign exchange rates may negatively impact the bottom line of the JVC. No assurance can be given that the any future significant exchange fluctuations or changes in foreign exchange control regulations will not have a material adverse impact on the JVC's operating results and financial conditions, which in return may adversely affect our Group's financial performance.

However, our Group does not have any immediate plans to expand the business of the JVC to overseas markets at this juncture, and will focus on establishing its presence in the Malaysian market. Should our Group decide on an opportunity time to expand abroad, our management will assess the abovementioned risks and take the necessary precautionary steps to mitigate such risks.

8. EFFECTS OF THE PROPOSALS

The JVA and Proposed Diversification will not have any impact on the issued share capital, NA and gearing as well as the substantial shareholders' shareholdings of our Group as there is no issuance of Yi-Lai Shares involved.

8.1 Issued share capital and shareholdings

As at the LPD, our total issued share capital was RM93,692,416 comprising 145,570,592 Yi-Lai Shares (including 484,900 treasury shares). The Proposed ESOS will also not have an immediate effect on our issued share capital until such time when new Yi-Lai Shares are issued pursuant to the exercise of the ESOS Options. Our issued share capital will increase progressively depending on the number of new Yi-Lai Shares that are issued pursuant to the exercise of the ESOS Options. However, should the ESOS Options be satisfied via transfer of Yi-Lai's treasury shares (if any), there will be no effect on our issued share capital.

The pro forma effects of the Proposed ESOS on our issued share capital are set out below:-

| | Minimum Scenario | | Maximum Scenario | |
|--------------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | No. of Shares | RM | No. of Shares | RM |
| Issued share capital as at the LPD | 145,570,592 | 93,692,416 | 145,570,592 | 93,692,416 |
| Less: Treasury shares | (484,900) | (256,000) | *1 | *1 |
| | 145,085,692 | 93,436,416 | 145,570,592 | 93,692,416 |
| Assuming full exercise of the ESOS Options | 21,762,853 ² | 17,714,962 ³ | 21,835,588 ² | 17,774,169 ³ |
| Enlarged issued share capital | 166,848,545 | 111,151,378 | 167,406,180 | 111,466,585 |

Notes:-

*1 Assuming all treasury shares are resold in the open market at their respective acquisition prices

*2 Assuming the maximum grant and full exercise of the ESOS Options of up to 15% of the number of issued Yi-Lai Shares pursuant to the Proposed ESOS

*3 Assuming the ESOS Options are exercised into new Yi-Lai Shares at the indicative exercise price of RM0.814 per new Yi-Lai Share, which represents a discount of 9.96% to the 5-day VWAP of Yi-Lai Shares up to and including the LPD of RM0.904 per Yi-Lai Share

The JVA and the Proposed Diversification will not have any effect on the issued share capital and the substantial shareholders' shareholdings in Yi-Lai as it will not involve any issuance of new Yi-Lai Shares.

8.2 NA per share and gearing

Barring any unforeseen circumstances, the JVA and the Proposed Diversification are not expected to have any immediate material effect on the NA and gearing of our Group. However, the future NA and/ or gearing of our Group will depend on the manner of funding for the New Business and/ or other future development projects, if any, as well as the future profit contribution arising from the New Business and/ or such other future development projects, as and when developed.

The Proposed ESOS is not expected to have any immediate effect on the NA per Share of our Group until such time when Yi-Lai Shares are issued and/ or transferred via treasury shares pursuant to the exercise of the ESOS Options. The effects of the Proposed ESOS on our Group's NA would depend on factors such as the number of ESOS Options granted and the fair value of the ESOS Options after taking into account, amongst others, the exercise price of the ESOS Options as well as any vesting conditions. Whilst the granting of ESOS Options under the Proposed ESOS is expected to result in recognition of a charge in the statement of comprehensive income of our Group pursuant to the MFRS 2 as issued by the Malaysian Accounting Standards Board, the recognition of such MFRS 2 charge would not affect the NA 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 ESOS Options are exercised within the duration of the Proposed ESOS, the amount outstanding in the said equity reserve would be transferred to our retained earnings. On the other hand, if the granted ESOS Options are exercised, the amount outstanding in the said equity reserve would be transferred to our share capital account.

The NA per Share of our Group following the exercise of ESOS Options will increase if the exercise price of the ESOS Options exceeds the consolidated NA per Share at the point of exercise of the ESOS Options and conversely will decrease if the exercise price of the ESOS Options is below the consolidated NA per Share at the point of the exercise of the ESOS Options.

The Proposed ESOS is not expected to have an immediate effect on our Group's gearing level until such time when any ESOS Options granted are exercised. The effect on the gearing will depend on changes in the NA, which in turn is dependent on the actual number of Yi-Lai Shares to be issued and/ or transferred via treasury shares as well as the exercise price of the ESOS Options payable upon the exercise of the ESOS Options.

8.3 Earnings and EPS

The JVA and the Proposed Diversification are not expected to have any immediate material effect on the earnings of our Group. Nevertheless, barring any unforeseen circumstances, the JVA may contribute positively to the earnings and EPS of our Group in the financial year ending 31 December 2020 and/ or future financial years as and when the New Business has commenced.

The Proposed ESOS is not expected to have any material effect on the earnings of our Group for the FYE 31 December 2020, save for the possible impact of MFRS 2 upon granting of the ESOS Options. However, any potential effect on the EPS of our Group in the future would depend on the impact of MFRS 2, the number and exercise price of the ESOS Options exercised as well as the utilisation of the proceeds arising therefrom.

Under the MFRS 2, the potential cost arising from the issuance of the ESOS Options, which is measured by the fair value of the ESOS Options after taking into account, inter-alia, the number of ESOS Options granted and vested and the 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 only be determined at the grant date. However, the estimated cost does not represent a cash outflow as it is merely an accounting treatment.

Nevertheless, our management has taken note of the potential impact of MFRS 2 on our Group's future earnings and shall take into consideration such impact in the allocation and granting of ESOS Options to the Eligible Persons.

Notwithstanding the above, the EPS of our Group will be diluted due to our enlarged issued share capital arising from the issuance of new Yi-Lai Shares if and when ESOS Options are exercised in the future. The effects of any exercise of ESOS Options on the EPS of our Group would depend on the returns to be generated by our Group from utilisation of the proceeds from the exercise of ESOS Options.

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8.4 Substantial shareholding structure

The Proposed ESOS is not expected to have any immediate effect on our substantial shareholders' shareholdings until such time when the Yi-Lai Shares are issued and/ or transferred via treasury shares arising from the exercise of ESOS Options. Any potential effect on our substantial shareholders' shareholdings will depend on the actual number of new Yi-Lai Shares to be issued and/ or transferred via treasury shares pursuant to the exercise of the ESOS Options at the relevant point in time.

The pro forma effects of the Proposed ESOS on our substantial shareholder's shareholding are set out below:-

Minimum Scenario

| Substantial shareholders | Shareholdings as at the LPD | | | | After the Proposed ESOS and assuming full exercise of the ESOS Options | | | |
|--------------------------|-----------------------------|-------|----------------------|---------------------|------------------------------------------------------------------------|-------|----------------------|---------------------|
| | -----Direct-----> | | <-----Indirect-----> | | -----Direct-----> | | <-----Indirect-----> | |
| | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| Hampton Capital Pte Ltd | 14,694,876 | 10.13 | - | - | 14,694,876 | 8.81 | - | - |
| Au Yee Boon | 7,857,500 | 5.42 | 12,515,300 | 8.63 ^{*1} | 15,474,499 ^{*4} | 9.27 | 12,515,300 | 7.50 ^{*1} |
| Tan Jian Hong, Aaron | - | - | 14,694,876 | 10.13 ^{*2} | 7,616,998 ^{*4} | 4.57 | 14,694,876 | 8.81 ^{*2} |
| Wendy Kang Hui Lin | - | - | 14,694,876 | 10.13 ^{*2} | - | - | 14,694,876 | 8.81 ^{*2} |
| Lim Lee Wheng | 2,945,300 | 2.03 | 17,427,500 | 12.01 ^{*3} | 2,945,300 | 1.77 | 25,044,499 | 15.01 ^{*3} |
| TechBase | 9,570,000 | 6.59 | - | - | 9,570,000 | 5.74 | - | - |
| Urusharta Jamaah Sdn Bhd | 11,074,500 | 7.63 | - | - | 11,074,500 | 6.64 | - | - |
| Gunung Resources Sdn Bhd | 19,950,000 | 13.75 | - | - | 19,950,000 | 11.96 | - | - |

Notes:-

^{*1} Deemed interest by virtue of his shareholding in TechBase and his spouse, Lim Lee Wheng's shareholding in Yi-Lai

^{*2} Deemed interest by virtue of his/ her shareholding in Hampton Capital Pte Ltd

^{*3} Deemed interest by virtue of her spouse, Au Yee Boon's shareholding in Yi-Lai

^{*4} Strictly for illustrative purpose, assuming the Maximum Allocation to the Directors and senior management of our Group is only granted to our Executive Directors, namely Au Yee Boon and Tan Jian Hong, Aaron in the manner as set out below:-

| | No. of ESOS Options granted | Percentage of allocation |
|----------------------|------------------------------------|---------------------------------|
| | | % |
| Au Yee Boon | 7,616,999 | 50 |
| Tan Jian Hong, Aaron | 7,616,998 | 50 |
| Total | 15,233,997 | 100 |

Maximum Scenario

| Substantial shareholders | Shareholdings as at the LPD | | | | I Assuming all treasury shares are resold at cost | | | | II After I and Proposed ESOS and assuming full exercise of the ESOS Options | | | |
|--------------------------|-----------------------------|-------|----------------------|---------------------|------------------------------------------------------|-------|----------------------|---------------------|--------------------------------------------------------------------------------|-------|----------------------|---------------------|
| | <-----Direct-----> | | <-----Indirect-----> | | <-----Direct-----> | | <-----Indirect-----> | | <-----Direct-----> | | <-----Indirect-----> | |
| | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| Hampton Capital Pte Ltd | 14,694,876 | 10.13 | - | - | 14,694,876 | 10.09 | - | - | 14,694,876 | 8.78 | - | - |
| Au Yee Boon | 7,857,500 | 5.42 | 12,515,300 | 8.63 ^{*1} | 7,857,500 | 5.40 | 12,515,300 | 8.60 ^{*1} | 15,499,956 ^{*4} | 9.26 | 12,515,300 | 7.48 ^{*1} |
| Tan Jian Hong, Aaron | - | - | 14,694,876 | 10.13 ^{*2} | - | - | 14,694,876 | 10.09 ^{*2} | 7,642,455 ^{*4} | 4.57 | 14,694,876 | 8.78 ^{*2} |
| Wendy Kang Hui Lin | - | - | 14,694,876 | 10.13 ^{*2} | - | - | 14,694,876 | 10.09 ^{*2} | - | - | 14,694,876 | 8.78 ^{*2} |
| Lim Lee Wheng | 2,945,300 | 2.03 | 17,427,500 | 12.01 ^{*3} | 2,945,300 | 2.02 | 17,427,500 | 11.97 ^{*3} | 2,945,300 | 1.76 | 25,069,956 | 14.98 ^{*3} |
| TechBase | 9,570,000 | 6.59 | - | - | 9,570,000 | 6.57 | - | - | 9,570,000 | 5.72 | - | - |
| Urusharta Jamaah Sdn Bhd | 11,074,500 | 7.63 | - | - | 11,074,500 | 7.61 | - | - | 11,074,500 | 6.62 | - | - |
| Gunung Resources Sdn Bhd | 19,950,000 | 13.75 | - | - | 19,950,000 | 13.70 | - | - | 19,950,000 | 11.92 | - | - |

Notes:-

- ^{*1} Deemed interest by virtue of his shareholding in TechBase and his spouse, Lim Lee Wheng's shareholding in Yi-Lai
- ^{*2} Deemed interest by virtue of his/ her shareholding in Hampton Capital Pte Ltd
- ^{*3} Deemed interest by virtue of her spouse, Au Yee Boon's shareholding in Yi-Lai
- ^{*4} Strictly for illustrative purpose, assuming the Maximum Allocation to the Directors and senior management of our Group is only granted to our Executive Directors, namely Au Yee Boon and Tan Jian Hong, Aaron in the manner set out below:-

| | No. of ESOS Options granted | Percentage of allocation |
|----------------------|------------------------------------|---------------------------------|
| | | % |
| Au Yee Boon | 7,642,456 | 50 |
| Tan Jian Hong, Aaron | 7,642,455 | 50 |
| Total | 15,284,911 | 100 |

8.5 Convertible securities

As at the LPD, we do not have any convertible securities.

9. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of the Yi-Lai Shares as traded on Bursa Securities for the past 12 months from October 2019 to September 2020 are set out below:-

| | High | Low |
|-------------|-------------|------------|
| | RM | RM |
| 2019 | | |
| October | 0.600 | 0.550 |
| November | 0.590 | 0.520 |
| December | 0.570 | 0.530 |
| 2020 | | |
| January | 0.565 | 0.540 |
| February | 0.580 | 0.540 |
| March | 0.520 | 0.405 |
| April | 0.500 | 0.395 |
| May | 0.845 | 0.455 |
| June | 1.030 | 0.770 |
| July | 1.080 | 0.850 |
| August | 1.090 | 0.885 |
| September | 0.985 | 0.850 |

Last transacted market price of Yi-Lai Shares as at 7 September 2020
(being the latest trading day prior to the announcement on the Proposals) RM0.900

Last transacted market price on 8 October 2020
(being the LPD prior to the printing of this Circular) RM0.910

(Source: Bloomberg)

10. APPROVALS REQUIRED/ OBTAINED

The JVA is not subject to the approval of our shareholders.

The Proposed Diversification and the Proposed ESOS is subject to the following approvals being obtained:-

- i. Bursa Securities, had vide its letter dated 6 October 2020, approved for the listing and quotation for such number of new Yi-Lai Shares, representing up to 15% of Yi-Lai's total number of issued shares (excluding treasury shares, if any) that may be issued pursuant to the Proposed ESOS on the Main Market of Bursa Securities subject to the following conditions:-

| Conditions | Status of compliance |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| a. UOBKH is required to submit a confirmation to Bursa Securities of full compliance of the Proposed ESOS pursuant to Paragraph 6.43(1) of the Listing Requirements and stating the effective date of implementation together with a certified true copy of the resolution passed by the shareholders in general meeting approving the Proposed ESOS; and | To be complied |
| b. Yi-Lai is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of options under the Proposed ESOS as at the end of each quarter together with a detailed computation of listing fees payable. | To be complied |

- ii. our shareholders at an EGM to be convened; and

- iii. any other relevant authority, if required.

The JVA, Proposed Diversification and Proposed ESOS are not inter-conditional upon each other.

The Proposals are not conditional upon any other proposals undertaken or to be undertaken by Yi-Lai.

For shareholders' information, should the Proposed Diversification not be approved by the majority of our shareholders, our Board will continue with the New Business but at a lesser extent to ensure that the contribution from the New Business does not tantamount to a diversification of business activities of our Group.

11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVES AND/ OR PERSONS CONNECTED TO THEM

None of our Directors, major shareholders, chief executives and/ or persons connected to them have any interest, either direct or indirect, in the Proposals, save for that all Directors are eligible to participate in the Proposed ESOS, and are therefore deemed interested to the extent of their respective proposed allocation under the Proposed ESOS. Notwithstanding that, all Directors have deliberated on the Proposed ESOS, and have agreed to present the Proposed ESOS to our shareholders for their consideration and approval.

All Directors have and will continue to abstain from all Board deliberations and voting in respect of their respective proposed allocation, and the proposed allocations of persons connected to them under the Proposed ESOS, if any, at the relevant Board meetings. The Directors who are deemed persons connected to Eligible Persons under the Proposed ESOS, if any, have and will continue to abstain from all Board deliberations and voting in respect of the proposed allocations of persons connected to them under the Proposed ESOS, if any, at the relevant Board meetings.

All Directors will abstain from voting in respect of their direct and/ or indirect shareholdings, if any, at an EGM to be convened in respect of the ordinary resolutions to be tabled for their respective proposed allocation as well as the proposed allocations to the persons connected to them, if any, under the Proposed ESOS to be tabled at an EGM to be convened.

All Directors will undertake to ensure that persons connected to them, if any, will abstain from voting in respect of their direct and/ or indirect shareholdings, if any, on the ordinary resolutions pertaining to their respective proposed allocations, and the proposed allocations to the persons connected to them, if any, to be tabled at an EGM to be convened.

As at the LPD, our Directors and their direct and indirect shareholdings in Yi-Lai are set out below:-

| Name | Designation | Nationality | <-----Direct-----> | | <-----Indirect-----> | |
|----------------------|----------------------------------------|-------------|--------------------|------|-------------------------|-------|
| | | | No. of shares | % | No. of shares | % |
| Dato' Wong Gian Kui | Independent Non-Executive Chairman | Malaysian | - | - | - | - |
| Au Yee Boon | Executive Director | Malaysian | 7,857,500 | 5.42 | 12,515,300 ¹ | 8.63 |
| Tan Jian Hong, Aaron | Executive Director | Malaysian | - | - | 14,694,876 ² | 10.13 |
| Wendy Kang Hui Lin | Non-Independent Non-Executive Director | Singaporean | - | - | 14,694,876 ² | 10.13 |
| Lee Boon Siong | Independent Non-Executive Director | Malaysian | 497,800 | 0.34 | - | - |

Notes:-

¹ Deemed interest by virtue of his shareholding in TechBase and his spouse, Lim Lee Wheng's shareholding in Yi-Lai

² Deemed interest by virtue of his/ her shareholding in Hampton Capital Pte Ltd

12. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals (which is the subject matter of this Circular), our Board is not aware of any other outstanding proposals which have been announced but not yet completed as at the date of this Circular.

13. DIRECTORS' STATEMENT AND RECOMMENDATION

As set out in **Section 2** of this Circular, the JVA is deemed to be a related party transaction in view of the interest held by the Interested Director. Accordingly, Mr Au has abstained and will continue to abstain from deliberating, voting, and making any recommendations on the JVA at all relevant Board meetings. In addition, for good corporate governance, Mr Au will also distant himself from deliberating, voting, and making any recommendations on the Proposed Diversification at all relevant Board meetings. Nevertheless, Mr Au will still be able to vote on the resolution pertaining to the Proposed Diversification at all relevant general meetings.

Our Board, having considered all aspects of the Proposals, including but not limited to the rationale and justification and the effects of the Proposals, are of the opinion that the Proposals are in the best interest of Yi-Lai. Accordingly, our Board recommends that you **VOTE IN FAVOUR** of the resolutions pertaining to the Proposals at the forthcoming EGM.

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

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

14. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposals are expected to be completed by the fourth quarter of 2020.

15. EGM

The EGM, the notice of which is enclosed in this Circular, will be held and conducted by way of virtual meeting entirely through live streaming via Remote Participation and Voting ("**RPV**") facilities from the broadcast venue at 1st Floor, Meeting Room, Lot 8, Jalan 51A/241, Seksyen 51A, 46100 Petaling Jaya, Selangor, on Friday, 30 October 2020 at 10.00 a.m., or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the ordinary resolutions to give effect to the Proposals.

Shareholders are encouraged to participate remotely via live streaming and vote remotely using the RPV facilities via Vote2U at <https://web.vote2u.app>.

If you are unable to participate, speak and vote in person at the EGM, you are requested to complete, sign and return the enclosed Proxy Form in accordance with the instructions contained therein, to be deposited at Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Wilayah Persekutuan not less than 48 hours before the stipulated time for holding the EGM or any adjournment thereof. The lodging of the Proxy Form shall not preclude you from participating, speaking and voting in person at the EGM should you subsequently wish to do so.

16. FURTHER INFORMATION

You are advised to refer to the appendices set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board
YI-LAI BERHAD

DATO' WONG GIAN KUI
Independent Non-Executive Chairman

YI-LAI BERHAD
BYLAWS OF THE
ESTABLISHMENT OF EMPLOYEES' SHARE OPTION SCHEME

1. NAME OF THE SCHEME

This scheme shall be called the "**Yi-Lai Berhad's Share Option Scheme**" and for purposes of these Bylaws, it shall be referred to as the "**Scheme**".

2. OBJECTIVE OF THE SCHEME

The establishment of this Scheme is to:-

- (a) recognise and reward the Eligible Persons by giving recognition to their contributions and services that are considered vital to the operations, motivating Employees' performance to create sustainable growth and profitability of Yi-Lai Group;
- (b) retain, motivate and reward the Eligible Persons by allowing them to participate in Yi-Lai Group's profitability and eventually realise the value of Yi-Lai Shares upon disposal;
- (c) align the Eligible Persons' interests to those of the shareholders of Yi-Lai Group through the achievement of Yi-Lai Group's objectives and plans;
- (d) attract prospective employees with relevant skills and experience to Yi-Lai Group by making compensation packages offered more competitive; and
- (e) foster and reinforce the Eligible Persons' sense of loyalty and sense of belonging to Yi-Lai Group by enabling them to participate directly in the equity of the Company, thereby provide incentive for the Eligible Persons to participate more actively in the operations and future growth of the Yi-Lai Group and motivate them to further contribute to the growth and success of the Yi-Lai Group.

The Scheme is also extended to the Directors of Yi-Lai and its Subsidiaries in recognition of their contributions towards the growth and performance of Yi-Lai Group.

3. DEFINITIONS AND INTERPRETATIONS

3.1. In these Bylaws, unless otherwise specified, the following definitions shall, where the context so admits, be deemed to have the following meanings:-

- "Act"** : means Companies Act 2016, as amended from time to time, and any re-enactment thereof;
- "Adviser"** : means a person who is permitted to carry on the regulated activity of advising corporate finance under the Capital Markets and Services Act 2007 to act as a Principal Adviser as defined in the Securities Commission Malaysia's Principal Adviser Guidelines, as amended from time to time;

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| "Auditor" | : | means an approved company auditor as defined in Section 263 of the Act, of the Company for the time being or such other external auditors as may be nominated by the Board; |
| "Board" | : | means the Board of Directors of the Company; |
| "Bursa Depository" | : | means Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W)); |
| "Bursa Securities" | : | means Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W)); |
| "Bylaws" | : | means the terms and conditions of the Scheme (as may be amended from time to time and to be adopted pursuant to Bylaw 19); |
| "CDS" | : | means a Central Depository System governed under the Central Depositories Act; |
| "CDS Account" | : | means an account established by Bursa Depository for a depositor for the recording of deposit of securities and dealings in such securities by that depositor of securities; |
| "Central Depositories Act" | : | means Securities Industry (Central Depositories) Act, 1991, as amended from time to time; |
| "Company" or "Yi-Lai" | : | means Yi-Lai Berhad (Registration No. 200001013437 (516043-K)); |
| "Constitution" | : | means the Constitution of the Company, as amended from time to time; |
| "Date of Expiry" | : | means the last day of an Option Period; |
| "Date of Offer" | : | means the date of the Offer Letter, as described in Bylaw 7.3, being the date on which a Selected Person is deemed to have been notified of an Offer by the ESOS Committee; |
| "Director" | : | means a natural person who holds a directorship in an executive or non-executive capacity in the Group; |
| "Disciplinary Proceedings" | : | means proceedings instituted against a Selected Person for any alleged negligence, misbehavior, misconduct, fraud, financial misstatement, reputational damage and/or any other act of the Selected Person deemed to be unacceptable by the Yi-Lai or any of its subsidiaries in the course of that Selected Person's employment, whether or not such proceedings may give rise to a dismissal or termination of the contract of service of such Selected Person; |
| "Duration of the Scheme" | : | means the duration of the Scheme as defined in Bylaw 23 and includes any extension or renewal thereof; |

