THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused the contents of this Circular in relation to the Proposed Amendment (as defined herein) prior to the issuance of this Circular pursuant to Practice Note 18 of the Main Market Listing Requirements of Bursa Securities. Bursa Securities takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

- I. PROPOSED ESTABLISHMENT OF A NEW EMPLOYEES' SHARE OPTION SCHEME OF UP TO 15% OF THE TOTAL NUMBER OF ISSUED SHARES OF BORNEO OIL BERHAD ("BORNOIL") (EXCLUDING TREASURY SHARES, IF ANY) AT ANY POINT IN TIME;
- II. PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION OF BORNOIL; AND
- III. PROPOSED GRANT OF ESOS OPTIONS TO THE DIRECTORS OF BORNOIL

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser



RHB Investment Bank Berhad

(Company No. 19663-P) (A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("EGM") of Borneo Oil Berhad ("Company") which is scheduled to be held at 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007, W.P. Labuan on Monday, 31 July 2017 at 9.00 a.m. or immediately following the conclusion or adjournment of the 33rd Annual General Meeting of the Company ("AGM") scheduled to be held at the same venue and on the same date at 8.00 a.m. whichever is later, together with the Form of Proxy are enclosed herein.

A member entitled to attend, participate, speak and vote at the EGM is entitled to appoint a proxy or proxies to attend, participate, speak and vote on his/ her behalf. In such event, the Form of Proxy should be lodged at the Registered Office of the Company at 1st & 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007 Wilayah Persekutuan Labuan, not less than 48 hours before the time set for holding the EGM, or in the case of a poll, not less than 24 hours before the time appointed for taking the poll, as indicated below. The lodging of the Form of Proxy shall not preclude you from attending, participating, speaking and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy: Saturday, 29 July 2017 at 9.00 a.m.

Date and time of the EGM: Monday, 31 July 2017 at 9.00 a.m. or immediately following the conclusion or adjournment of the 33rd AGM, whichever is later

DEFINITIONS

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

"Act" The Companies Act, 2016

"AGM" Annual General Meeting

"Board" The Board of Directors of Bornoil

"Bornoil" the

"Company"

Borneo Oil Berhad

"Bornoil Group" or the

"Group"

Bornoil and its subsidiary companies, collectively :

"Bornoil Share(s)" or

"Share(s)"

Ordinary share(s) in Bornoil

"Bursa Depository" or

"Depository"

Bursa Malaysia Depository Sdn Bhd

"Bursa Securities" Bursa Malaysia Securities Berhad

"By-laws" The terms and conditions of the Proposed New ESOS as set out therein

and shall include any amendments or variations made thereto from time

to time

"Circular" This circular dated 7 July 2017

"Deed Poll B"

The deed poll dated 18 January 2008 read together with the supplemental deed poll dated 28 October 2015 and second supplemental deed poll dated 30 May 2017, constituting the Warrants B

"Deed Poll C" The deed poll dated 28 September 2015 and supplemental deed poll

dated 30 May 2017, constituting the Warrants C

"Deed Poll D" The deed poll dated 12 May 2017, constituting the Warrants D

"Director(s)" The director(s) of Bornoil and its subsidiaries, which are not dormant,

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 includes:-

in the case of an issuer of structured warrants, a director of the

issuer of the structured warrants: or

in the case of an applicant or listed issuer which is a collective ii.

investment scheme, a director of a management company or a

director of the trustee-manager, as the case may be

"Effective Date" The date for the implementation of the Proposed New ESOS being the

date of full compliance with all relevant requirements of Chapter 6 of the Listing Requirements including the approvals and/ or conditions referred to in By-laws 4.1 and 21 thereof having been obtained and/ or complied

with

"EGM" : Extraordinary General Meeting **DEFINITIONS (CONT'D)**

"Eligible Person(s)" : Director(s) and/ or employee(s) of Bornoil and its subsidiaries, which are

not dormant, who meet the criteria of eligibility for participation in the

Proposed New ESOS in the manner as indicated in By-law 5

"EPS" : Earnings per Share

"ESOS" : Employees' share option scheme, being the scheme for the grant of

ESOS Options to Eligible Persons to subscribe for new Bornoil Shares upon the terms and conditions in the manner as indicated in the By-laws

"ESOS Committee" : The committee, from time to time, appointed and authorised by the

Board to administer the Proposed New ESOS in the manner as

indicated in By-law 18

"ESOS Option(s)" or

"Option(s)"

The right of a Grantee to subscribe for new Bornoil Shares pursuant to

the contract constituted by the selected Eligible Person's acceptance of

an Offer in the manner as indicated in By-law 8

"FYE" : Financial year ended/ ending

"Grantee(s)" : An Eligible Person(s) who has accepted the Offer by the Company in the

manner as indicated in the By-laws

"Listing Requirements" : Main Market Listing Requirements of Bursa Securities

"LPD" : 9 June 2017, 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) excluding a

public holiday and on which Bursa Securities is open for trading of

securities

"NA" : Net assets

"Offer" : An offer made in writing by the ESOS Committee to a selected Eligible

Person in the manner as indicated in By-law 7

"Date of Offer" : The date of the Offer letter from the ESOS Committee, on which an

Offer is made to a selected Eligible Person to participate in the

Proposed New ESOS

"Proposals" : The Proposed New ESOS and the Proposed Amendment, collectively

"Proposed Amendment"

The proposed amendment to the Articles of Association of Bornoil

"Proposed New ESOS" : The proposed establishment of a new employees' share option scheme

of up to 15% of the total number of issued shares of Bornoil (excluding

treasury shares, if any) at any point in time

"RHBIB" or the :

"Adviser"

RHB Investment Bank Berhad

"RM" and "sen" : Ringgit Malaysia and sen, respectively

DEFINITIONS (CONT'D)

"Subscription Price" : The price at which the Grantee shall be entitled to subscribe for each

new Bornoil Share by exercising his/ her ESOS Option as determined in

the manner as indicated in By-law 9

"Warrant(s) B" : 56,634,537 outstanding Warrants 2008/ 2018 in Bornoil as at the LPD,

constituted by the Deed Poll B. Each Warrant B provides the right to the holder of Warrant B to subscribe for one (1) new Bornoil Share during the ten (10)-year exercise period of the Warrants B up to 28 February

2018 at the exercise price of RM0.06 per Warrant B

"Warrant(s) C" : 1,734,679,850 outstanding Warrants 2015/ 2025 in Bornoil as at the

LPD, constituted by the Deed Poll C. Each Warrant C provides the right to the holder of Warrant C to subscribe for one (1) new Bornoil Share during the ten (10)-year exercise period of the Warrants C up to 8

November 2025 at the exercise price of RM0.07 per Warrant C

"Warrant(s) D" : 378,808,984 outstanding Warrants 2017/ 2027 in Bornoil as at the LPD,

constituted by the Deed Poll D. Each Warrant D provides the right to the holder of Warrant D to subscribe for one (1) new Bornoil Share during the ten (10)-year exercise period of the Warrants D up to 29 May 2027

at the exercise price of RM0.07 per Warrant D

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

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

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(Company No.: 121919-H) (Incorporated in Malaysia)

Registered Office

1st & 2nd Floor, Victoria Point Jalan OKK Awang Besar 87007 Wilayah Persekutuan Labuan

7 July 2017

Board of Directors

Tan Kok Chor (Chairman/ Independent Non-Executive Director)
Teo Kiew Leong (Executive Director)
Chan Keng Leong (Executive Director)
Michael Moo Kai Wah (Independent Non-Executive Director)
Seroop Singh Ramday (Independent Non-Executive Director)

To: The Shareholders of Borneo Oil Berhad

Dear Sir/ Madam,

- I. PROPOSED ESTABLISHMENT OF A NEW ESOS OF UP TO 15% OF THE TOTAL NUMBER OF ISSUED SHARES OF BORNOIL (EXCLUDING TREASURY SHARES, IF ANY) AT ANY POINT IN TIME;
- II. PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION OF BORNOIL; AND
- III. PROPOSED GRANT OF ESOS OPTIONS TO THE DIRECTORS OF BORNOIL

1. INTRODUCTION

On 15 June 2017, RHBIB had, on behalf of the Board, announced that the Company proposes to undertake the following:-

- i. Establishment of a new employees' share option scheme of up to 15% of the total number of issued shares of Bornoil (excluding treasury shares, if any) at any point in time; and
- ii. Amendment to the Articles of Association of Bornoil.

On 22 June 2017, RHBIB had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 22 June 2017, resolved to approve the listing of such number of additional new Bornoil Shares, representing up to 15% of the total number of the issued shares of Bornoil, to be issued arising from the exercise of the ESOS Options pursuant to the Proposed New ESOS on the Main Market of Bursa Securities, subject to the conditions as disclosed in Section 6 of this Circular.

The purpose of this Circular is to provide the shareholders of Bornoil with the relevant information on the Proposals, as well as to seek the approval from the shareholders of Bornoil for the resolutions pertaining to the Proposals and the proposed grant of ESOS Options to the Directors of Bornoil to be tabled at the forthcoming EGM of the Company. The notice of the forthcoming EGM and the Form of Proxy are enclosed together with this Circular.

SHAREHOLDERS OF BORNOIL ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS AND THE PROPOSED GRANT OF ESOS OPTIONS TO THE DIRECTORS OF BORNOIL TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

2. DETAILS OF THE PROPOSALS

2.1 Proposed New ESOS

The Proposed New ESOS involves the granting of ESOS Options to the eligible Directors and employees of Bornoil and its subsidiaries, which are not dormant, who meet the criteria of eligibility for participation in the Proposed New ESOS as set out in the By-laws to subscribe for new Bornoil Shares at specified prices to be determined in the manner set out in Section 2.1.5 of this Circular.