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| "Effective Date" | : | means the date of commencement of the Scheme being the date of full compliance with all relevant requirements as stated in Bylaw 23; |
| "Eligible Person" | : | means any Employee or Director of Yi-Lai Group satisfying the conditions stipulated in Bylaw 5; |
| "Employee" | : | means any person who is employed by any corporation of the Group and is on the payroll of the Group including any Director of the Yi-Lai Group; |
| "Entitlement Date" | : | means the date as of the close of business on which, shareholders whose names must appear in the record of depositors of the Company maintained at Bursa Depository in order to participate in any dividend, right, allotment or other distribution; |
| "ESOS Committee" | : | means the committee consisting of such persons as shall be duly appointed and authorised by the Board, to administer the Scheme in accordance with the provisions of Bylaw 18; |
| "ESOS Option(s)" | : | means the right of a Grantee to subscribe for new Shares at the Exercise Price pursuant to an Offer duly accepted by the Grantee in the manner indicated under Bylaw 8 and where the context so requires, means any part of the ESOS Option(s) as shall remain unexercised; |
| "Executive Director" | : | means a natural person who is a director in a full-time executive capacity who is involved in the day-to-day management and on the payroll of any company within the Group; |
| "Exercise Price" | : | means the price at which the Grantee shall be entitled to subscribe for a new Share as set out in Bylaw 9; |
| "Grantee" | : | means a Selected Person who has accepted the Offer in accordance with the provisions of Bylaw 8; |
| "Group" or "Yi-Lai Group" | : | means the Company and its subsidiaries incorporated in Malaysia as defined in Section 4 of the Act (excluding subsidiaries which are dormant) and any subsidiary incorporated or acquired at any time during the Duration of the Scheme and where the context so requires, any one of them; |
| "Listing Requirements" | : | means Main Market Listing Requirements of Bursa Securities including any amendments made thereto from time to time; |
| "Market Day" | : | means any day between Monday and Friday, both days inclusive, which is a trading day on Bursa Securities; |
| "Maximum Allowable Allotment" | : | shall have the same meaning as ascribed to it in Bylaw 6.1; |

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| "Non-Executive Director" | : | means a natural person who is a director of the Group holding a non-executive capacity who does not engage in the day-to-day management of the Group; |
| "Notice of Exercise" | : | shall have the same meaning as ascribed to it in Bylaw 11.5; |
| "Offer" | : | means an offer made by the ESOS Committee as set out in Bylaw 7 to a Selected Person; |
| "Offer Letter" | : | shall have the same meaning as ascribed to it in Bylaw 7.3; |
| "Offeror" | : | shall have the same meaning as ascribed to it in Bylaw 15(a); |
| "Option Period" | : | means the period during which a ESOS Option may be exercised commencing from the Date of Offer and expiring at the end of the five (5) calendar years from the Effective Date or such other period as may be specifically stated in the Offer provided that no option period shall extend beyond the duration referred to under Bylaw 20 or in the event of a termination of the Scheme, the date of termination of the Scheme; |
| "Persons Connected" | : | shall have the same meaning as that assigned to "Person Connected" in paragraph 1.01 of the Listing Requirements; |
| "RM" or "Ringgit Malaysia" or "sen" | : | the lawful currency of Malaysia; |
| "Rules of Bursa Depository" | : | means the rules of Bursa Depository, as issued pursuant to the Central Depositories Act; |
| "Scheme" | : | means Yi-Lai Berhad's Employees' Share Option Scheme established by the Bylaws hereto for the grant of ESOS Options to Selected Persons to subscribe for new Shares; |
| "Selected Person" | : | means an Eligible Person to whom an Offer is being made pursuant to Bylaw 7; |
| "Share(s)" or "Yi-Lai Share(s)" | : | means ordinary share(s) of the Company; |
| "Subsidiaries" | : | means the subsidiary companies of Yi-Lai; and |
| "Validity Period" | : | shall have the same meaning as ascribed to it in Bylaw 8.1. |

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3.2. In these Bylaws:-

- (a) any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision and any Listing Requirements, policies and/or guidelines of Bursa Securities and/or other relevant authorities respectively (in each case, whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies and/or guidelines are addressed to by Bursa Securities and/or other relevant authorities);
- (b) any reference to a statutory provision shall include that provision as from time to time modified or re-enacted whether before or after the date of these Bylaws so far as such modification or re-enactment applies or is capable of applying to any ESOS Options offered and accepted prior to the Date of Expiry and shall include also any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced;
- (c) words importing the singular meaning where the context so admits include the plural meaning and vice versa;
- (d) words of the masculine gender include the feminine gender and all such words shall be construed interchangeably in that manner;
- (e) any liberty or power which may be exercised or any determination which may be made hereunder by the Board or the ESOS Committee may be exercised at the Board's or ESOS Committee's sole and absolute discretion having regard only to the terms of reference (where applicable) and the Board or the ESOS Committee shall not be under any obligation to give any reasons therefor, except as may be required by the relevant authorities;
- (f) if an event is to occur on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day; and
- (g) headings in these Bylaws are for convenience only and shall not be taken into account in the interpretation of these Bylaws.

4. MAXIMUM NUMBER OF NEW SHARES AVAILABLE UNDER THE SCHEME

- 4.1. Subject to Bylaw 4.2, the maximum number of new Shares which may be made available pursuant to the exercise of the ESOS Options shall not exceed in aggregate fifteen percent (15%) of the total number of issued shares of the Company (excluding treasury shares, if any) or any limit prescribed by any guidelines, rules and regulations of the relevant authorities, at any point in time when an Offer is made throughout the Duration of the Scheme.
- 4.2. In implementing the Scheme, the ESOS Committee may at its absolute discretion decide that the ESOS Options be satisfied via the following methods:-
 - (a) issuance of new Yi-Lai Shares;
 - (b) transfer of Yi-Lai's treasury shares (if any) or any other methods as may be permitted by the Act; or
 - (c) a combination of the above.

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- 4.3. Notwithstanding the provisions of Bylaw 4.1 or any other provision herein contained, in the event the maximum number of new Shares comprised in the ESOS Options granted under the Scheme exceeds the aggregate of fifteen percent (15%) of the total number of issued shares of the Company (excluding treasury shares, if any) as a result of the Company purchasing, cancelling or reducing its own Shares in accordance with the provisions of Section 127 of the Act or any other corporate proposal and thereby diminishing its total number of issued shares, then such ESOS Options granted prior to the adjustment of the total number of issued shares of the Company shall remain valid and exercisable in accordance with the provisions of the Scheme. However in such a situation, the Company shall not make any more new Offers until the total number of Shares under the subsisting ESOS Options including Shares that have been issued under the Scheme falls below fifteen percent (15%) of the Company's total number of issued shares (excluding treasury shares, if any).

5. ELIGIBILITY

- 5.1. Any Director or Employee of the Yi-Lai Group shall be eligible to participate in the Scheme and qualify for selection by the ESOS Committee, if, as at the Date of Offer (where applicable):-
- (a) such Employee or Director has attained the age of eighteen (18) years on the Date of Offer and neither an undischarged bankrupt nor subject to any bankruptcy proceedings;
 - (b) such Employee is in employment within the Group and has not served a notice to resign nor received a notice of termination;
 - (c) such Employee has been employed on a full time basis and is on the payroll of any corporation within the Yi-Lai Group, which is not dormant, and his/her employment has been confirmed on the Date of Offer, irrespective of whether he/she was transferred to a subsidiary within the Yi-Lai Group, in which case he/she must have been a confirmed Employee in that subsidiary within the Yi-Lai Group;
 - (d) such Director has been appointed as a Director of Yi-Lai or any company in the Yi-Lai Group;
 - (e) such Director has his/her allocation of the ESOS Options approved by the shareholders of Yi-Lai at a general meeting;
 - (f) such Employee or Director is not a participant of any other employee share option scheme implemented by any company within the Yi-Lai Group which is in force for the time being; and
 - (g) such Employee or Director has fulfilled any other eligibility criteria and/or falls within such grade/category as may be determined by the ESOS Committee at its sole discretion from time to time,

provided that nothing herein shall invalidate any selection of any Eligible Person which may have been made by the Board on or prior to the Effective Date. For the avoidance of doubt, the ESOS Committee may determine any other eligibility criteria and/or waive any of the conditions of eligibility as set out in this Bylaw 5.1, for purposes of selecting an Eligible Person at any time and from time to time, in the ESOS Committee's discretion.

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- 5.2. Notwithstanding anything set out in these Bylaws and subject to the Listing Requirements, no Offers may be granted to any person who is a director, a major shareholder, chief executive of the Company, or a Person Connected with a director, major shareholder or chief executive of the Company, unless the specific grant of that Offer to that person shall have previously been approved by the shareholders of the Company in a general meeting.
- 5.3. In the meeting to obtain shareholders' approval in respect of the grant of the Offer, any person who is a director, and/or major shareholder (whom is also Director and/or Employee, if any) chief executive of the Company, or a Person Connected with any of them must abstain from voting on the resolution approving the said allotment.
- 5.4. In determining the eligibility and allocation of an Eligible Person to participate in the ESOS Options, the ESOS Committee will take into account among others, the job grading, length of service, performance appraisal and past and future contributions of the Eligible Person to the Company and/or the Group, and such other factors that the ESOS Committee deems relevant.
- 5.5. Eligibility, however, does not confer on an Eligible Person a claim or right to participate in the Scheme and the Eligible Person does not acquire or have any rights over or in connection with the ESOS Options unless an Offer has been made in writing by the ESOS Committee to the Eligible Person under Bylaw 7 and the Eligible Person has accepted the Offer in accordance with the terms of the Offer and the Scheme.
- 5.6. The eligibility and number of ESOS Options to be offered to an Eligible Person under the Scheme shall be at the sole and absolute discretion of the ESOS Committee and the decision of the ESOS Committee shall be final and binding. In the event an Eligible Person is a member of the ESOS Committee, such Eligible Person shall abstain and refrain from participating in the deliberation or discussion of his/her own allocation of the ESOS Options.
- 5.7. The ESOS Committee may in its discretion revoke or suspend the nomination of any Eligible Person at any time and from time to time, whereupon such Eligible Person shall henceforth cease to be eligible for any Offers under this Scheme.
- 5.8. The ESOS Committee shall have the sole and absolute discretion not to make further Offers regardless of the amount of the ESOS Options available.
- 5.9. A set of criteria and eligibility and allocation as determined by the Board from time to time shall be made available to the Eligible Persons. The allocation of the ESOS Options shall be verified by the audit committee at the end of each financial year and an audit committee statement on the verification of the allocation shall be included in the annual report of the Company where relevant pursuant to the requirements of the Listing Requirements.

6. MAXIMUM ALLOWABLE ALLOTMENT OF SHARES AND BASIS OF ALLOTMENT

6.1. Subject to any adjustments which may be made under Bylaw 16, the total number of new Shares comprised in the ESOS Options to be offered to an Eligible Person in accordance with the Scheme shall be determined at the sole and absolute discretion of the ESOS Committee after taking into consideration, amongst other factors, the performance, contribution, employment grade, seniority, and/or length of service of the Selected Person, and such other factors that the ESOS Committee may in its sole and absolute discretion deem fit, subject to the following:-

- (a) that the number of ESOS Options made available under the Scheme shall not exceed the amount stipulated in Bylaw 4.1;
- (b) the allocation to a Selected Person who, either singly or collectively through Persons Connected to the Selected Person, holds twenty per cent (20%) or more in the total number of issued shares of the Company (excluding treasury shares, if any) does not exceed ten percent (10%) of the Shares available under the Scheme at any point in time when an Offer is made ("**Maximum Allowable Allotment**");
- (c) not more than seventy percent (70%) of the total number of new Shares to be issued under the Scheme shall be allocated, in aggregate, to the Directors and senior management of the Group (excluding dormant subsidiaries), on the basis that they are crucial to the performance of the Group as determined by the ESOS Committee at their sole and absolute discretion; and
- (d) the Directors and senior management of the Group (excluding dormant subsidiaries) do not participate in the deliberation or discussion of their own allocation of ESOS Options under the Scheme,

provided always that it is in compliance with the Listing Requirements, any prevailing guidelines, rules, regulations or requirements as amended from time to time issued by any other relevant regulatory authorities.

6.2. In the event that any Eligible Person is a member of the ESOS Committee, such Eligible Person and Persons Connected with him/her who are also members of the ESOS Committee shall not participate in the deliberation, discussion or voting of such Eligible Person's own allocation of the ESOS Options or allocation to Persons Connected with them.

6.3. At the time the Offer is made in accordance with Bylaw 7, the ESOS Committee shall set out, among others, the basis of allocation, identifying the category or grade of the Employee and the Maximum Allowable Allotment for the Eligible Person.

6.4. Any Selected Person who holds more than one position within the Group and by holding such positions such Selected Person is in more than one category, such Selected Person shall only be entitled to the Maximum Allowable Allotment of any one category. The ESOS Committee shall be entitled at its discretion to determine the applicable category.

6.5. In the event that a Selected Person is promoted, the Maximum Allowable Allotment corresponding to the category of Employee which such Selected Person falls within as at the Date of Offer, subject always to the maximum number of Shares as stipulated under Bylaw 4.1.

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- 6.6. The ESOS Committee shall also have the discretion to determine, amongst others:-
- (i) whether the ESOS Options are subject to any vesting period and if so, the vesting conditions and whether such vesting is subject to achieving a performance target;
 - (ii) whether or not to stagger the allocation of the ESOS Options over the Duration of the Scheme; and
 - (iii) such other terms and conditions it shall deem fit and appropriate to be imposed for participation in the Scheme.

Subject to these Bylaws, there are no performance targets to be achieved by the Eligible Persons or vesting period for the ESOS Options, unless otherwise stated in the Offer as determined by the ESOS Committee from time to time.

7. OFFER

- 7.1. An Offer shall be made in writing and in any manner as the ESOS Committee shall determine and may be made upon such terms and conditions as the ESOS Committee may decide from time to time. Nothing herein shall require any Offer made to be the same as or similar to other Offers previously or subsequently made whether to the same or a different Selected Person.
- 7.2. The actual number of new Shares which may be offered to a Selected Person shall be at the discretion of the ESOS Committee but shall not be more than the Maximum Allowable Allotment as set out in Bylaw 6.
- 7.3. The ESOS Committee will in its offer document ("**Offer Letter**") to a Selected Person state, inter alia, the number of Shares that can be subscribed under the Offer, the Exercise Price determined in accordance with the provisions of Bylaw 9, the closing date for acceptance of the Offer and the manner and conditions of exercise of the ESOS Options. The Offer shall automatically lapse and thereafter be rendered null and void in the event of the death of the Selected Person or the Selected Person ceasing to be an Eligible Person for any reason whatsoever prior to the acceptance of the Offer by the Selected Person in the manner set out in Bylaw 8 hereof.
- 7.4. Nothing herein shall prevent the ESOS Committee from making more than one (1) Offer during the Duration of the Scheme to a Selected Person provided always that the total aggregate number of ESOS Options offered to any Selected Person including ESOS Options which have been exercised, if any, shall not exceed the Maximum Allowable Allotment. Each Offer made to any Selected Person by the ESOS Committee shall be separate and independent from any previous or later Offer made by the ESOS Committee to that Selected Person.
- 7.5. The Company shall keep and maintain at its expense a register of Grantees as required under Section 129 of the Act.
- 7.6. The Company shall, on the date of the Offer, announce the following to Bursa Securities upon the ESOS Options offered under the Scheme:-
- (a) Date of Offer;
 - (b) exercise price of ESOS Options offered;
 - (c) number of ESOS Options offered;

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- (d) market price of its securities on the date of the Offer;
 - (e) the Validity Period as mentioned in Bylaw 8.1;
 - (f) the closing date for acceptance of the Offer;
 - (g) the manner of exercise of the ESOS Options;
 - (h) vesting period of the ESOS Options offered; and
 - (i) any other information deemed necessary by the ESOS Committee.
- 7.7. An Offer shall be made in writing and in any manner as the ESOS Committee shall determine and may be made upon such terms and conditions as the ESOS Committee may decide from time to time. Nothing herein shall require any Offer made to be the same as or similar to other Offers previously or subsequently made whether to the same or a different Selected Person.
- 7.8. The actual number of Shares under the ESOS Options which may be offered to an Eligible Person shall be at the sole and absolute discretion of the ESOS Committee and shall not be less than one hundred (100) Shares nor more than the maximum allowable allocation of such Eligible Person and shall be in the multiples of one hundred (100) Shares (or in any other denomination as may be prescribed by Bursa Securities as a board lot).
- 7.9. Each Offer shall be made in writing and is personal to the Eligible Person and is non-assignable, non-transferable, non-chargeable and non-disposable in any manner whatsoever.

8. ACCEPTANCE OF OFFER

- 8.1. An Offer made by the ESOS Committee under Bylaw 7 shall be valid for a period of fourteen (14) days from the Date of Offer or such longer period as may be determined by the ESOS Committee ("**Validity Period**"), and may be accepted within this prescribed period by the Selected Person to whom the Offer is made by a notice (in a format to be prescribed by the ESOS Committee) to the ESOS Committee of such acceptance accompanied by a payment to the Company of a nominal non-refundable sum of Ringgit Malaysia One (RM1.00) as consideration for the grant of the ESOS Option.
- 8.2. If the Offer is not accepted in the manner aforesaid within the prescribed period of fourteen (14) days from the Date of Offer or such longer period as may be determined by the ESOS Committee, such Offer shall upon the expiry of the said prescribed period, automatically lapse and be null and void and be of no further force and effect, and the new Shares comprised in the ESOS Options may at the discretion of the ESOS Committee be re-offered to Eligible Persons.
- 8.3. The ESOS Committee shall within thirty (30) days of acceptance by the Offer by the Eligible Person issue to the Grantee a certificate of the ESOS Option in such form as may be determined by the ESOS Committee from time to time stating, amongst other matters, the number of Shares granted under the ESOS Option, the Exercise Price and the Option Period.

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9. EXERCISE PRICE

- 9.1. Subject to any adjustments made under these Bylaws and pursuant to the Listing Requirements, the subscription price shall be based on the five (5) day weighted average market price of the Yi-Lai Shares immediately preceding the Date of Offer of the ESOS Option, with a discount of not more than ten percent (10%) or other percentage of discount in accordance with any prevailing guidelines, rules or regulations issued by Bursa Securities or any other relevant authorities as may be amended from time to time during the Duration of the Scheme.
- 9.2. The Exercise Price as determined by the Board shall be conclusive and binding on the Grantees.

10. NON-ASSIGNABLE

An ESOS Option is personal to the Grantee. Save and except as provided in Bylaw 20.4, an ESOS Option cannot be assigned, encumbered, transferred or otherwise disposed of in any manner whatsoever.

11. EXERCISE OF ESOS OPTION

- 11.1. An ESOS Option granted to a Grantee under the Scheme, subject to the provisions of Bylaw 20, is exercisable by that Grantee during:-
- (a) his employment with Yi-Lai Group; and
 - (b) within the Option Period,
- during the normal business hours of the Company on the last Market Day of every calendar week, or such other period of time as the ESOS Committee may in its discretion allow, provided that no ESOS Option shall be exercised beyond the Date of Expiry. All unexercised ESOS Options shall become null and void after the Date of Expiry.
- 11.2. Upon acceptance of an Offer, the Grantee may during the Option Period exercise his ESOS Options at such time and in such manner and subject to such conditions as stipulated in the Offer Letter. The ESOS Option may be exercised in full or in part provided that such exercise of the ESOS Option shall be in multiples of one hundred (100) Shares or such other multiples as the ESOS Committee may in its discretion allow. Partial exercise of the ESOS Option shall not preclude the Grantee from exercising the ESOS Option as to the balance thereof at any time in the future but within the Option Period.
- 11.3. ESOS Options which are exercisable in a particular year but are not exercised may be carried forward to subsequent years subject to the Option Period. Any ESOS Options which remain unexercised at the expiry of the Option Period shall be automatically terminated.
- 11.4. The ESOS Committee may, at any time and from time to time, before or after an ESOS Option is granted, limit the exercise of the ESOS Options to a maximum number of new Shares and/or such percentage of the total new Shares comprised in the ESOS Options during such periods within the Option Period and impose any other terms and/or conditions deemed appropriate by the ESOS Committee in its discretion including amending/varying any terms and conditions imposed earlier.

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- 11.5. The Grantee shall notify the Company of his intention to exercise an ESOS Option in such form and manner as the ESOS Committee may prescribe or approve ("**Notice of Exercise**"). The Notice of Exercise (which shall state the Grantee's CDS Account number and number of Shares to be subscribed) shall be accompanied by a remittance in Ringgit Malaysia made out in favour of the Company, in the form of bankers draft or cashiers' order, for the full amount of the subscription monies for the new Shares in respect of which the Notice of Exercise is given.
- 11.6. The Grantee shall provide all information as required in the Notice of Exercise and the Company shall within eight (8) Market Days or such period as Bursa Securities may prescribe after the receipt of a valid Notice of Exercise and remittance from the Grantee allot and despatch the notice of allotment for the relevant number of Shares to the Grantee upon and subject to the provisions of the Constitution, the Central Depositories Act and the Rules of Bursa Depository. No physical share certificates will be delivered to the Grantee.
- 11.7. The Company, the Board and the ESOS Committee shall not under any circumstances be held liable to any person for any costs, losses, expenses, damages or liabilities whatsoever due to or arising from the decision of the ESOS Committee to terminate, suspend or otherwise imposed conditions on the rights of the Grantee to exercise his ESOS Option.
- 11.8. Any failure to comply with the foregoing provisions and/or to provide all information as required in the Notice of Exercise or inaccuracy in the information provided shall result in the Notice of Exercise being rejected. The ESOS Committee shall inform the Grantee of the rejection of the Notice of Exercise and the Grantee shall then be deemed not to have exercised his ESOS Options.
- 11.9. Notwithstanding anything to the contrary herein contained in these Bylaws, the ESOS Committee shall have the right at its discretion by notice to that effect:-
- (a) to suspend the right of any Grantee who is found to have contravened the written policies and guidelines of the Group and/or the terms and conditions of the Grantee's employment (whether or not such contravention may give rise to a Disciplinary Proceeding being instituted) to exercise his ESOS Option. In addition to this right of suspension, the ESOS Committee may impose such terms and conditions as the ESOS Committee shall deem appropriate in its discretion, on the right of exercise of his ESOS Option having regard to the nature of the contravention provided always that in the event such contravention results in the dismissal or termination of service of such Grantee, the ESOS Option shall immediately cease and become null and void without notice, upon pronouncement of the dismissal or termination of service of such Grantee; or
 - (b) to suspend the right of any Grantee who is being subjected to Disciplinary Proceedings (whether or not such Disciplinary Proceedings may give rise to a dismissal or termination of service of such Grantee) to exercise his ESOS Option pending the outcome of such Disciplinary Proceedings. In addition to this right of suspension, the ESOS Committee may impose such terms and conditions as the ESOS Committee shall deem appropriate in its discretion, on the right of exercise of his ESOS Option having regard to the nature of the charges made or brought against such Grantee, provided always that:-
 - (i) in the event such Grantee is found not guilty of the charges which gave rise to such Disciplinary Proceedings, the ESOS Committee shall reinstate the right of such Grantee to exercise his ESOS Option;

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- (ii) in the event such Grantee is found guilty resulting in the dismissal or termination of service of such Grantee, the ESOS Option shall immediately cease and become null and void without notice, upon pronouncement of the dismissal or termination of service of such Grantee; or
- (iii) in the event such Grantee is found guilty but no dismissal or termination of service is recommended, the ESOS Committee shall have the right to determine at its discretion whether or not the Grantee may continue to exercise his ESOS Option and if so, to impose such terms and conditions or make such downward adjustment to the number of as it deems appropriate, on such exercise.

Nothing herein shall prevent the ESOS Committee (but the ESOS Committee shall not be obliged to do so) from making a fresh Offer to such Selected Person in the event that such disciplinary actions are not found against him or if such disciplinary actions are withdrawn.

- 11.10. Each ESOS Option shall be subject to the condition that no new Shares shall be issued to the Grantee pursuant to the exercise of the ESOS Option if such issue shall be contrary to any laws, rules and/or regulations of any regulatory body or authorities which may be in force during the Option Period.

12. RIGHTS OF A GRANTEE

- 12.1. The ESOS Options shall not carry any right to vote at any general meeting of the Company.
- 12.2. A Grantee shall not be entitled to any dividends, right or other entitlement on his unexercised ESOS Options.