The Proposed New ESOS will be administered by the ESOS Committee and shall be governed by the By-laws, a draft of which is set out in Appendix I of this Circular.

For shareholders' information, the Company's previous employees' share option scheme implemented on 28 February 2012 has expired without being extended for any further period.

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

2.1.1 Maximum number of Bornoil Shares available under the Proposed New ESOS

The maximum number of new Bornoil Shares, which may be allotted pursuant to the Proposed New ESOS shall not exceed in aggregate 15% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point in time during the existence of the Proposed New ESOS.

2.1.2 Basis of allotment and maximum allowable allotment

The maximum number of new Bornoil Shares that may be offered to an Eligible Person under the Proposed New ESOS shall be determined at the discretion of the ESOS Committee after taking into consideration, amongst others and where relevant, the performance, contribution, employment grade and/ or length of service of the Eligible Person and shall subject to the following:-

- The Directors and senior management do not participate in the deliberation or discussion of their own allocation;
- 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 shares of Bornoil, must not exceed 10% of the total number of new Bornoil Shares to be issued under the Proposed New ESOS; and

iii. Not more than 50% of the total number of new Bornoil Shares to be issued under the Proposed New ESOS shall be allocated in aggregate to the Directors and senior management of Bornoil and its subsidiaries, which are not dormant, on the basis that they are crucial to the performance of Bornoil Group as determined by the ESOS Committee at their sole and absolute discretion.

The ESOS Committee shall have the discretion in determining whether or not the allocation available shall be staggered over the duration of the Proposed New ESOS.

The ESOS Committee also 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, the Company has yet to determine any specific performance targets which are required to be achieved before the ESOS Options can be exercised 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.

2.1.3 Eligibility

Only Eligible Persons who meet the following conditions as at the Date of Offer are eligible to participate in the Proposed New ESOS:-

- i. he/ she has attained the age of at least 18 years;
- ii. the Director or employee must fall under one (1) of the categories of employees determined at the discretion of the ESOS Committee;
- iii. the Director or employee must have been employed by Bornoil and/ or a subsidiary company within the Group, which is not dormant, and his/ her employment as an Eligible Person must have been confirmed on the Date of Offer (irrespective whether he/ she was transferred to another subsidiary company within the Group);
- iv. if the Director or employee is employed by a company which is acquired, and becomes a subsidiary company of Bornoil upon such acquisition during the duration of the Proposed New ESOS, the Director or employee must be a confirmed employee in that subsidiary company following the date that company becomes or is deemed to be a subsidiary company of the Group;
- v. the Director or employee is an employee of a subsidiary company, which is not dormant.

In the case of a Director or a chief executive or a major shareholder of Bornoil and/ or persons connected to them who is an Eligible Person, their specific allotments under the Proposed New ESOS shall be approved by the shareholders of Bornoil at a general meeting of the Company.

Eligibility, however, does not confer an Eligible Person a claim or right to participate in or any rights whatsoever under the Proposed New ESOS and an Eligible Person does not acquire or have any rights over or in connection with the ESOS Option(s) or the Bornoil Shares comprised in the Proposed New ESOS unless the ESOS Committee has made an Offer to the Eligible Person in the manner as set out in the By-laws and the Eligible Person has accepted the Offer in accordance with the terms of the Offer and the Proposed New ESOS.

2.1.4 Duration

The Proposed New ESOS, when implemented, shall be in force for a period of five (5) years from the Effective Date.

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

2.1.5 Basis of determining the Subscription Price

Subject to any adjustments made under the By-laws and pursuant to the Listing Requirements, the Subscription Price shall be based on the five (5)-day volume weighted average market price of Bornoil 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 the Board upon recommendation of the ESOS Committee which shall be binding and exclusive.

2.1.6 Ranking of the ESOS Options and new Bornoil Shares to be issued arising from the exercise of the ESOS Options

The Grantees will not be entitled to any voting right or participation in any form of distribution and/ or offer of further securities in the Company until and unless such Grantees exercise their ESOS Options into new Bornoil Shares.

The new Bornoil Shares to be allotted upon the exercise of the ESOS Options shall, upon allotment and issuance, rank *pari passu* in all respects with the existing issued Bornoil Shares, save and except that the new Bornoil Shares will not be entitled to any dividends, rights, allotment and/ or other forms of distribution that may be declared, made or paid to shareholders, of which the entitlement date precedes the date of allotment and issuance of the new Bornoil Shares. The new Bornoil Shares will be subject to all provisions of the Memorandum and Articles of Association of Bornoil and such amendments thereafter, if any.

2.1.7 Holding of Bornoil Shares

Pursuant to the Listing Requirements, an eligible Director who is a non-executive Director of Bornoil and/ or any of its subsidiary companies, which are not dormant, shall not sell, transfer or assign the Bornoil Shares obtained through the exercise of the ESOS Options offered to him/ her within one (1) year from the Date of Offer.

Save for the non-executive Directors, the new Bornoil Shares allotted and issued to the Grantees pursuant to the exercise of the ESOS Options will not be subject to any holding period or restriction on transfer, disposal and/ or assignment.

2.1.8 Listing of the new Bornoil Shares to be issued arising from the exercise of the ESOS Options

The approval has been obtained from Bursa Securities vide its letter dated 22 June 2017 for the listing of the new Bornoil Shares to be issued arising from the exercise of the ESOS Options pursuant to the Proposed New ESOS on the Main Market of Bursa Securities.

2.2 Proposed Amendment

The Proposed Amendment involves the amendment to the Articles of Association of Bornoil to facilitate the establishment of the Proposed New ESOS to extend the Proposed New ESOS to both the executive and non-executive Directors of Bornoil.

Article 17(b) of the Articles of Association of Bornoil is proposed to be amended as follows:-

Existing

No Director shall participate in an issue of shares to employees unless shareholders in general meeting have approved of the specific allotment to be made to such Director and unless he holds office in an executive capacity. A Director not holding office in an executive capacity may participate in an issue of shares pursuant to a public offer or a public issue.

Proposed

No Director shall participate in an issue of shares to employees unless shareholders in general meeting have approved of the specific allotment to be made to such Director.

3. UTILISATION OF PROCEEDS

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

The proceeds arising from the exercise of the ESOS Options will be utilised for the working capital requirements of Bornoil Group, as and when received, within the tenure of the ESOS. As such, the exact time frame for utilisation of the proceeds is not determinable at this juncture.

The proceeds for working capital will be utilised to finance the Group's day-to-day operations, amongst others, repayment to trade creditors as well as general expenses such as traveling, staff training, rental of offices and utilities.

The estimated expenses for the Proposals amounts to RM180,000.

4. RATIONALE AND JUSTIFICATION FOR THE PROPOSALS

4.1 Proposed New ESOS

The implementation of the Proposed New ESOS primarily serves to align the interests of the Eligible Persons to the corporate goals of Bornoil Group. The Proposed New ESOS will provide the Eligible Persons with an opportunity to have equity participation in the Company and help achieve the positive objectives as set out below:-

- To recognise the contribution of the Eligible Persons whose services are valued and considered vital to the operations and continued growth of Bornoil Group;
- ii. To motivate the Eligible Persons towards improved performance through greater productivity and loyalty;
- iii. To inculcate a greater sense of belonging and dedication as the Eligible Persons are given the opportunity to participate directly in the equity of the Company; and

iv. To reward the Eligible Persons by allowing them to participate in the Group's profitability and eventually realise any potential capital gains arising from possible appreciation in the value of Bornoil Shares, upon exercising of the ESOS Options.

The Proposed New ESOS is also extended to the non-executive Directors of Bornoil and its subsidiary companies, which are not dormant, as they discharge important functions, and their services and contributions are valued by the Group.

4.2 Proposed Amendment

The Proposed Amendment is undertaken to facilitate the establishment of the Proposed New ESOS to extend the Proposed New ESOS to both the executive and non-executive Directors of Bornoil.

5. EFFECTS OF THE PROPOSALS

The Proposed Amendment will not have any effects on the issued share capital and substantial shareholders' shareholdings of the Company, and the NA per Share, gearing, earnings and EPS of the Group.

The effects of the Proposed New ESOS are set out below:-

5.1 Issued share capital

The Proposed New ESOS is not expected to have an immediate effect on the existing issued share capital of the Company until such time when the ESOS Options to be granted under the Proposed New ESOS are exercised. The issued share capital of the Company will increase progressively depending on the number of new Bornoil Shares to be issued arising from the exercise of the ESOS Options that may be granted under the Proposed New ESOS.

For illustrative purpose, the proforma effects of the Proposed New ESOS on the issued share capital of the Company, based on the assumption that the number of ESOS Options granted amounts to 15% of the total number of issued shares of Bornoil, are set out below:-

| | Minimum s No. of Shares | cenario [#] RM | Maximum No. of Shares | scenario [#] RM |
|---|----------------------------|----------------------------|-----------------------|-----------------------------|
| Issued share capital as at the LPD | 4,545,710,892 | 454,582,319 | 4,545,710,892 | 454,582,319 |
| Shares to be issued assuming all the outstanding Warrants B are exercised | - | - | 56,634,537 | 3,398,072*1 |
| Shares to be issued assuming all the outstanding Warrants C are exercised | - | - | 1,734,679,850 | 121,427,590 ^{*2} |
| Shares to be issued assuming all the outstanding Warrants D are exercised | - | - | 378,808,984 | 26,516,629 ^{*3} |
| - | 4,545,710,892 | 454,582,319 | 6,715,834,263 | 605,924,610 |
| Shares to be issued assuming full exercise of the ESOS Options granted | 681,856,633 | 75,004,230*4 | 1,007,375,139 | 110,811,265*4 |
| Enlarged issued share capital | 5,227,567,525 | 529,586,549 | 7,723,209,402 | 716,735,875 |

Notes:-

* For illustrative purposes, the proforma effects of the Proposed New ESOS shall be based on the following two (2) scenarios:-

Minimum scenario : Assuming none of the outstanding Warrants B, Warrants C and Warrants D are exercised and the Company does not purchase any

additional Shares pursuant to its share buy-back exercise prior to the implementation of the Proposed New ESOS

Maximum scenario : Assuming all the outstanding Warrants B, Warrants C and Warrants

D are exercised and the Company does not purchase any additional Shares pursuant to its share buy-back exercise prior to the

implementation of the Proposed New ESOS

Calculated based on the exercise price of Warrants B of RM0.06 per Warrant B

^{*2} Calculated based on the exercise price of Warrants C of RM0.07 per Warrant C

*3 Calculated based on the exercise price of Warrants D of RM0.07 per Warrant D

Purely for illustrative purpose only, calculated based on RM0.11, being approximately 8.33% discount to the five (5)-day volume weighted average market price of Bornoil Shares up to and including the LPD of RM0.12 per Bornoil Share

5.2 NA per Share and gearing

The Proposed New ESOS is not expected to have an immediate effect on the NA per Share and gearing of the Group until such time when the ESOS Options to be granted under the Proposed New ESOS are exercised. The effects on the NA per Share and gearing of the Group will depend on, amongst others, the Subscription Price of the ESOS Options, the number of new Bornoil Shares to be issued upon the exercise of the ESOS Options and the potential effect on the future earnings of the Group arising from the adoption of the Malaysia Financial Reporting Standards ("MFRS") 2 on share-based payment.

Nevertheless, the Company has taken note of the potential impact of the MFRS 2 on the Group's future NA per Share and shall take into consideration such impact on the allocation and granting of ESOS Options to the Eligible Persons.

5.3 Earnings and EPS

The Proposed New ESOS may have an effect on the earnings of Bornoil Group for the FYE 31 January 2018 and up to ten (10) years (in the event the Proposed New ESOS is extended for a further period of up to five (5) years after the initial five (5)-year period) due to the possible impact of the MFRS 2 on share-based payment. However, any potential effect on the EPS of Bornoil Group in the future would depend on the number of ESOS Options granted and exercised, and the Subscription Price payable upon the exercise of the ESOS Options, as well as the impact of the MFRS 2 on share-based payment.

Under the MFRS 2 on share-based payment, the cost arising from the issuance of the ESOS Options is measured by the fair value of the ESOS Options, which is expected to vest at each Date of Offer and is recognised in the statement of comprehensive income, thereby reducing the earnings of Bornoil Group. The fair value of the ESOS Options is determined after taking into consideration, amongst others, the historical volatility of Bornoil Shares, the risk-free rate, the Subscription Price of the ESOS Options and time to maturity of the ESOS Options from the vesting date of the ESOS Options. Hence, the potential effect on the EPS of Bornoil Group, as a consequence of the recognition of the said cost, cannot be determined at this juncture.

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

5.4 Substantial shareholding structure

Any potential dilutive effect on the substantial shareholders' percentage of shareholdings in Bornoil will depend on the number of ESOS Options granted and new Bornoil Shares to be issued arising from the exercise of the ESOS Options at any point in time. which are not dormant. The Proposed New ESOS is not expected to have an immediate dilutive effect on the substantial shareholders' As at the LPD, none of the substantial shareholders of Bornoil are Directors and/ or employees of Bornoil and its subsidiary companies, percentage of shareholdings in Bornoil until such time when the ESOS Options to be granted under the Proposed New ESOS are exercised.

based on the assumption that the number of ESOS Options granted amounts to 15% of the total number of issued shares of Bornoil, are set For illustrative purposes only, the effects of the Proposed New ESOS on the shareholdings of the substantial shareholders of the Company, out below:-

Minimum Scenario

| | | oldings | Shareholdings as at the LPD | | Assuming full exercise of the ESOS Options granted | l xercise of t granted | of the ESOS Optide | suoi |
|--|------------------|-------------|-------------------------------|-------|--|------------------------------|---------------------------|----------|
| Substantial shareholders | No. of Shares | \ \ ! | No. of No. of Shares % Shares | ļ | No. of No. of No. of Shares % Shares % | / \ | No. of Shares | \ |
| Victoria Limited ^{*1} | 1,298,108,250 | 28.56 | 1 | • | 1,298,108,250 | 24.83 | • | • |
| Victoria Capital Sdn Bhd ("Victoria Capital") ⁷² | 308,220,000 | 6.78 | ı | 1 | 308,220,000 | 5.90 | 1 | 1 |
| Hap Seng Insurance Services Sdn Bhd ("Hap Seng Insurance") | 273,000,000 | 6.01 | • | ı | 273,000,000 | 5.22 | 1 | 1 |
| Dato' Azahar Bin Rasul | 1 | - | - 1,298,108,250 ^{*3} | 28.56 | 1 | , | - 1,298,108,250*3 | 24.83 |
| Rozita @ Noorizam Binti Ajmain | 1 | 1 | 308,220,000 ⁷⁴ | 6.78 | 1 | 1 | 308,220,000 ⁷⁴ | 5.90 |
| Gek Poh (Holdings) Sdn Bhd ("Gek Poh") | 1 | 1 | 273,000,000*5 | 6.01 | 1 | 1 | 273,000,000*5 | 5.22 |
| Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ("Tan Sri Datuk Seri Panglima Lau") | 1 | 1 | 273,000,000° ⁶ | 6.01 | 1 | ı | 273,000,000*6 | 5.22 |

Notes:-

The beneficial owner of the Bornoil Shares held by Victoria Limited is Dato' Azahar Bin Rasul

The beneficial owners of the Bornoil Shares held by Victoria Capital are Rozita @ Noorizam Binti Ajmain (holding 99.99995%) and Reggie Abraham (holding 0.00005%)

"3 Deemed interest by virtue of his substantial interest in Victoria Limited

Deemed interest by virtue of her substantial interest in Victoria Capital

Deemed interest by virtue of being the holding company of Hap Seng Insurance

Deemed interest by virtue of his substantial interest in Gek Poh, being the holding company of Hap Seng Insurance

Maximum Scenario

| | Shareh | oldings as | Shareholdings as at the LPD | | Assuming full Warrants B, V | l exercise Varrants | Assuming full exercise of the outstanding Warrants B, Warrants C and Warrants D | ing D |
|---------------------------------|---------------|------------|-------------------------------|-------|------------------------------------|---------------------------|---|----------|
| Substantial shareholders | <pre></pre> | % | -Urect | | No. of No. of No. of No. of Shares | % | No. of No. of Shares | ^ |
| Victoria Limited [™] | 1,298,108,250 | 28.56 | 1 | 1 | 1,407,574,687 | 20.96 | ı | 1 |
| Victoria Capital ⁻² | 308,220,000 | 82.9 | 1 | 1 | 342,716,949 | 5.10 | 1 | 1 |
| Hap Seng Insurance | 273,000,000 | 6.01 | ı | • | 412,750,000 | 6.15 | ı | • |
| Dato' Azahar Bin Rasul | ı | , | - 1,298,108,250 ^{*3} | 28.56 | 1 | | 1,407,574,687 | 20.96 |
| Rozita @ Noorizam Binti Ajmain | ı | 1 | 308,220,000*4 | 6.78 | 1 | | 342,716,949 ^{*4} | 5.10 |
| Gek Poh | ı | • | 273,000,000*5 | 6.01 | ı | | 412,750,000 ^{*5} | 6.15 |
| Tan Sri Datuk Seri Panglima Lau | 1 | ı | 273,000,000°6 | 6.01 | • | | 412,750,000 ^{*6} | 6.15 |

| | After I and assuming full exercise of the ESOS Options granted | II uming full exercis Options granted | exercise of the E ranted | sos |
|--|--|---|-------------------------------|------------|
| Substantial shareholders | < | × | Ndirect No. of Shares | ^ % |
| Victoria Limited ⁷ | 1,407,574,687 | 18.23 | 1 | ı |
| Victoria Capital Sdn Bhd ⁻² | 342,716,949 | 44.4 | • | ı |
| Hap Seng Insurance | 412,750,000 | 5.34 | ı | 1 |
| Dato' Azahar Bin Rasul | 1 | 1 | - 1,407,574,687 ^{*3} | 18.23 |
| Rozita @ Noorizam Binti Ajmain | 1 | 1 | 342,716,949*4 | 4 44 |
| Gek Poh | ı | 1 | 412,750,000*5 | 5.34 |
| Tan Sri Datuk Seri Panglima Lau | • | 1 | 412,750,000*6 | 5.34 |

Notes:-

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Deemed interest by virtue of his substantial interest in Victoria Limited

Deemed interest by virtue of her substantial interest in Victoria Capital

Deemed interest by virtue of being the holding company of Hap Seng Insurance

Deemed interest by virtue of his substantial interest in Gek Poh, being the holding company of Hap Seng Insurance

5.5 Convertible securities

Save for the Warrants B, Warrants C and Warrants D, the Company does not have any other convertible securities as at the LPD. The Proposed New ESOS will not give rise to any adjustments to the exercise price and/ or number of outstanding Warrants B, Warrants C and Warrants D pursuant to the respective deed polls constituting the Warrants B, Warrants C and Warrants D.

6. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of Bornoil Shares as traded on Bursa Securities for the past 12 months from July 2016 to June 2017 are set out below:-

| | High RM | Low RM |
|--|--|--|
| July August September October November December | 0.195 0.200 0.190 0.190 0.175 0.185 | 0.155 0.170 0.170 0.165 0.145 0.150 |
| 2017 January February March April May June | 0.180 0.180 0.190 0.195 0.195 0.130 | 0.155 0.160 0.160 0.180 0.120 0.105 |
| Last transacted market price on 14 June 2017 (being the date prior to the announcement on the Proposed New ESOS) | | RM0.110 |
| Last transacted market price on the LPD | | RM0.115 |

(Source: Bloomberg)

Conditions

7. APPROVALS REQUIRED/ OBTAINED AND INTER-CONDITIONALITY OF THE PROPOSALS

The Proposals are subject to the following approvals being obtained:-

i. Bursa Securities, which was obtained vide its letter dated 22 June 2017, for the listing of such number of additional new Bornoil Shares, representing up to 15% of the total number of issued shares of Bornoil (excluding treasury shares, if any), to be issued arising from the exercise of the ESOS Options pursuant to the Proposed New ESOS on the Main Market of Bursa Securities, subject to the following conditions:-

Status of compliance

(a) Bornoil and RHBIB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed New ESOS;
 (b) Bornoil and RHBIB to inform Bursa Securities upon the completion of the Proposed New ESOS;
 (c) Bornoil to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed New ESOS is completed;

Conditions Status of compliance

(d) Bornoil to furnish Bursa Securities with a certified true copy of the resolutions passed by shareholders at the extraordinary general meeting for the Proposed New ESOS; To be complied

(e) RHBIB is required to submit a confirmation to Bursa Securities of full compliance of the Proposed New ESOS pursuant to Paragraph 6.43(1) of the Listing Requirements and stating the effective date of implementation; and To be complied

(f) Payment of additional listing fees pertaining to the exercise of ESOS Options, if relevant. In this respect, Bornoil is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of ESOS Options respectively as at the end of each quarter together with a details of the computation of the listing fees payable. Noted and to be complied

- ii. The shareholders of Bornoil, for the Proposals at the forthcoming EGM of the Company; and
- iii. Any other relevant authority, if required.

The Proposed New ESOS and the Proposed Amendment are inter-conditional upon each other. The Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.

The proposed grant of ESOS Options to the Directors of Bornoil are conditional upon the Proposals and the approval from Bursa Securities for the listing of the new Bornoil Shares to be issued arising from the exercise of the ESOS Options on the Main Market of Bursa Securities as well as the approval from shareholders of Bornoil at the forthcoming EGM of the Company.

The voting on the resolutions pertaining to the Proposals and the proposed grant of ESOS Options to the Directors of Bornoil at the forthcoming EGM of the Company will be taken on a poll.

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

All the Directors of Bornoil are eligible to participate in the Proposed New ESOS, and are therefore deemed interested to the extent of their respective proposed allocation under the Proposed New ESOS. Notwithstanding that, all the Directors of Bornoil have deliberated on the Proposed New ESOS, and have agreed to present the Proposed New ESOS to the shareholders of the Company for their consideration and approval.

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

All the Directors of Bornoil will abstain from voting in respect of their direct and/ or indirect shareholdings, if any, at the forthcoming EGM of the Company 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 New ESOS to be tabled at the forthcoming EGM of the Company.

All the Directors of Bornoil 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 allocation, and the proposed allocations to the persons connected to them, if any, to be tabled at the forthcoming EGM of the Company.

All the Independent Non-Executive Directors of Bornoil namely Tan Kok Chor, Michael Moo Kai Wah and Seroop Singh Ramday are non-executive Directors of Bornoil, and therefore deemed interested in the Proposed Amendment. They have and will continue to abstain from all Board deliberations and voting in respect of the Proposed Amendment at the relevant Board meetings. In addition, they will abstain from voting in respect of their direct and/ or indirect shareholdings, if any, in respect of the special resolution to be tabled for the Proposed Amendment at the forthcoming EGM of the Company. They will also 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 special resolution to be tabled for the Proposed Amendment at the forthcoming EGM of the Company.

As at the LPD, all the Directors of Bornoil do not have any direct or indirect shareholding in the Company:-

| | Shareholdings as at the LPD <direct> <indirect></indirect></direct> | | | | |
|---------------------|--|---|---------------|---|--|
| Directors | No. of Shares | % | No. of Shares | % | |
| Tan Kok Chor | - | - | - | - | |
| Teo Kiew Leong | - | - | - | - | |
| Chan Keng Leong | - | - | - | - | |
| Michael Moo Kai Wah | - | - | - | - | |
| Seroop Singh Ramday | - | - | - | - | |

Save as disclosed above, none of the Directors, major shareholders and/ or persons connected to them have any interest, whether direct or indirect, in the Proposals.

9. ESTIMATED TIME FRAME FOR IMPLEMENTATION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposals are expected to be implemented by the third quarter of 2017.

10. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals and the proposed renewal of share buy-back authority for Bornoil to purchase its own ordinary shares to be tabled at the forthcoming 33rd AGM of the Company, the Board is not aware of any other corporate exercise that has been announced but not yet completed as at the date of this Circular.

11. DIRECTORS' RECOMMENDATION

The Board, having considered all aspects of the Proposed New ESOS, including the rationale and justification for the Proposed New ESOS as well as the effects of the Proposed New ESOS as set out in Sections 4 and 5 of this Circular, respectively, is of the opinion that the Proposed New ESOS is in the best interest of the Group. Accordingly, the Board recommends that the shareholders of Bornoil vote in favour of the resolution pertaining to the Proposed New ESOS at the forthcoming EGM of the Company.

The Board (save for the Independent Non-Executive Directors of Bornoil), having considered all aspects of the Proposed Amendment, including the rationale and justification for the Proposed Amendment as set out in Section 4 of this Circular, is of the opinion that the Proposed Amendment is in the best interest of the Group. Accordingly, the Board (save for the Independent Non-Executive Directors of Bornoil) recommends that the shareholders of Bornoil vote in favour of the resolution pertaining to the Proposed Amendment at the forthcoming EGM of the Company.

However, in view that all the Directors of Bornoil are eligible to participate in the Proposed New ESOS, all the Directors of Bornoil have abstained from giving any opinion on their respective proposed allocation and the proposed allocations to the persons connected to them, if any, under the Proposed New ESOS. They have also abstained from making any recommendation for voting in respect of the resolutions pertaining to the proposed allocation to them and the proposed allocations to the persons connected to them, if any, under the Proposed New ESOS to be tabled at the forthcoming EGM of the Company.

For clarification purposes, save for the proposed grant of ESOS Options to all the Directors of Bornoil as set out in the Ordinary Resolutions 2 to 6 in the notice of the forthcoming EGM enclosed together with this Circular, there is no other proposed allocation to any persons connected to them under the Proposed New ESOS to be tabled at the forthcoming EGM of the Company. All the Directors of Bornoil have abstained from giving any opinion and recommendation for voting in respect of their respective proposed allocation under the Proposed New ESOS. Further, the Board is of the opinion that the proposed allocation of ESOS Options to Eligible Persons other than themselves and persons connected to them are in the best interest of the Group and as such, the Board recommends that the shareholders of Bornoil vote in favour of the resolution pertaining to the Proposed New ESOS at the forthcoming EGM of the Company.

12. EGM

The EGM, the notice of which is enclosed in this Circular, is scheduled to be held at 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007, W.P. Labuan on Monday, 31 July 2017 at 9.00 a.m. or immediately after the conclusion or adjournment of the 33rd AGM of the Company to be held at the same venue and on the same date at 8.00 a.m., whichever is later, for the purpose of considering and if thought fit, passing with or without modification, the resolutions to give effect to the Proposals and the proposed grant of ESOS Options to the Directors of Bornoil.

If you are unable to attend, participate, speak and vote in person at the EGM, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions contained therein, to be deposited at the Registered Office of the Company at 1st & 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007 Wilayah Persekutuan Labuan, not less than 48 hours before the time set for holding the EGM, or in the case of a poll, not less than 24 hours before the time appointed for taking the poll. The lodging of the Form of Proxy shall not preclude you from attending, participating, speaking and voting in person at the EGM should you subsequently wish to do so.

13. FURTHER INFORMATION

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

Yours faithfully, For and on behalf of the Board BORNEO OIL BERHAD

TAN KOK CHOR

Chairman/ Independent Non-Executive Director

BORNEO OIL BERHAD EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

1. NAME OF SCHEME

This ESOS shall be called the "Borneo Oil Berhad's ESOS".

2. RATIONALE FOR THE SCHEME

The implementation of the ESOS primarily serves to align the interests of the Eligible Persons (herein defined) to the corporate goals of Bornoil Group. The ESOS will provide the Eligible Persons with an opportunity to have equity participation in the Company and help achieve the positive objectives as set out below:

- (a) To recognise the contribution of the Eligible Persons whose services are valued and considered vital to the operations and continued growth of Bornoil Group;
- (b) To motivate the Eligible Persons towards improved performance through greater productivity and loyalty;
- (c) To inculcate a greater sense of belonging and dedication as the Eligible Persons are given the opportunity to participate directly in the equity of the Company; and
- (d) To reward the Eligible Persons by allowing them to participate in the Group's profitability and eventually realise any potential capital gains arising from possible appreciation in the value of Bornoil Shares, upon exercising of the ESOS Options.