13. RANKING AND LISTING AND QUOTATION FOR THE SHARES

- 13.1. The new Shares to be allotted and issued upon any exercise of the ESOS Options shall upon such allotment and issuance, rank equally in all respects with the then existing issued Shares except that the new Shares so issued will not be entitled to any dividends, rights, allotments and/or other distributions, the Entitlement Date of which is prior to the date of which the new Shares are credited into the CDS Accounts of the Grantees.
- 13.2. The Grantees will not be entitled to any dividends, rights, allotments and/or other distributions until and unless such Grantees exercise their ESOS Options into new Shares and such new Shares are credited into the Grantees' respective CDS Accounts.
- 13.3. The new Shares allotted and credited into the CDS Accounts would also carry rights to vote at any general meeting of the Company provided that the shareholder is registered on the Entitlement Date as at the close of business to be entitled to attend and vote at the general meeting.
- 13.4. The new Shares shall be subjected to all the provisions of the Constitution of the Company in relation to their issuance and allotment, transfer, transmission or otherwise.

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14. RETENTION PERIOD

- 14.1. The new Shares to be allotted and issued to a Grantee pursuant to the exercise of an ESOS Option will not be subject to any holding period or restriction on transfer, disposal and/or assignment.
- 14.2. Pursuant to Paragraph 8.20 of the Listing Requirements, a Grantee who is a Non-Executive Director of the Company must not sell, transfer or assign the Shares obtained through the exercise of the ESOS Options offered to him pursuant to the Scheme within one (1) year from the Date of Offer of such ESOS Options.

15. TAKEOVER AND COMPULSORY ACQUISITION

In the event of:-

- (a) a takeover offer being made for the Company through a general offer to acquire the whole of the issued share capital of the Company (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); or
- (b) the Offeror becoming entitled or bound to exercise the right of compulsory acquisition of Shares under the provisions of any statutes, rules and/or regulations applicable at that point of time and gives notice to the Company that it intends to exercise such right on a specific date,

the ESOS Committee may at its discretion to the extent permitted by law allow the exercise of any unexercised ESOS Options (or any part thereof) by the Grantee at any time subject to such terms and conditions as may be prescribed notwithstanding that:-

- (aa) the date on which the Grantee becomes entitled to exercise the ESOS Options or any part thereof is not due or has not occurred; and/or
- (bb) the Option Period has not commenced; and/or
- (cc) other terms and conditions set out in the Offer have not been fulfilled/satisfied.

16. ALTERATION OF SHARE CAPITAL AND ADJUSTMENT

16.1. In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of capitalisation of profits or reserves, rights issues, subdivision or consolidation of shares or capital reduction or any other variation of capital:-

- (a) the number of new Shares which a Grantee shall be entitled to subscribe for upon the exercise of each ESOS Option (excluding ESOS Options already exercised); and/or
- (b) the Exercise Price,

shall be adjusted, provided always that:-

- (i) on any such adjustment the resultant Exercise Price, if not an integral multiple of one (1) sen shall be rounded up to the nearest one (1) sen and in no event shall any adjustment (otherwise than upon the consolidation of Shares) involve an increase in the Exercise Price or reduce the number of ESOS Options that a Grantee is already entitled to;

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- (ii) upon any adjustment being made pursuant to these Bylaws, the ESOS Committee shall within thirty (30) days of the effective date of the alteration in the capital structure of the Company notify the Grantee (or his legal or personal representatives where applicable) in writing informing him of the adjusted Exercise Price thereafter in effect and/or the revised number of new Shares thereafter to be issued on the exercise of the ESOS Option; and
- (iii) in determining a Grantee's entitlement to subscribe for new Shares, any fractional entitlement will be dealt with by the ESOS Committee at its sole and absolute discretion.

Any adjustments to the Exercise Price and/or the number of new Shares comprised in the ESOS Options so far as unexercised other than bonus issue, must be confirmed in writing by the external auditors of the Company or the Company's Adviser.

Should there be other circumstances which give rise to a consideration for adjustments to the Exercise Price or the number of new Shares in favour of all Grantees, but it is decided that no adjustments will be made, such decision must be made known to all the Grantees via a timely notice, within fourteen (14) days from the date such decision has been finalised, subject to compliance with the Listing Requirements.

16.2. In addition to Bylaw 16.1 and not in derogation thereof, the Exercise Price and the number of new Shares relating to the ESOS Options so far as unexercised shall from time to time be adjusted in accordance with the following relevant provisions in consultation with an Auditor and/or Adviser of the Company:-

- (i) if and whenever a Share by reason of any consolidation or subdivision or conversion shall have a different value, the Exercise Price and/or the additional number of new Shares under the ESOS Options so far as unexercised ("**Additional Shares under Options**") shall be adjusted, calculated or determined in the following manner:-

$$\text{New Exercise Price} = \frac{O \times Q}{P}$$

For consolidation of Shares

$$\text{New number of Shares under Options} = \frac{R \times P}{Q}$$

For subdivision of Shares

$$\text{New number of Shares under Options} = \left[\frac{R \times P}{Q} \right] - R$$

where:-

- O = Existing Exercise Price;
- P = the aggregate number of total issued Shares immediately after such consolidation, subdivision or conversion;
- Q = the aggregate number of total issued Shares immediately before such consolidation or subdivision or conversion; and

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R = Existing number of Shares comprised in the Options in respect of the rights to subscribe for new Shares so far as unexercised.

Each such adjustment will be effective from the close of business of the Market Day next following the date on which the consolidation or subdivision or conversion becomes effective (being the date on which the Shares are traded on Bursa Securities after such consolidation or subdivision or conversion) or such other date as may be prescribed by Bursa Securities.

- (ii) If and whenever the Company shall make any issue of Shares to shareholders, by way of capitalization of profits or reserves (including any share premium account and capital redemption reserve fund), the Exercise Price shall be adjusted by multiplying it by the following fraction:-

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

and the number of Options shall be adjusted by multiplying the existing number of Options held by the following fraction:-

$$\text{Number of additional Shares} = \left\{ T \times \left(\frac{A+B}{A} \right) \right\} - T$$

where:-

A = the aggregate number of total issued Shares immediately before such capitalisation issue;

B = the aggregate number of Shares to be issued pursuant to any allotment to shareholders by way of capitalisation of profits or reserves (including any share premium account ac capital redemption reserve fund); and

T = the existing number of Shares relating to the Option.

Each such adjustment will be effective (if appropriate retroactively) from the commencement of the day next following the date on which shareholders must be registered in the Record of Depositors for such issue ("**Record Date**").

- (iii) If and whenever the Company shall make:-
- (a) Capital Distribution (as defined below) to shareholders whether on a reduction of capital or otherwise (save and except any capital reduction involving the cancellation of capital which is lost or unrepresented by available assets);
 - (b) any offer or invitation to shareholders whereunder they may acquire or subscribe for Shares by way of rights; or

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- (c) any offer or invitation to shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into Shares or rights to acquire or subscribe for Shares, then and in respect of each such case, the Exercise Price shall be adjusted by multiplying it by the following fraction:-

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

and in respect of the case referred to in Bylaw 16.2(b)(2) hereof, the number of additional ESOS Options to be issued shall be calculated as follows:-

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

where:-

- T = as defined in Bylaw 16.2(ii) above;
- C = the market price of each Share as shall be determined in accordance with any guideline or rule issued by the relevant authorities from time to time, if any, or if there is none, the current market price of each Share on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to the Bursa Securities or (failing any such announcement), immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation; and
- D = (aa) in the case of any offer or invitation to acquire or subscribe for Shares by way of rights or for securities convertible into Shares under this Paragraph (iii)(b) and Paragraph (iii)(c) the value of rights attributable to one (1) Shares (as defined below); or
- (bb) in the case of any other transaction falling within this Paragraph (iii) hereof, the fair market value (with the concurrence of the Auditors), of that portion of the Capital Distribution attributable to one (1) Share.

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

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

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where:-

- C = as defined in Bylaw 16.2(iii)(c) above;
- E = the option consideration for one (1) additional Share under the terms of such offer or invitation or subscription price of one (1) additional Share upon conversion of the convertible securities or exercise of such rights to acquire or subscribe for one (1) Share under the offer or invitation;
- F = the number of Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or security convertible into rights to acquire or subscribe for one (1) additional Share; and
- D* = the value of rights attributable to one (1) existing Shares (as defined below)

and in respect of the case referred to in Paragraph (iii)(b) hereof, the number of Options shall be adjusted by multiplying the existing number of Options held by the following fraction:-

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

where:-

- C = as C above; and
- D* = the value of rights attributable to one (1) Share (as defined below).

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

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

where:-

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

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For the purposes of Bylaw 16.1 of the Scheme and Paragraph (iii) hereof, "Capital Distribution" shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of Shares (not failing under Paragraph (ii) hereof) or other securities credited by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund). Any dividend charged or provided for in the accounts pertaining to any period shall (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the shareholders for any period after as shown in the audited consolidated profit and loss accounts of the Company.

Each such adjustment will be effective (if appropriate retroactively) from the commencement of the day next following the Record Date for such transactions.

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

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

where:-

- B = as B above;
- C = as C above;
- G = the aggregate number of total issued Shares in issue on the record date;
- H = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into Shares or rights to acquire or subscribe for Shares, as the case may be;
- H* = the aggregate number of new Shares under an offer or invitation to acquire or subscribe for Shares by way of rights;
- I = the option consideration of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares or the exercise price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share, as the case may be; and
- I* = the option consideration of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares.

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Each such adjustment will be effective (if appropriate retroactively) from the commencement of the date next following the Record Date for the above transactions.

- (v) If and whenever the Company makes any offer or invitation to its shareholders to acquire or subscribe for Shares as provided in Paragraph (iii)(b) above together with an offer or invitation to acquire or subscribe for securities convertible into or rights to acquire or subscribe for Shares as provided in Paragraph (iii)(c), the Exercise Price shall be adjusted by multiplying it by the following fraction:-

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

and the number of Options held by each Grantee shall be adjusted by multiplying the existing number of Options by the following fraction:-

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

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 Share to be issued to its shareholders upon conversion of such securities or exercise of such right to subscribe for Shares by the shareholders; and

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

Each such adjustment will be effective (if appropriate retroactively) from the commencement of the date next following the Record Date for the above transactions.

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

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

and the number of Options held by each Grantee shall be adjusted by multiplying the existing number of Options held by the following fraction:-

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

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; and
K = as K above;

Each such adjustment will be effective (if appropriate retroactively) from the commencement of the date next following the Record Date for the above transactions.

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- (vii) If and whenever (otherwise than pursuant to an offer or invitation by way of rights to all shareholders and requiring an adjustment under Paragraph (iii)(b), Paragraph (iii)(c), Paragraph (iv), Paragraph (v) or Paragraph (vi), the Company shall issue either any Shares or any securities convertible into Shares or any rights to acquire or subscribe for Shares, and in any such case the Total Effective Consideration per Share (as defined below) is less than ninety per cent (90%) of the average of the last transaction price(s) on the Market Days comprised in the period used (such period to be determined by the Company at the Company's absolute discretion) as a basis upon which the issue price of such Shares is determined ("**Average Price**"), or as the case may be, the price at which the Shares will be issued upon conversion of such securities or exercise of such rights is determined, the Exercise Price shall be adjusted by multiplying it by the following fraction:-

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

where:-

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

For the purposes of Paragraph (vii) hereof, the "Total Effective Consideration" shall be determined by the Directors in the following manner:-

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

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

Each such adjustment will be effective (if appropriate retroactively) from the close of the Market Day next preceding the date on which the issue is announced or (failing any such announcement) immediately preceding the date on which the Company determined the offering price of such Shares, securities or rights.