In addition, Bornoil will be able to utilise the proceeds from the exercise of the ESOS Options for its working capital purposes, which is expected to finance the Group's day-to-day operations, amongst others, repayment to trade creditors as well as general expenses such as traveling, staff training, rental of offices and utilities.

3. DEFINITIONS AND INTERPRETATIONS

3.1 In these ESOS By-laws, the following terms shall, unless the context otherwise requires, have the following meanings:

"Act" : The Companies Act, 2016 and any amendments made thereto from

time to time.

"Adviser" : Adviser in relation to a listed issuer, means a person who is permitted

to carry on the regulated activity of advising corporate finance under the Capital Markets and Services Act 2007, which includes a Principal Adviser as defined in the Securities Commission's Principal

Adviser's Guidelines.

"Articles" : Memorandum and Articles of Association of the Company, as

amended from time to time.

"Auditors" The external auditors for the time being of the Company or such

other external auditors as may be nominated by the Board.

"Board" The Board of Directors of Bornoil.

"Bornoil" or "Company" Borneo Oil Berhad.

"Bornoil Group" or

"Group"

Bornoil and its Subsidiaries, collectively.

"Bornoil Share(s)" or

"Share(s)"

Ordinary share(s) in Bornoil.

"Bursa Securities"

Bursa Malaysia Securities Berhad.

"Calendar Days"

Means days according to the Gregorian calendar.

"CDS"

Central Depository System.

"CDS Account"

The account established by the Depository for the recording of deposit and withdrawal of securities and for dealing in such

securities by a depositor.

"Central

Depositories Act"

The Securities Industry (Central Depositories) Act, 1991 and any

amendments made thereto from time to time.

"Date of Acceptance" The date where the ESOS Committee receives written notice from

an Eligible Person accepting an Offer.

"Date of Offer"

The date on which an Offer is made to an Eligible Person by the ESOS Committee from time to time during the Option Period to

participate in the ESOS.

"Depository Rules"

Rules of Depository and any amendments made thereto from time to

time.

"Depository"

Bursa Malaysia Depository Sdn Bhd.

"Director(s)"

All directors of Bornoil and its Subsidiaries, which are not dormant, 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 including

non-executive directors.

"Effective Date"

The date on which the ESOS is implemented in accordance with the ESOS By-Laws as provided in ESOS By-law 4.1 and By-law 21.

"Eligible Person(s)"

A natural person who is a Director or an employee of the Group (which are not dormant companies) and who meets the criteria of eligibility for participation in the ESOS as stipulated under ESOS Bylaw 5 and subject to ESOS By-law 5.3.

"ESOS"

The employee share option scheme for the grant of Options to Eligible Persons to subscribe for new Bornoil Shares upon the terms as set out herein, such scheme to be known as the "Borneo Oil Berhad Employees' Share Option Scheme".

"ESOS Committee"

The committee comprising Directors and senior management personnel appointed by the Board to administer the ESOS. For the avoidance of doubt, no Director and/or senior management shall participate in the deliberation or discussion on their own ESOS allocation.

"ESOS Options" or "Option(s)"

The right of a Grantee to subscribe for such number of Shares at the Subscription Price pursuant to an Offer duly accepted by the Grantee in the manner indicated under ESOS By-law 8.

"Grantee"

Any Eligible Person who has accepted the Offer in the manner as stipulated under the ESOS By-law 8.

"Listing Requirements"

: Main Market Listing Requirements of Bursa Securities including any amendments made thereto from time to time.

"Market Day"

A day on which Bursa Securities is open for official trading in securities.

"Maximum Allowable Allotment" The maximum number of new Bornoil Shares that may be offered and allotted to an Eligible Person in accordance with the provisions of ESOS By-law 6.

"Offer"

A written offer, made by the ESOS Committee from time to time to the Eligible Persons to participate in the ESOS in the manner indicated under ESOS By-law 7.

"Option Period"

The period commencing from the Date of Offer until the expiry date and/or termination of the ESOS or such other date as may be specifically stated in such Offer for an Eligible Person to exercise the Option provided that no Option Period shall extend beyond the duration of ESOS referred to under ESOS By-law 21 hereof or in the event of a termination of the ESOS, the date of termination of the ESOS.

"Person(s) Connected" Person connected as defined in paragraph 1.01 of the Listing Requirements.

"RM" and "Sen"

Ringgit Malaysia and sen respectively.

"Subscription Price"

The price at which the Grantee shall be entitled to subscribe for each new Bornoil Shares as calculated in the manner indicated under ESOS By-law 9.

"Subsidiary"

A company which is for the time being a subsidiary of the Company as defined in Section 4 of the Act.

Section 5 of the Act:

- (1) For the purposes of the Act, a corporation shall, subject to subsection (3), be deemed to be a subsidiary of another corporation, if:—
 - (a) that other corporation:—
 - (i) controls the composition of the board of directors of the corporation;

- (ii) controls more than half of the voting power of the corporation; or
- (iii) holds more than half of the issued share capital of the corporation (excluding any part thereof which consists of preference shares); or
- (b) the first-mentioned corporation is a subsidiary of any corporation which is that other corporation's subsidiary.
- (2) For the purposes of subsection (1)(a)(i), the composition of a corporation's board of directors shall be deemed to be controlled by another corporation if that other corporation by the exercise of some power exercisable by it without the consent or concurrence of any other person can appoint or remove all or a majority of the directors, and for the purposes of Section 4 of the Act that other corporation shall be deemed to have power to make such an appointment if;—
 - (a) a person cannot be appointed as a director without the exercise in his favour by that other corporation of such a power; or
 - (b) a person's appointment as a director follows necessarily from his being a director or other officer of that other corporation.
- (3) In determining whether one corporation is a subsidiary of another corporation:—
 - (a) any shares held or power exercisable by that other corporation in a fiduciary capacity shall be treated as not held or exercisable by it;
 - (b) subject to paragraphs (c) and (d), any shares held or power exercisable:—
 - (i) by any person as a nominee for that other corporation, except where that other corporation is concerned only in a fiduciary capacity; or
 - (ii) by, or by a nominee for, a subsidiary of that other corporation, not being a subsidiary which is concerned only in a fiduciary capacity, shall be treated as held or exercisable by that other corporation;
 - (c) any shares held or power exercisable by any person by virtue of the provisions of any debentures of the corporation or of a trust deed for securing any issue of such debentures shall be disregarded; and
 - (d) any shares held or power exercisable by, or by a nominee for, that other corporation or its subsidiary, not being held or exercisable as mentioned in paragraph (c), shall be treated as not held or exercisable by that other corporation if the ordinary business of that other corporation or its subsidiary, as the case may be, includes the lending of money and the shares are held or power is exercisable as aforesaid by way of security only for the purposes of a transaction entered into in the ordinary course of that business.

(4) A reference in the Act to the holding company of a company or other corporation shall be read as a reference to a corporation of which that last-mentioned company or corporation is a subsidiary.

It includes any Subsidiary existing as at the Effective Date and any Subsidiary incorporated or acquired at any time during the tenure of the ESOS but excludes Subsidiaries which are dormant or have been divested in the manner provided in ESOS By-law 24, and "Subsidiaries" shall be construed accordingly.

VWAMP

Volume weighted average market price.

In these ESOS By-laws:

- 3.2 Any reference to any statute or any statutory provision shall include any regulations and other subordinate legislation made from time to time under that statute or statutory provision and any Listing Requirements, policies and/or guidelines of the relevant authorities (in each case, whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements, policies and/or guidelines are addressed to by Bursa Securities and/or the relevant authorities);
- 3.3 Any reference to any statute or any statutory provision shall include that statute or statutory provision as from time to time modified or re-enacted whether before or after the date of these ESOS By-laws so far as such modification or re-enactment applies or is capable of applying to any Options offered and accepted within the duration of the ESOS and shall also include any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced;
- 3.4 Words importing the singular meaning, where the context so admits, include the plural meaning and vice versa;
- 3.5 Words denoting the masculine gender include the feminine and neuter gender and all such words shall be construed interchangeably in that manner;
- 3.6 Any liberty or power which may be exercised or any determination which may be made hereunder by the ESOS Committee may be exercised in the ESOS Committee's discretion;
- 3.7 The term 'month' means a Gregorian calendar month;
- 3.8 The headings in these ESOS By-laws are inserted for convenience of reference only and shall be ignored in the interpretation and construction of the provisions herein contained; and
- 3.9 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.

4. MAXIMUM NUMBER OF NEW BORNOIL SHARES AVAILABLE UNDER THE SCHEME

4.1 The maximum number of new Bornoil Shares to be allotted and issued pursuant to the exercise of the Options which may be granted under the ESOS shall not exceed fifteen per cent (15%) of the total number of issued shares of the Company (excluding treasury shares) at any point of time throughout the duration of the ESOS as provided in ESOS By-law 21.

- 4.2 Notwithstanding ESOS By-law 4.1 or any other provision herein contained, in the event the maximum number of new Bornoil Shares comprised in the Options granted under the ESOS exceeds the aggregate of fifteen per cent (15%) of the total number of issued shares of the Company (excluding treasury shares) as a result of the Company purchasing its own shares or undertaking any other corporate proposal and thereby resulting in the total number of Shares to be issued under the ESOS exceeding fifteen per cent (15%) of the total number of issued shares of the Company, then,
 - (a) such Options granted prior to the adjustment of the total number of issued shares of the Company (excluding treasury shares) shall remain valid and exercisable in accordance with the provisions of this ESOS By-laws; and
 - (b) no further Options shall be offered until the total number of new Bornoil Shares comprised in the Options granted or to be granted under the ESOS falls below fifteen per cent (15%) of the total number of issued shares of the Company (excluding treasury shares).

5. DETERMINATION OF ELIGIBILITY

- 5.1 Any Director or employee of any company comprised in the Group shall be eligible to be considered for the offer of Options under the ESOS provided that:
 - (a) the Director or employee shall have attained the age of eighteen (18) years on the Date of Offer;
 - (b) the Director or employee must fall under one (1) of the categories of employees determined at the discretion of the ESOS Committee;
 - (c) the Director or employee must have been employed by the Company and/or a Subsidiary and his employment as an Eligible Person must have been confirmed on the Date of Offer, irrespective whether he was transferred to a Subsidiary within the Bornoil Group, in which case he must have been a confirmed employee in that Subsidiary;
 - (d) If the Director or employee is employed by a company which is acquired, and becomes a Subsidiary of the Company upon such acquisition during the duration of the ESOS, the Director or employee must have been a confirmed employee in that Subsidiary following the date that such company becomes or is deemed to be a Subsidiary of the Bornoil Group; and
 - (e) the Director or employee is an employee of a Subsidiary, which is not dormant.
- 5.2 The ESOS Committee may from time to time at its absolute discretion select and identify suitable Eligible Persons to be offered Options.
- 5.3 In addition to the foregoing, where the Directors are eligible to participate in the ESOS, such entitlement under the ESOS must have been approved by the shareholders of the Company in general meeting.
- 5.4 No Eligible Person shall at any one point in time participate or be eligible to participate in more than one (1) share option scheme or share grant scheme (in any form or manner, and local or foreign) implemented by any corporation within the Bornoil Group.

- In determining the eligibility and allocation of an Eligible Person to participate in the ESOS, 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 Subsidiary, and such other factors that the ESOS Committee deems relevant. Selection for participation in the ESOS shall be at the sole and absolute discretion of the ESOS Committee.
- 5.6 Eligibility under the ESOS shall not confer on an Eligible Person a claim or right to participate in or any rights whatsoever under the ESOS and an Eligible Person does not have any rights to acquire or have any rights over or in connection with the Options or the new Bornoil Shares comprised therein unless an Offer has been made in writing by the ESOS Committee to the Eligible Person under ESOS By-law 7 and the Eligible Person has accepted the Offer in accordance with the terms of the Offer and the ESOS.
- 5.7 A set of criteria on eligibility and allocation as determined by the Board from time to time shall be made available to the Eligible Persons. The allocation of the Options pursuant to the ESOS shall be verified by the audit committee at the end of each financial year and the audit committee shall ensure that the eligibility and allocation has been complied with.

6. BASIS OF ALLOCATION AND MAXIMUM ALLOWABLE ALLOTMENT

- 6.1 Subject to any adjustment which may be made under ESOS By-law 17, the aggregate number of new Bornoil Shares that may be offered under the Options and allotted and issued to an Eligible Person shall be at the sole and absolute discretion of the ESOS Committee after taking into consideration, amongst other factors, the job grading, length of service, performance appraisal and past and future contributions of the Eligible Person and such other factors that the ESOS Committee may deem relevant subject to the following ("Maximum Allowable Limit"):
 - (a) not more than ten per cent (10%) of the new Bornoil Shares available under the ESOS shall be allocated to any individual Eligible Person;
 - (b) the Eligible Person who, either singly or collectively through Person Connected with the Eligible Person, holds twenty per cent (20%) or more in the issued share capital of the Company; and
 - (c) Not more than 50% of the total number of new Bornoil Shares to be issued under the Proposed New ESOS shall be allocated in aggregate to the Directors and senior management of Bornoil and its subsidiaries, which are not dormant, on the basis that they are crucial to the performance of Bornoil 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, the Listing Requirements or any other relevant authorities as amended from time to time.

- 6.2 At the time the Offer is made in accordance with ESOS By-law 7, the ESOS Committee shall set out the basis of allotment, identifying the category or grade of the Eligible Person and the Maximum Allowable Allotment for the Eligible Person in the differing categories or grades.
- Any Eligible Person who holds more than one (1) position within the Bornoil Group and by holding such positions, the Eligible Person is in more than one category, shall only be entitled to the Maximum Allowable Allotment of any one of those categories. The ESOS Committee shall be entitled at its discretion to determine the applicable category.

- In the event that an Eligible Person is promoted, the ESOS Committee shall have the sole and absolute discretion in determining the Maximum Allowable Allotment applicable to such Eligible Person, subject always to the availability of the Option and the maximum number of Bornoil Shares available under the ESOS as stipulated under ESOS By-law 4.1 and the Maximum Allowable Allotment as set out in ESOS By-law 6.1.
- An Eligible Person who is demoted to a lower grade for any reason whatsoever shall only be entitled to such Maximum Allowable Allotment corresponding to such demoted category unless the Offer has been made and accepted by him before such demotion, subject always to the maximum number of Bornoil Shares available under the ESOS as stipulated under ESOS By-law 4.1 and the Maximum Allowable Allotment as set out in ESOS By-law 6.1 and where the demoted Eligible Person has accepted the Offer which exceeds the Maximum Allowable Allotment under the category of Employees to which such Eligible Person has been demoted, such Eligible Person shall not be entitled to further allocation under such category.
- The ESOS Committee or the Board may in its discretion introduce additional category or grades of Employees as it deems necessary during the duration of the ESOS.

7. OFFER OF OPTIONS

- 7.1 (a) The ESOS Committee shall, within the duration of the ESOS as specified in ESOS Bylaw 21 hereof, make Offers to any Eligible Person whom the ESOS Committee may in its sole and absolute discretion determine in accordance with the terms of the ESOS.
 - (b) Notwithstanding subsection (a) above, where it involves an Offer to an Eligible Person who is a member of the ESOS Committee, such grant of Options shall be decided by the Board but carried out by the ESOS Committee. However, if a Board member is made an Offer under this By-laws, the said Board member shall abstain from any decision or discussion pertaining to his allotment of Options.
- 7.2 The actual number of new Bornoil Shares which may be offered to an Eligible Person shall be at the discretion of the ESOS Committee and, subject to any adjustment that may be made under ESOS By-law 17, shall be in multiples of and not be less than one hundred (100) Bornoil Shares, but subject to the Maximum Allowable Allotment as set out in ESOS By-law 6.1.
- 7.3 Subject to ESOS By-law 4, nothing herein shall prevent the ESOS Committee from making more than one (1) Offer to an Eligible Person at any point of time after the first Offer provided always that the total aggregate number of new Bornoil Shares to be offered to the Eligible Person (inclusive of Bornoil Shares already offered under previous Offers, if any) shall not exceed the Maximum Allowable Allotment as set out in ESOS By-law 6.1.
- 7.4 No Options will be granted to any Director or a chief executive or a major shareholder of Bornoil and/ or a Person Connected with a Director or a chief executive or a major shareholder of the Company, who is an Eligible Person, unless the grant of Options to that them shall have been previously approved by the shareholders of the Company in general meeting.
- 7.5 Any Offer made by the ESOS Committee shall be made in writing. Such Offer is personal to the Eligible Person to whom the Offer is made, and is non-assignable, non-transferable, non-chargeable and non-disposable in any manner whatsoever.
- 7.6 Unless otherwise approved in writing by the ESOS Committee in its absolute discretion, any Offer shall automatically lapse and be null and void in the event of the death of the Eligible Person or the Eligible Person ceasing to be employed by the Bornoil Group for any reason whatsoever prior to the acceptance of the Offer by the Eligible Person in the manner set out in ESOS By-law 8 hereof.

- 7.7 The ESOS Committee shall in its letter of offer ("Offer Letter") to an Eligible Person set out (amongst others) the number of new Bornoil Shares that may be subscribed for under the Offer, the Maximum Allowable Allotment, the Subscription Price, Option Period, the closing date for acceptance of the Offer and the manner of exercise of the Options.
- 7.8 The Company shall keep and maintain at its expense a register of Grantees and shall enter in that register the names and addresses of the Grantees, the Maximum Allowable Allotment, the number of Options offered and accepted, the number of Options exercised, the Date of Offer and the Subscription Price.
- 7.9 Without prejudice to ESOS By-law 18, in the event the Offer Letter contains an error on the part of the Company in stating any of the particulars in ESOS By-law 7.7 above, the Company shall issue a revised Offer Letter, stating the correct particulars of the Offer within one (1) month of discovering such error and the revised particulars of the Offer shall take effect on the date of the revised Offer Letter except for Options which have already been exercised as at the date of the revised Offer Letter.

8. ACCEPTANCE OF OFFER

- 8.1 The Offer to participate in the ESOS shall be valid for acceptance for a period of thirty (30) days from the Date of Offer or such longer period as may be determined by the ESOS Committee in on a case to case basis at its discretion ("**Prescribed Period**").
- 8.2 If an Eligible Person wishes to accept the Offer made to it under ESOS By-law 8.1, he shall do so within the Prescribed Period by a written notice to the ESOS Committee in the form prescribed by the ESOS Committee and accompanied by a payment to the Company of a nominal non-refundable cash consideration of Ringgit Malaysia One (RM1.00) only for the grant of the Option. The day of receipt of such written notice shall constitute the Date of Acceptance.
- 8.3 If the Offer is not accepted in the manner aforesaid, such Offer shall upon the expiry of the Prescribed Period be deemed rejected by the Eligible Person and shall automatically lapse and shall be null and void and be of no further effect, and the Options may, at the discretion of the ESOS Committee, be re-offered to other Eligible Persons.