- 16.3. The provisions of this Bylaw shall not apply where the alteration in the capital structure of the Company arises from:-
- (a) the issue of securities as consideration for an acquisition;
 - (b) a special issue of new Shares to Bumiputera parties approved by the Ministry of International Trade and Industry, Malaysia and/or other Government authorities to comply with the Government policy on Bumiputera capital participation;
 - (c) a special issue, private placement or restricted issue of new Shares by the Company;
 - (d) a share buy-back arrangement by the Company and the cancellation of all or a portion of the Shares pursuant to the relevant provision of the Act;
 - (e) an issue of new Shares arising from the exercise of any conversion rights attached to securities convertible to new Shares or upon exercise of any other rights including warrants (if any) issued by the Company;
 - (f) an issue of new Shares upon the exercise of ESOS Options pursuant to the Scheme;
 - (g) an issue by the Company of Shares or of securities convertible into Shares or securities with rights to acquire or subscribe for Shares to its officers, including Directors, or Employees of the Company or any of its subsidiaries pursuant to purchase or option schemes approved by the Shareholders in general meeting; and
 - (h) any issue of Shares by the Company (other than bonus and rights issue) pursuant to a dividend reinvestment scheme undertaken in accordance with the Listing Requirements or for any purpose whatsoever where the aggregate issues of which in any twelve (12) months do not exceed ten percent (10%) of the total number of issued Shares of the Company.
- 16.4. Upon any adjustment being made, the ESOS Committee shall give notice in writing within fourteen (14) days from the date of adjustment to the Grantee, or his legal or personal representatives where the Grantee is deceased, to inform him of the adjustment and the event giving rise thereto.

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- 16.5. The decision of the ESOS Committee as to whether any adjustment shall be made or not made to the Exercise Price and/or the number of new Shares comprised in the ESOS Option or any portion thereof pursuant to this Bylaw 16 is final, binding and conclusive.

17. LISTING AND QUOTATION OF SHARES

- 17.1. The new Shares to be allotted to the Grantee will not be listed or quoted on Bursa Securities until the ESOS Option is exercised in accordance with the provisions of Bylaw 11 whereupon the Company shall:-

- (a) issue and/or allot the Shares;
- (b) despatch a notice of allotment to the Grantee; and
- (c) apply for the quotation of such Shares,

within eight (8) Market Days after the receipt of the Notice of Exercise and remittance from the Grantee.

- 17.2. The Company and the ESOS Committee shall not under any circumstances be held liable for any costs, losses and damages whatsoever and however relating to the delay on the part of the Company in allotting and issuing the Shares or in procuring the Bursa Securities to list the Shares for which the Grantee is entitled to subscribe.

18. ADMINISTRATION OF THE SCHEME

- 18.1. The ESOS Committee shall implement and administer the Scheme in such manner as it shall in its discretion deem fit. The ESOS Committee shall comprise such persons appointed by the Board from time to time and shall be vested with such powers and duties as are conferred upon it by the Board including but not limited to the powers to:-

- (a) subject to the provisions of the Scheme, do all such acts and things and enter into and/or cause the Company to enter into any transactions, agreements, deeds and documents, arrangements or undertakings construe and interpret the Scheme and ESOS Options granted under it, to define the terms therein and to recommend to the Board to establish, amend and revoke guidelines, rules and regulations or impose or waive any terms and conditions for the implementation and administration of the Scheme and to give effect to the provisions of the Scheme and/or to enhance the benefit of the Offers to the Selected Persons as the ESOS Committee in its discretion deems fit, necessary and/or expedient for the implementation and administration of the Scheme. The ESOS Committee in the exercise of this power may correct any defect, supply any omission, or reconcile any inconsistency in the Scheme or in any agreement providing for an ESOS Option in a manner and to the extent it shall deem necessary to expedite and make the Scheme fully effective; and
- (b) determine all questions of policy and expediency that may arise in the administration of the Scheme and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interests of the Company.

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- 18.2. The Board shall have power from time to time to:-
- (a) rescind the appointment of any person in the ESOS Committee and appoint his replacement where the Board deems fit;
 - (b) assume and/or exercise or execute any of the powers and authorities conferred upon the ESOS Committee pursuant to these Bylaws; and
 - (c) amend, modify or vary the terms of reference of the ESOS Committee.

19. AMENDMENT AND/OR MODIFICATION TO THE BYLAWS

- 19.1. Subject to Bylaw 19.2 and compliance with the Listing Requirements and the approvals of any other relevant authorities (if required), the ESOS Committee may at any time recommend to the Board who shall have the power at any time and from time to time by resolution to amend and/or modify all or any part of the Bylaws and the Board shall have the power by resolution to add, amend or modify and/or delete all or any of the Bylaws under such recommendation.
- 19.2. The approval of the shareholders of the Company in general meeting shall not be required in respect of additions, amendments to, or deletions of these Bylaws except that subject to any applicable laws, no addition, amendment or deletion shall be made to these Bylaws without the prior approval of the Company's shareholders in a general meeting which would:-
- (a) prejudice any rights which have accrued to any Grantee without his prior consent; or
 - (b) increase the number of new Shares available under the Scheme beyond the maximum imposed by Bylaw 4.1; or
 - (c) alter any matter which are required to be contained in the Bylaws by virtue of Appendix 6E of the Listing Requirements to the advantage of the Selected Persons.

The ESOS Committee shall within ten (10) Market Days of any modification and/or amendment made pursuant to this Bylaw notify the Grantee in writing of any modification and/or amendment made pursuant to this Bylaw.

- 19.3. Upon amending and/or modifying all or any of the provisions of the Scheme, the Company shall submit to Bursa Securities no later than five (5) Market Days after the effective date of the amendment to the Bylaws, a letter confirming that the said amendment and/or modification complies with the Listing Requirements and Rules of Bursa Depository.

20. TERMINATION OF ESOS OPTIONS

20.1. In the event of cessation or termination of employment or appointment of a Grantee with the Group for whatever reason, including but not limited to the receipt of a letter of termination or serving of a notice of resignation by the Grantees, prior to the exercise of his ESOS Options or prior to full exercise of his ESOS Options, as the case may be, such ESOS Option shall cease immediately and become null and void on the date of such cessation or termination without any claim against the Company provided always that, subject to the approval of the ESOS Committee in its discretion, where the Grantee ceases his employment or appointment with the Group by reason of:-

- (a) his retirement at or after attaining normal retirement age under the Group's retirement policy; or
- (b) retirement before attaining the normal retirement age and with the consent of its employer, being a company within the Group; or
- (c) ill-health, injury, physical or mental disability; or
- (d) redundancy or retrenchment, pursuant to the acceptance by that Grantee of a voluntary separation scheme offered by the Group; or
- (e) non-renewal of fixed term contract, not due to a breach of contract on the part of the Grantee; or
- (f) transfer of employees to any company outside the Group at the direction of the Company; and/or
- (g) any other reasons which are acceptable to the ESOS Committee,

a Grantee may exercise his unexercised ESOS Options for such period as may be determined by the ESOS Committee within the relevant Option Period provided always that such exercise shall always be subject to any restriction in the Offer Letter on the maximum percentage of the Grantee's ESOS Options that may be exercisable within each year of the Scheme (unless otherwise approved by the ESOS Committee). All unexercised or partially exercised ESOS Options of such Grantee shall become null and void after the expiry of such period.

20.2. If a Grantee ceases his employment or appointment with the Group by reason of his resignation, his remaining unexercised ESOS Options shall cease with immediate effect and become null and void on the effective date of such cessation. For the avoidance of any doubt, the date of acceptance of a Grantee's resignation by the Group, shall be deemed to be the effective date when a Grantee ceases his employment or appointment with the Group.

20.3. An ESOS Option shall immediately become void and be of no further force and effect upon the Grantee being adjudicated a bankrupt.

20.4. In the event where a Grantee dies before the expiration of the Option Period and at the time of his death held unexercised ESOS Options, such unexercised ESOS Options may be exercised by the legal or personal representative(s) of the Grantee after the date of his death within the Option Period subject to approval of the ESOS Committee. The proportion exercisable is at the discretion of the ESOS Committee.

APPENDIX I – DRAFT BYLAWS

- 20.5. Upon termination of the ESOS Options pursuant to the above, the Grantee shall have no right to compensation or damages or any claim against the Company from any loss of any right or benefit or prospective right or benefit under the Scheme which he might otherwise have enjoyed, whether for wrongful dismissal or breach of contract or loss of office or otherwise howsoever arising from his ceasing to hold office or employment or from the suspension of his right to exercise his ESOS Options or his ESOS Options ceasing to be valid.
- 20.6. Any ESOS Option that has lapsed and become null and void pursuant to this Bylaw 20 shall at the discretion of the ESOS Committee be re-allocated to other Eligible Person.

21. LIQUIDATION OF THE COMPANY

- 21.1. Upon the receipt of a court order of the winding-up of the Company or resolution is passed for the liquidation of the Company, all Offers shall be deemed revoked and be null and void and all unexercised or partially exercised ESOS Options shall lapse and be null and void and of no further force and effect, and this Scheme shall terminate on the date of liquidation or winding-up, that date being:-
- (a) in the case of voluntarily winding-up, the earlier of:-
- (i) the date on which a provisional liquidator is appointed by the Company; or
- (ii) the date of which the shareholders of the Company passed a resolution to voluntarily wind-up the Company; or
- (b) in the case of an involuntarily winding-up, the date on which a petition for winding-up is served on the Company.
- 21.2. Notwithstanding the above, the ESOS Committee will consider, to the extent permitted by law, whether or not to allow exercise of any unexercised or partially exercised ESOS Options subject to such terms and conditions as may be prescribed and will take into account all circumstances on case-to-case basis, including (but not limited to) the contributions of the Selected Persons.

22. DIVESTMENT FROM THE GROUP

- 22.1. In the event that a company within the Group shall be divested from the Group, a Grantee who is employed by such company:-
- (a) shall be entitled to continue to hold and to exercise all the ESOS Options held by him on the date of completion of such divestment within a period of one (1) month from the date of completion of such divestment or the Option Period, whichever expires first, and in accordance with the provisions of Bylaw 11. In the event that the Grantee does not so exercise some or all of such Options, the unexercised ESOS Options shall be automatically terminated upon the expiry of the relevant period; and
- (b) shall no longer be eligible to participate for further Options under the Scheme as from the date of completion of such divestment.

APPENDIX I – DRAFT BYLAWS

- 22.2. For the purposes of Bylaw 22.1, a company shall be deemed to be divested from the Group in the event that such company would no longer be a subsidiary of the Company pursuant to Section 4 of the Act.

23. DURATION OF THE SCHEME

The Scheme shall be in force for a period of five (5) years commencing from the effective date of the implementation of the Scheme, which shall be the date of full compliance with all relevant requirements including the following:-

- (i) submission of the final copy of the Bylaws to Bursa Securities;
- (ii) receipt of approval-in-principle for the issuance, and listing of and quotation for the Shares to be issued under the Scheme from Bursa Securities;
- (iii) procurement of shareholders' approval for the Scheme;
- (iv) receipt of approval of any other relevant authorities, where applicable; and
- (v) fulfilment or waiver (as the case may be) of all conditions attached to the above approvals, if any.

On or before the expiry of the Scheme, the Board shall have the absolute discretion, without having to obtain sanction, approval or authorisation of the Company's shareholders in a general meeting, to extend the duration of the Scheme upon recommendation of the ESOS Committee provided that the initial period of the Scheme and such extension of the Scheme made pursuant to this Bylaw shall not in aggregate exceed the duration of ten (10) years from the Effective Date or such longer period as may be allowed by the relevant authorities. In the event the Scheme is extended in accordance with this provision, the ESOS Committee shall furnish a written notification to all Grantees and the Company shall make necessary announcements to Bursa Securities prior to the proposed extension of the Scheme. No further Offer shall be made upon the expiration of the initial scheme period or upon expiry of such extension thereof. All unexercised ESOS Options shall lapse on the date of expiry of the Scheme.

24. TERMINATION OF THE SCHEME

- 24.1. The Company may at its sole discretion and at any time during the duration of the Scheme terminate the Scheme without obtaining the approvals from the Grantees or its shareholders and shall immediately announce to Bursa Securities upon termination of the Scheme the:-

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

whereupon no further Offers shall be made by the ESOS Committee, all Offers which have yet to be accepted shall be deemed revoked and be null and void, and any unexercised ESOS Options shall be deemed to cease to be capable of being exercised and be null and void.

APPENDIX I – DRAFT BYLAWS

24.2 Notwithstanding the above, the Company may implement more than one (1) Scheme provided that the aggregate number of Shares available under all the Schemes implemented by the Company is not more than fifteen percent (15%) of its total number of issued shares (excluding treasury shares) at any one time or such lower or higher limit in accordance with any prevailing guideline issued by Bursa Securities or any other relevant authorities amended from time to time.

25. DISPUTES OR DIFFERENCES

In case any dispute or difference shall arise between the Board and/or ESOS Committee, and an Eligible Person, Selected Person and/or Grantee as to any provisions contained in these Bylaws, the Board and/or the ESOS Committee shall determine such dispute or difference by a decision given to the Eligible Person, Selected Person and/or Grantee. The said decision shall be final and binding on the parties unless the Eligible Person, Selected Person and/or Grantee within fourteen (14) calendar days of the receipt thereof by a notice to the Board and/or the ESOS Committee, disputes the same in which case such dispute or difference shall be referred to the decision of the Adviser and/or Auditor (as selected by the Board and/or ESOS Committee at its absolute discretion) (acting as experts and not as arbitrators) whose decision shall be final and binding in all respects. The Board and/or ESOS Committee and the Eligible Person, Selected Person and/or Grantee as the case may be, shall keep all matters relating to the Scheme in strict confidence and shall not refer to, discuss with, publicise or in any other manner reveal any particulars or details thereof to any third party. The Board and the ESOS Committee shall not be required to furnish any reasons for any decision or determination made by it except as may be required by the relevant authorities.

26. COST AND EXPENSES

All fees, costs and expenses incurred in relation to preparation and/or operation of the Scheme including but not limited to the fees, costs and expenses relating to the allotment and issue of new Shares pursuant to the exercise of any ESOS Option shall be borne by the Company.

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

Notwithstanding the maximum percentage of the Grantee's ESOS Options that may be exercisable within each year of the Scheme as set out in the Offer Letter and subject to the discretion of the ESOS Committee, in the event of the court sanctioning a compromise or arrangement between Yi-Lai and its members proposed for the purpose of, or in connection with, a scheme of arrangement and reconstruction of Yi-Lai under Section 366 of the Act or its amalgamation with any other company or companies under Section 370 of the Act or the Company decides to merge with other company or companies, a Grantee may exercise in full or in part any ESOS Option to which the Grantee is entitled commencing from the date upon which the compromise or arrangement is sanctioned by the court and ending with the date upon which it becomes effective provided always that no ESOS Option shall be exercised after the expiry of the Option Period.

Upon the compromise or arrangement becoming effective, all ESOS Options remaining unexercised thereafter shall automatically lapse and become null and void.

28. SCHEME NOT A TERM OF EMPLOYMENT

This Scheme does not form part of or constitute or shall in any way to be construed as a term or condition of employment of any employee within the Group. This Scheme shall not confer or be construed to confer on any employee within the Group any special right or privilege over and above the employee's terms and conditions of employment under which the employee is employed nor any rights in addition to compensation or damages that the employee may be normally entitled to arising from the cessation of such employment for any reason whatsoever.

29. NO COMPENSATION

29.1. Notwithstanding any provisions of these Bylaws:-

- (a) this Scheme shall not form part of any contract of employment between any company of the Group and any Employee or Director of the Group and the rights of any Grantee under the terms of his office and employment with the Company or any company of the Group shall not be affected by his participation in the Scheme or afford such Grantee any additional rights to compensation or damages in consequence of the termination of such office or employment for any reason;
- (b) this Scheme shall not confer on any person any legal or equitable rights (other than those constituting the ESOS Option themselves) against the Company or any company of the Group or any members of the ESOS Committee directly or indirectly or give rise to any cause of action at law or in equity against the Company or the Group;
- (c) a Grantee who ceases to hold office or employment shall not be entitled to any compensation for the loss of any right or benefit or prospective right or benefit under the Scheme which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful dismissal, breach of contract or by way of compensation for loss of office; and
- (d) the sole right of a Grantee or representative pursuant to any valid claim hereunder shall be limited to the right of the Grantee or his representative to be reinstated to his position had the breach not occurred and any company within the Group, the ESOS Committee or any other party shall in no event be liable to the Grantee or representative or any other person or entity for any third party claim, loss of profits, loss of opportunity, loss of savings or any punitive, incidental or consequential damage, including without limitation on lost profits or savings, directly or indirectly arising from the breach or performance of these Bylaws or any loss suffered by reason of any change in the price of the Shares or from any other clause whatsoever whether known or unknown, contingent, absolute or otherwise, whether based in contract, tort, equity, indemnity, breach of warranty or otherwise and whether pursuant to common law, statute, equity or otherwise, even if any company of the Group, the ESOS Committee or any other party has been advised of the possibility of such damage and even if the limited remedy provided for is found to fail of essential purpose.

APPENDIX I – DRAFT BYLAWS

29.2. No Employees and Directors (including Eligible Person, Selected Person or Grantee) or their legal or personal representatives shall bring any claim, action or proceedings against the Board, the Company or the ESOS Committee or any party for compensation, loss or damages whatsoever and howsoever arising including but not limited to the suspension of their rights to exercise their ESOS Options or their ESOS Options ceasing to be valid pursuant to the provisions of these Bylaws.

30. CONSTITUTION OF THE COMPANY

Notwithstanding the terms and conditions contained herein, if a situation of conflict should arise between the Scheme and the Constitution, the provisions of the Constitution shall at all times prevail save and except where such provisions of the Bylaws are included pursuant to the Listing Requirements.

31. TAXES

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

32. SEVERABILITY

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

33. GOVERNING LAW AND JURISDICTION

33.1. The Scheme shall be governed by and construed in accordance with the laws of Malaysia. The Grantee, by accepting the ESOS Options in accordance with the Bylaws and terms of the Scheme, irrevocably submits to the exclusive jurisdiction of the courts of Malaysia.

APPENDIX I – DRAFT BYLAWS

- 33.2. In order to facilitate the making of any Offer under this Scheme, the ESOS Committee may provide for such special terms to the Selected Persons who are employed by any corporation in the Group in a particular jurisdiction or who are nationals of any particular jurisdiction, that is outside Malaysia, as the ESOS Committee may consider necessary or appropriate for the purposes of complying with differences in local law, tax, policy or custom of that jurisdiction. The ESOS Committee may further approve such supplements to or amendments, restatements or alternative versions of the Scheme as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Scheme as in effect for any other purpose, and the appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as the Scheme. No such special terms, supplements, amendments or restatements, however, shall include any provisions that are inconsistent with the terms of this Scheme, as then in effect, unless this Scheme has been amended to eliminate such inconsistency. Notwithstanding the above, any Offer made to such Selected Persons pursuant to the Scheme shall be valid strictly in Malaysia only unless specifically mentioned otherwise by the ESOS Committee in the Offer.
- 33.3. No action has been or will be taken by the Company to make the Offer valid in any country or jurisdiction other than Malaysia or to ensure compliance of the Offer with all applicable laws and regulations in any other country or jurisdiction other than Malaysia. No action has or will be taken also by the Company to ensure compliance by the Selected Persons to whom the Offer is granted, with all applicable laws and regulations in such other country or jurisdiction in which they will be granted the Offers.
- 33.4. Any Selected Person to whom the Offer is granted is required to ensure that they comply with all applicable laws and regulations in each country or jurisdiction in or from which they are granted the Offers. By participating in the Scheme, each Selected Person has represented, warranted and agreed that they have and will continue to observe all applicable laws and regulations in the jurisdiction in which they will be granted the Offers.

34. INSPECTION OF THE AUDITED ACCOUNTS

To the extent permitted by the Listing Requirements and prevailing laws and guidelines issued by the relevant authorities, all Grantees shall be entitled to inspect a copy of the latest audited financial statements of the Company, which shall be made available on the Bursa Securities' website as well as the Company's website.

35. DISCLAIMER OF LIABILITY

- 35.1. Notwithstanding any provisions contained herein and subject to the Act, the ESOS Committee and the Company shall not under any circumstances be liable for any cost, loss, expense, damage, liability whatsoever incurred, arising and/or suffered by any Grantee by reason of the following, including but not limited to:-
- (a) the Company and/or ESOS Committee's delay in allotting and issuing new Shares and/or applying for or procuring the listing of the new Shares on Bursa Securities in accordance with these Bylaws for any reason whatsoever; and/or
 - (b) any other matter or dealing outside the control of the Company.

APPENDIX I – DRAFT BYLAWS

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

36. NOTICE

- 36.1. Any notice or request which under the Scheme is required to be given or served upon an Eligible Person, Selected Person or Grantee pursuant to the Scheme shall be in writing and be deemed to be sufficiently given:-
- (a) if it is sent by ordinary post by the Company to the Eligible Person, Selected Person or the Grantee at the last address known by the Company as being his address, such notice or request shall be deemed to have been received three (3) Market Days after posting;
 - (b) if it is given by hand to the Eligible Person, Selected Person or the Grantee, such notice or request shall be deemed to have been received on the date of delivery; or
 - (c) if it is sent by electronic media, including but not limited to electronic mail, to the Eligible Person, Selected Person or the Grantee, such notice or request shall be deemed to have been received upon confirmation or notification received after the sending of notice or request by the Company.

Any change of address of the Eligible Person, Selected Person or the Grantee shall be communicated in writing to the Company and the ESOS Committee.

- 36.2. Where any notice which the Company or the ESOS Committee is required to give, or may desire to give, in relation to the matters which may affect all the Eligible Person, Selected Person or the Grantee (as the case may be) pursuant to the Scheme, the Company or the ESOS Committee may give such notice through an announcement to all Employees of the Group to be made in such manner deemed appropriate by the ESOS Committee (including via electronic media).

37. ERRORS AND OMISSIONS

If in consequences of an error or omission, the ESOS Committee discovers or determines that:-

- (a) an Eligible Person who was selected as a Selected Person has not been given the opportunity to participate in the Scheme on any occasion;
- (b) an Eligible Person was erroneously selected as a Selected Person; or
- (c) the number of ESOS Options granted to any Selected Person or Shares allotted to any Grantee on any occasion is found to be incorrect,

APPENDIX I – DRAFT BYLAWS

and such error or omission cannot be corrected, the ESOS Committee may do all such acts and things to rectify such error or omission including, but not limited to, all acts and things to ensure that the Eligible Person is given the opportunity to participate in the Scheme and/or to withdraw the Offer given to the Employee or Director who was erroneously selected as a Selected Person and/or to ensure that the Selected Person is given the correct number of ESOS Options or credited with the correct number of Shares to which he is entitled to.

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APPENDIX II – FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

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

2. CONSENT

UOBKH, being the Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTERESTS

UOBKH has given their written confirmation that there are no situations of conflict of interests that exist or is likely to exist in relation to its role as the Adviser to Yi-Lai for the Proposals.

4. MATERIAL LITIGATION

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

Yi-Lai had been cited as the 2nd defendant in Kuala Lumpur High Court Suit No. WA-22NCC-285-07/2020 ("**Suit No. 285**") filed on 8 July 2020 by Teng Kam Kheong, who intends to seek a specific prayer against us to purchase three properties for a sum of RM100 million.

On 30 July 2020, we had taken out an application to have Suit No. 285 summarily determined in favour of Yi-Lai. The said application is now fixed for hearing before the Court on 22 October 2020. Notwithstanding that, Suit No. 285 has been fixed for an early trial before the Court from 24 November 2020 to 26 November 2020 and on 7 December 2020.

5. MATERIAL COMMITMENTS

As at the LPD, our Board is not aware of any material commitments incurred or known to be incurred by our Group that has not been provided for which, upon becoming enforceable, may have a material impact on the financial results/ position of our Group.

6. CONTINGENT LIABILITIES

As at the LPD, our Board is not aware of any contingent liabilities incurred or known to be incurred by our Group that has not been provided for which, upon becoming enforceable, may have a material impact on the financial results/ position of our Group.

7. MATERIAL CONTRACTS

Save for the JVA, our Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within 2 years immediately preceding the LPD.

APPENDIX II – FURTHER INFORMATION

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of Yi-Lai at Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Wilayah Persekutuan during the normal business hours from Monday to Friday (except public holidays) from the date hereof up to the time stipulated for the holding of the EGM:-

- i. Constitution of Yi-Lai;
- ii. Audited consolidated financial statements of our Group for the past 2 financial years up to the FYE 31 December 2019 and the latest unaudited quarterly results for the 6-month FPE 30 June 2020;
- iii. The JVA;
- iv. The letter of consent and declaration of conflict of interests referred to in **Sections 2 and 3** above, respectively;
- v. The draft Bylaws; and
- vi. the relevant cause papers in respect of the material litigations referred to in **Section 4** above.