9. SUBSCRIPTION PRICE

Subject to any adjustments in accordance with ESOS By-law 17, the Subscription Price shall be determined by the Board upon recommendation of the ESOS Committee and shall be fixed based on the 5-day VWAMP of Bornoil Shares, as quoted on Bursa Securities, immediately preceding the Date of Offer with a discount of not more than ten per cent (10%), if deemed appropriate, or such other percentage of discount as may be permitted by any prevailing guidelines issued by Bursa Securities or any other relevant authorities as amended from time to time during the Option Period. The Subscription Price as determined by the Board shall be conclusive and binding on the Grantee.

10. EXERCISE OF OPTION

10.1 Subject to ESOS By-law 8, an Option granted to an Eligible Person under the ESOS is exercisable by the Eligible Person in full or by such lesser number as the Eligible Person may be entitled under the Option at any time during the Option Period.

If the Option is exercisable in such lesser number by the Eligible Person during the Option Period, the remaining number can be exercised by him from time to time during his lifetime whilst the Grantee is in the employment of the Bornoil Group within the Option Period.

- 10.2 Subject to any adjustments in accordance with ESOS By-law 17, the ESOS Committee may, at any time and from time to time after an Option is granted pursuant to ESOS By-law 7, within the Option Period and impose any other terms and/or conditions deemed appropriate by the ESOS Committee at its sole and absolute discretion including amending/varying any terms and conditions imposed earlier subject always to the provisions of ESOS By-law 17.
- 10.3 The Grantee shall notify the ESOS Committee in writing in the prescribed form of the Grantee's intention to exercise the Option. If the Option is exercised in respect of such lesser number as the Grantee may so decide to exercise provided that the number shall be in multiples of and not less than one hundred (100) Bornoil Shares. Such partial exercise of the Option shall not preclude the Grantee from exercising the Option as to the balance thereof at any time in the future but within the Option Period. In the event the balance of Bornoil Shares exercisable by a Grantee in accordance with these ESOS By-laws shall be less than one hundred (100) Bornoil Shares, the said balance shall, if exercised, must be exercised in a single tranche.
- Every such notice to exercise the Option shall be accompanied by a remittance for the full amount of the Subscription Price monies in relation to the number of Bornoil Shares in respect of which the written notice is given. The Company shall endeavour to allot and issue such new Bornoil Shares to the Grantee in accordance with the provisions of the Articles, the Central Depositories Act and the Depository Rules, despatch the notice of allotment to the Grantee and make an application for the listing of and quotation for the new Bornoil Shares within eight (8) Market Days from the receipt by the Company of the aforesaid notice and remittance from the Grantee or such other period as may be prescribed by Bursa Securities.
- Any failure to comply with the foregoing provisions and/or to provide all information as required in the notice of exercise referred to in ESOS By-law 10.3 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 said notice within fourteen (14) Calendar Days from the date of the rejection and the Grantee shall be deemed not to have exercised his Option.
- 10.6 The Grantee who exercises his Option shall provide the ESOS Committee with his CDS Account number in the notice referred to in ESOS By-law 10.3. The new Bornoil Shares to be issued pursuant to the exercise of an Option will be credited directly into the CDS Account of the Grantee and a notice of allotment and issuance stating the number of new Bornoil Shares credited into the CDS Account will be issued to the Grantee and no physical share certificate will be issued.
- 10.7 All Options to the extent unexercised on the expiry of the Option Period applicable thereto shall lapse and have no further effect.
- 10.8 An eligible Director who is a non-executive Director in the Company shall not sell, transfer or assign the Bornoil Shares obtained through the exercise of Options offered to him within one (1) year from the Date of Offer pursuant to the Listing Requirements as amended from time to time or other prevailing applicable guidelines.
- 10.9 Each Grantee shall at its own cost and expense open a CDS Account and a trading account with a nominee company or a broker approved by the ESOS Committee.
- 10.10 The Company, the Board (including Directors of Bornoil who have resigned but were on the Board during the Option Period) and the ESOS Committee shall not under any circumstances be held liable to any person for any costs, losses, expenses, damages or liabilities, gains or profits foregone howsoever arising in the event of:

- (a) any delay on the part of the Company in procuring Bursa Securities to list and quote the new Bornoil Shares allotted and issued to a Grantee pursuant to the exercise of the Option by the Grantee; and/or
- (b) any delay in crediting the said new Bornoil Shares into the CDS Account of the Grantee with the Nominee; and/or
- (c) any other matter or dealing which is outside the control of the Company.
- 10.11 Every Option shall be subject to the condition that no new Bornoil Shares shall be issued to the Grantee pursuant to the exercise of an Option if such an issue would be contrary to any law, enactment, rules and/or regulations of any legislative or non-legislative body which may be in force during the Option Period or such period as may be extended.

11. NON-TRANSFERABILITY, TERMINATION OF OPTIONS AND SUSPENSION

- 11.1 An Option is personal to the Grantee and it is exercisable only by the Grantee personally during his lifetime whilst he is in the employment of any Group company.
- In the event of the cessation of employment of a Grantee with the Bornoil Group for whatever reason prior to the exercise of his Option or prior to full exercise of his Option, such Option shall cease immediately on the date of such cessation without any claim against the Company PROVIDED ALWAYS THAT subject to the written approval of the Option Committee in its discretion if such cessation occurs by reason of:-
 - (a) retirement on attaining the retirement age under the Bornoil Group's policy;
 - (b) retirement before attaining the normal retirement age but with the consent of the Board;
 - (c) redundancy or any voluntary separation scheme;
 - (d) ill-health, injury, physical or mental disability; or
 - (e) any other circumstances which are acceptable to the ESOS Committee, such Option shall remain exercisable during the Option Period.
- 11.3 An Option shall not be transferred, assigned, disposed of or subject to any encumbrances by the Grantee. Any such transfer, assignment, disposal or encumbrance shall result in the automatic cancellation of the option.
- 11.4 In the event of the death or termination of employment of a Grantee with the Bornoil Group for whatsoever reason prior to the full exercise of an Option, such Option or the balance thereof, as the case may be, shall forthwith become void and cease to have further effect and the Bornoil Shares in respect of such Option may be re-offered to other Eligible Persons at the absolute discretion of the ESOS Committee.
- 11.5 The Option shall immediately become void and of no effect upon the following circumstances:
 - (a) the bankruptcy of the Grantee; or
 - (b) a disciplinary action is taken on the Grantee pursuant to ESOS By-law 11.6; or
 - (c) any other circumstances as may be determined by the ESOS Committee.

- In the event that a Grantee is subject to disciplinary proceedings (whether or not such disciplinary proceedings may give rise to a dismissal or termination of services of such Grantee), the ESOS Committee shall have the right, at its discretion, to suspend the rights of the Grantee to exercise the Grantee's Option(s) pending the outcome of such disciplinary proceedings. The ESOS Committee may impose such terms and conditions as the ESOS Committee shall deem appropriate having regard to the nature of the charges made or brought against such Grantee, PROVIDED ALWAYS that:
 - in the event such Grantee shall subsequently be found not guilty of the charge(s) which gave rise to such disciplinary proceedings, the ESOS Committee shall reinstate the rights of such Grantee to exercise the Grantee's Option(s) as if such disciplinary proceeding had not been instituted in the first place;
 - (b) in the event such Grantee is found guilty of the charge(s) and the same results in the dismissal or termination of service of such Grantee, the Option(s) shall immediately upon pronouncement of the dismissal or termination of service of such Grantee, automatically lapse without notice and thereafter shall be null and void and be of no effect notwithstanding that such recommendation may be subsequently challenged by the Grantee in any other forum; or
 - (c) in the event such Grantee is found guilty of the charge(s) but no dismissal or termination of service is recommended, the ESOS Committee shall have the right to determine at its sole and absolute discretion whether or not the Grantee may continue to exercise the Grantee's Option(s) and, if so, to impose such terms and conditions as it deems appropriate, for the exercise thereof.
- 11.7 Where a Grantee dies before the expiry of the Option Period and at the time of his death held unexercised Options, such Options shall cease immediately on the date of such death without any claim against the Company PROVIDED ALWAYS THAT, subject to the written approval of the ESOS Committee in its discretion, such unexercised Options may be exercised to full by the legal or personal representatives of the Grantee after the date of his death provided that such exercise shall be within the Option Period and shall not be later than twelve (12) months after the date of his death.
- 11.8 If the ESOS Committee in its absolute discretion determine that a Subsidiary is not an eligible Subsidiary for purposes of the ESOS, a Grantee who was in the employment of such Subsidiary and who has not yet exercised the Option shall not be entitled to exercise such Option unexercised on the date such Subsidiary is determined by the ESOS Committee not to be eligible unless the ESOS Committee otherwise decides. Such Grantee shall not be eligible to participate in any further Option. Where the ESOS Committee decides not to allow the Grantee to exercise such Option which is unexercised on the date such Subsidiary is no longer eligible as an eligible Subsidiary, then the Bornoil Shares in respect of such unexercised Option may be re-offered to other Eligible Persons at the discretion of the ESOS Committee.
- 11.9 In the event of the liquidation of the Company, all unexercised or partially exercised Options shall lapse and cease to be valid and be null and void.