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YI-LAI BERHAD

[Registration No. 200001013437 (516043-K)]
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Yi-Lai Berhad ("**Yi-Lai**" or the "**Company**") will be held and conducted by way of virtual meeting entirely through live streaming via Remote Participation and Voting ("**RPV**") facilities from the broadcast venue at 1st Floor, Meeting Room, Lot 8, Jalan 51A/241, Seksyen 51A, 46100 Petaling Jaya, Selangor ("**Broadcast Venue**"), on Friday, 30 October 2020 at 10.00 a.m., or at any adjournment thereof, for the purpose of transacting the following businesses:-

ORDINARY RESOLUTION 1

PROPOSED DIVERSIFICATION OF THE EXISTING PRINCIPAL ACTIVITIES OF YI-LAI AND ITS SUBSIDIARIES ("YI-LAI GROUP") TO INCLUDE THE PROVISION OF INFORMATION TECHNOLOGY SOLUTIONS ("IT SOLUTIONS")

"**THAT**, subject to the approvals of the relevant authorities and/ or parties being obtained, approval be and is hereby given to Yi-Lai Group to diversify into the provision of IT Solutions as described in the Circular to the shareholders dated 15 October 2020 ("**Circular**");

AND THAT the Directors of the Company be and are hereby authorised to take all steps as are necessary or expedient to implement or to give effect to the Proposed Diversification with full powers to amend and/ or assent to any conditions, modifications, variations or amendments (if any) as may be imposed by the relevant governmental/ regulatory authorities from time to time and with full power to do all such acts and things thereafter in accordance with the Companies Act 2016, the provisions of the Company's Constitution and the requirements of the Bursa Securities and all other relevant governmental/ regulatory authorities."

ORDINARY RESOLUTION 2

PROPOSED ESTABLISHMENT OF AN EMPLOYEES' SHARE OPTION SCHEME ("ESOS") OF UP TO 15% OF THE TOTAL NUMBER OF ISSUED SHARES OF YI-LAI (EXCLUDING TREASURY SHARES, IF ANY) AT ANY POINT IN TIME OVER THE DURATION OF THE ESOS ("PROPOSED ESOS")

"**THAT** subject to the approvals of all relevant regulatory authorities and/ or parties being obtained, including the approval of Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing of and quotation for the new Yi-Lai Shares to be issued arising from the exercise of the options granted under the Proposed ESOS ("**ESOS Option(s)**"), approval be and is hereby given for the Board to:-

- i. establish, implement and administer the Proposed ESOS in accordance with the bylaws of the Proposed ESOS ("**Bylaws**"), a draft of which is set out in **Appendix I** of the Circular, to approve and adopt the Bylaws and to give effect to the Proposed ESOS with full power to assent to any conditions, variations, modifications and/ or amendments as may be required by the relevant authorities;
- ii. make the necessary applications and do all things necessary at the appropriate time or times to Bursa Securities for the listing of and quotation for the new Yi-Lai Shares, which may from time to time be allotted and issued arising from the exercise of the ESOS Options;
- iii. allot and issue such number of new Yi-Lai Shares from time to time as may be required arising from the exercise of the ESOS Options, **PROVIDED THAT** the total number of new Yi-Lai Shares, which may be made available under the Proposed ESOS, shall not in aggregate exceed 15% of the total number of issued shares of the Company (excluding treasury shares) at any point in time during the duration of the Proposed ESOS **AND THAT** the new Yi-Lai Shares to be allotted and issued upon the exercise of the ESOS Options will, upon allotment, issuance and full payment, rank equally in all respects with the existing Yi-Lai Shares, save and except that the new Yi-Lai Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distributions declared, made or paid to shareholders where the entitlement date of such distributions precedes the relevant date of allotment and issuance of the new Yi-Lai Shares. The new Yi-Lai Shares allotted will be subject to all provisions in the Constitution of the Company and Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**"), if any;

- iv. modify and/ or amend the Proposed ESOS and/ or the Bylaws from time to time provided that such modifications and/ or amendments are permitted and effected in accordance with the provisions of the Bylaws relating to modifications and/ or amendments; and
- v. do all such acts and things, take such steps, execute all such documents and enter into all such arrangements, agreements, deeds and/ or undertakings with any party(ies) as they may deem fit, necessary, expedient and/ or appropriate in order to finalise, implement and/ or give full effect to the Proposed ESOS and terms of the Bylaws with full power to assent to any terms, conditions, modifications, variations and/ or amendments as may be agreed to or required by any relevant authorities or as a consequence of any such requirement as may be deemed necessary and/ or expedient and in the best interest of the Company."

ORDINARY RESOLUTIONS 3 TO 7

PROPOSED ALLOCATION OF ESOS OPTIONS TO THE DIRECTORS OF YI-LAI

"**THAT**, subject to the passing of the Ordinary Resolution 2 and the approvals of the relevant authorities for the Proposed ESOS, including the approval from Bursa Securities for the listing and quotation for the Yi-Lai Shares to be issued arising from the exercise of the ESOS Options, having been obtained, approval be and is hereby given to the Board to authorise the ESOS Committee, at any time and from time to time throughout the duration of the Proposed ESOS, to offer and grant to the following Directors, ESOS Options to subscribe for Yi-Lai Shares under the Proposed ESOS:-

- | | | |
|------|----------------------|-----------------------|
| i. | Dato' Wong Gian Kui | Ordinary Resolution 3 |
| ii. | Au Yee Boon | Ordinary Resolution 4 |
| iii. | Tan Jian Hong, Aaron | Ordinary Resolution 5 |
| iv. | Wendy Kang Hui Lin | Ordinary Resolution 6 |
| v. | Lee Boon Siong | Ordinary Resolution 7 |

Provided always that:-

- i. he/ she must not participate in the deliberation or discussion of his/ her own allocation;
- ii. the allocation to him/ her, who either singly or collectively, through person(s) connected to him/ her, holds 20% or more of the total number of issued shares of Yi-Lai (excluding treasury shares), must not exceed 10% of the total number of Yi-Lai Shares to be issued under the Proposed ESOS; and
- iii. subject always to such terms and conditions and/ or any adjustments which may be made in accordance with the provisions of the Bylaws, the Listing Requirements, or any prevailing guidelines issued by Bursa Securities or any other relevant authority, as amended from time to time.

AND THAT the Board is also authorised to allot and issue the corresponding number of new Yi-Lai Shares arising from the exercise of the ESOS Options that may be granted to him under the Proposed ESOS."

By Order of the Board
YI-LAI BERHAD

TAN TONG LANG (MAICSA 7045482)(SSM PC No.: 201908002253)
Company Secretary
Kuala Lumpur
15 October 2020

Notes:-

Participation and Appointment of Proxy

1. *The EGM of the Company will be held as a virtual meeting through live streaming and online remote voting using the RPV facilities via Vote2U at <https://web.vote2u.app>. Please refer to the Administrative Guide for the procedures to register, participate and vote remotely at the EGM through the RPV facilities.*
2. *A member of the Company entitled to participate, speak and vote at the meeting is entitled to appoint not more than two (2) proxies to participate, speak and vote in his/ her stead. A proxy need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.*
3. *Where a member of the Company is an authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each Omnibus Account it holds.*
4. *Where a member or authorized nominee appoints two (2) proxies, or when an exempt authorized nominee appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/ her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or the hand of an office or attorney duly authorised.*
6. *The form of proxy must be deposited at the registered office of Yi-Lai's Share Registrar at Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Wilayah Persekutuan not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof.*
7. *Only members registered in the Record of Depositors as at 23 October 2020 shall be eligible to participate, speak and vote at the meeting or appoint a proxy to participate, speak and/ or vote on his/ her behalf.*

Personal data privacy:

*By submitting an instrument appointing a proxy(ies) and/ or representative(s) to participate, speak and vote at the EGM and/ or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/ or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/ or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/ or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/ or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.*

YI-LAI BERHAD
[Registration No. 200001013437 (516043-K)]
(Incorporated in Malaysia)

PROXY FORM

CDS Account No. _____

I/ We, _____ (NRIC No. _____)
(FULL NAME IN BLOCK LETTERS)

of _____ contact no. _____
(FULL ADDRESS)

being a member/ members of Yi-Lai Berhad ("**Company**" or "**Yi-Lai**") do hereby appoint _____

_____ (NRIC No. _____) #contact no. _____
(FULL NAME IN BLOCK LETTERS)

#email _____ or failing *him/ her _____

_____ (NRIC No. _____) #contact no. _____
(FULL NAME IN BLOCK LETTERS)

#email _____ 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 ("**EGM**") of the Company which will be held and conducted by way of virtual meeting entirely through live streaming via Remote Participation and Voting ("**RPV**") facilities from the broadcast venue at 1st Floor, Meeting Room, Lot 8, Jalan 51A/241, Seksyen 51A, 46100 Petaling Jaya, Selangor ("**Broadcast Venue**"), on Friday, 30 October 2020 at 10.00 a.m., or at any adjournment thereof.

You are required to fill in the contact no. and email address to participate in the Extraordinary General Meeting, otherwise, we are unable to register you as the participant of the meeting.

Please indicate clearly with an " X " where appropriate against each resolution how you wish your proxy to vote. If no specific direction to voting is given, the proxy will vote or abstain at this/ her discretion.

| RESOLUTIONS | FOR | AGAINST |
|------------------------------------------------------------------------------------------------------------------|-----|---------|
| ORDINARY RESOLUTION 1 - PROPOSED DIVERSIFICATION | | |
| ORDINARY RESOLUTION 2 - PROPOSED ESOS | | |
| ORDINARY RESOLUTION 3 - PROPOSED ESOS ALLOCATION OF ESOS OPTIONS TO DATO' WONG GIAN KUI, THE DIRECTOR OF YI-LAI | | |
| ORDINARY RESOLUTION 4 - PROPOSED ESOS ALLOCATION OF ESOS OPTIONS TO AU YEE BOON, THE DIRECTOR OF YI-LAI | | |
| ORDINARY RESOLUTION 5 - PROPOSED ESOS ALLOCATION OF ESOS OPTIONS TO TAN JIAN HONG, AARON, THE DIRECTOR OF YI-LAI | | |
| ORDINARY RESOLUTION 6 - PROPOSED ESOS ALLOCATION OF ESOS OPTIONS TO WENDY KANG HUI LIN, THE DIRECTOR OF YI-LAI | | |
| ORDINARY RESOLUTION 7 - PROPOSED ESOS ALLOCATION OF ESOS OPTIONS TO TO LEE BOON SIONG, THE DIRECTOR OF YI-LAI | | |

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies:-

| | No. of shares | Percentage |
|--------------|---------------|-------------|
| Proxy 1 | | |
| Proxy 2 | | |
| Total | | 100% |

Signed this _____ day of _____ 2020

Signature/ Common Seal of Member

Notes:-

Participation and Appointment of Proxy

1. *The EGM of the Company will be held as a virtual meeting through live streaming and online remote voting using the RPV facilities via Vote2U at <https://web.vote2u.app>. Please refer to the Administrative Guide for the procedures to register, participate and vote remotely at the EGM through the RPV facilities.*
2. *A member of the Company entitled to participate, speak and vote at the meeting is entitled to appoint not more than two (2) proxies to participate, speak and vote in his/ her stead. A proxy need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.*
3. *Where a member of the Company is an authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each Omnibus Account it holds.*
4. *Where a member or authorized nominee appoints two (2) proxies, or when an exempt authorized nominee appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/ her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or the hand of an office or attorney duly authorised.*

Then fold here

Stamp

The Share Registrar of
YI-LAI BERHAD
[Registration No. 200001013437 (516043-K)]
Suite 10.02, Level 10
The Gardens South Tower, Mid Valley City
Lingkar Syed Putra, 59200 Kuala Lumpur
Wilayah Persekutuan

1st fold here

6. *The form of proxy must be deposited at the registered office of Yi-Lai's Share Registrar at Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkar Syed Putra, 59200 Kuala Lumpur, Wilayah Persekutuan not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof.*
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Personal data privacy:

*By submitting an instrument appointing a proxy(ies) and/ or representative(s) to participate, speak and vote at the EGM and/ or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/ or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/ or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/ or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/ or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.*