12. TAKE OVER OFFER, SCHEME OF ARRANGEMENT, AMALGAMATION, RECONTRUCTION, ETC

12.1 Notwithstanding ESOS By-law 10 and ESOS By-law 21 and subject to the provisions of any applicable statutes, rules, regulations and/or conditions issued by the relevant regulatory authorities, in the event of:

- (a) a take-over offer being made for the Company, under the Capital Markets and Services Act, 2007, Rules on Takeovers, Mergers and Compulsory Acquisitions 2016 and the Malaysian Code on Take-Overs and Mergers 2016, to acquire the whole of the issued ordinary share capital of the Company (or such part thereof not at the time held by the "person making the take-over ("Offeror") or any persons acting in concert with the Offeror), a Grantee will be entitled within such period to be determined by the ESOS Committee, to exercise all or any part of the Grantee's Options and the Directors of Bornoil shall use their best endeavours to procure that such a general offer be extended to the new Bornoil Shares that may be issued pursuant to the exercise of the Options under these ESOS By-laws; and
- (b) the Offeror becoming entitled or bound to exercise the right of compulsory acquisition of new Bornoil Shares under the provisions of any applicable statutes, rules and/or regulations and gives notice to the Company that it intends to exercise such right on a specific date ("Specific Date"), a Grantee who is holding outstanding exercisable Options will be entitled to exercise all or any part of the Grantee's Options from the date of service of the said notice to the Company until and inclusive of the date on which the right of compulsory acquisition is exercised.

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

12.2 In the event the court has sanctioned a compromise or arrangement between the Company and its members for the purpose of, or in connection with, a scheme for reconstruction of the Company or amalgamation with any other company or companies under the provisions of the Act, then the Grantee shall immediately become entitled in the period up to but excluding the date upon which such compromise or arrangement becomes effective, to exercise in whole or in part his Options. All unexercised ESOS Options held by a Grantee shall be automatically terminated on the date upon which such compromise or arrangement becomes effective.

13. RIGHTS ATTACHING TO SHARES

The new Bornoil Shares to be allotted and issued upon the exercise of the Options under the ESOS will, upon allotment, issuance and full payment, rank pari passu in all respects with the then existing issued and paid-up share capital of the Company except that the new Bornoil Shares so allotted and issued will not be entitled to any dividends, rights, allotments or other distributions where the entitlement date (namely the date as at the close of business on which shareholders of the Company must be entered in the Record of Depositors maintained with the Depository in order to be entitled to any dividends, rights, allotments or other distributions) precedes the date of allotment of the new Bornoil Shares and will be subject to all the provisions of the Articles relating to transfer, transmission or otherwise of the Bornoil Shares.

14. RETENTION/RESTRICTION PERIOD OF BORNOIL SHARES

Save for ESOS By-law 10.8, the new Bornoil Shares allotted and issued to a Grantee pursuant to the exercise of an Option will not be subject to any retention period or restriction on transfer. However, the Company encourages Grantees to hold the new Bornoil Shares subscribed for by them for as long as possible although a Grantee or his financier, as the case may be, may sell the new Bornoil Shares subscribed for by the Grantee at any time after such Shares have been credited to the Grantee's or his financier's CDS Account. A Grantee should note that the Shares are intended for him to hold as an investment rather than for immediate realisation to yield a profit.

15. QUOTATION FOR THE NEW BORNOIL SHARES

The new Bornoil Shares (if any) to be allotted and issued to the Grantee pursuant to the exercise of an Option will not be listed or quoted on Bursa Securities, until the Option is exercised in accordance with ESOS By-law 10 whereupon the Company shall, subject to it having obtained the prior written approval of Bursa Securities and/or other relevant authorities, and making applications to Bursa Securities for the listing of and quotation for such additional Bornoil Shares on Bursa Securities, use its best endeavour to obtain permission for dealing therein.

16. OBLIGATION OF COMPANY AS REGARD TO SHARE CAPITAL

The Company shall during the Option Period keep available sufficient approved new Bornoil Shares in the share capital of the Company to satisfy all outstanding Options granted under the ESOS throughout the duration of the ESOS.

17. ALTERATION OF SHARE CAPITAL DURING THE OPTION PERIOD

- 17.1 In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of capitalisation of profit or reserves, rights issue, bonus issue, reduction, subdivision or consolidation of capital or any other variations of capital or howsoever otherwise taking place, the Board shall have the discretion and accordingly assess the practicality of complying with the requirement to cause such corresponding adjustment (if any) to be made to:
 - (i) the Subscription Price;
 - (ii) the number of new Bornoil Shares comprised in the Option or any portion thereof which have not been exercised; and /or
 - (iii) the number of new Bornoil Shares and/or Subscription Price comprised in an Offer which is open for acceptance (if such Offer is subsequently accepted in accordance with the terms of the Offer and the ESOS),

and shall be adjusted in accordance with the following formula:

(a) If and whenever the Company shall make any issue of new Bornoil Shares to ordinary shareholders credited as fully paid, by way of capitalisation of profits or reserves (whether of a capital or income nature), the Subscription Price shall be adjusted by multiplying it by the following fraction:

and the additional number of Options which a Grantee may be entitled to be issued with, shall be calculated as follows:

Additional number of Options =
$$\begin{bmatrix} T x & A+B \\ \hline A & \end{bmatrix}$$
 - T where:

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

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

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

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

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

and in respect of the case referred to in ESOS By-law 15.1(b)(ii) hereof, the additional number of Options which a Grantee may be entitled to be issued with, shall be calculated as follows:

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

where:

- T = T in ESOS By-law 15.1(a);
- C = the Current Market Price (as defined in ESOS By-law 17.1(g)) of each Bornoil Share on the Market Day immediately preceding the date on which the Capital Distribution, or as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation; and
- D = (aa) in the case of an offer or invitation to acquire or subscribe for Bornoil Shares under ESOS By-law 17.1(b)(ii) above or for securities convertible into Bornoil Shares or securities with rights to acquire or subscribe for Bornoil Shares under ESOS By-law 17.1(b)(iii) above, the value of rights attributable to one (1) Bornoil Share (as defined below); or
 - (bb) in the case of any other transaction falling within ESOS By-law 17.1(b), the fair market value, as determined (with the concurrence of the Auditors and/or the Adviser), of that portion of the Capital Distribution attributable to one (1) Bornoil Share.

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

where:

C = C in ESOS By-law 17.1(b);

E = the subscription price for one (1) additional Bornoil Share under the terms of such offer or invitation or one (1) additional security convertible into Bornoil Shares or one (1) additional security with rights to acquire or subscribe for Bornoil Shares;

F = the number of Bornoil Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Bornoil Share or security convertible into Bornoil Shares or with right to acquire or subscribe for Bornoil Shares; and

D* = the value of the rights attributable to one (1) Bornoil Share (as defined below).

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

where:-

C = C in ESOS By-law 17.1(b);

E* = the subscription price for one (1) additional Bornoil Share under the terms of such offer or invitation to acquire or subscribe for Bornoil Shares; and

F* = the number of Bornoil Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Bornoil Share.

For the purpose of ESOS By-law 17.1(b) hereof, "Capital Distribution" shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of Bornoil Shares (other than an issue falling within ESOS By-law 17.1(a)) or other securities issued by way of capitalisation of profits or reserves (whether of a capital or income nature).

Any dividend charged or provided for in the accounts of 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 ordinary shareholders 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 next Market Day following the entitlement date for such issue.

If and whenever the Company makes any offer or invitation to its ordinary shareholders as (c) provided in ESOS By-law 17.1(a)(ii) or ESOS By-law 17.1(a)(iii) above and the entitlement date for the purpose of the allotment is also the entitlement date for the purpose of the offer or invitation, the Subscription Price shall be adjusted by multiplying it by the following fraction:

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

and where the Company makes any allotment to its ordinary shareholders as provided in ESOS By-law 17.1(a) above and also makes any offer or invitation to its ordinary shareholders as provided in ESOS By-law 17.1(b)(ii) above and the entitlement date for the purpose of the allotment is also the entitlement date for the purpose of the offer or invitation, the additional number of Options which a Grantee may be entitled to be issued with, shall be calculated as follows:

where:

B in ESOS By-law 17.1(a); В

С C in ESOS By-law 17.1(b);

the aggregate number of issued and fully paid-up Bornoil Shares on the entitlement G date:

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

Н* the aggregate number of new Bornoil Shares under the offer or invitation to acquire or subscribe for Bornoil Shares by way of rights;

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

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

Т T in ESOS By-law 17.1(a).

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

If and whenever the Company makes any offer or invitation to its ordinary shareholders to acquire (d) or subscribe for Bornoil Shares as provided in ESOS By-law 17.1(b)(ii) together with an offer or invitation to acquire or subscribe for securities convertible into Bornoil Shares or securities with rights to acquire or subscribe for Bornoil Shares as provided in ESOS By-law 17.1(b)(iii) above, the Subscription Price shall be adjusted by multiplying it by the following fraction:

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

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and the additional number of Options which a Grantee may be entitled to be issued with, shall be calculated as follows:

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

where:

C = C in ESOS By-law 17.1(b);

G = G in ESOS By-law 17.1(c);

H = H in ESOS By-law 17.1(c);

 $H^* = H^*$ in ESOS By-law 17.1(c);

I = I in ESOS By-law 17.1(c);

 $I^* = I^*$ in ESOS By-law 17.1(c);

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

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

T = T in ESOS By-law 17.1(a).

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the entitlement date for the above transaction.

(e) If and whenever the Company makes an allotment to its ordinary shareholders as provided in ESOS By-law 17.1(a) and also makes an offer or invitation to acquire or subscribe for Bornoil Shares to its ordinary shareholders as provided in ESOS By-law 17.1(b)(ii) above together with rights to acquire or subscribe for securities convertible into or with rights to acquire or subscribe for Bornoil Shares as provided in ESOS By-law 17.1(b)(iii) above and the entitlement date for the purpose of the allotment is also the entitlement date for the purpose of offer or invitation, the Subscription Price shall be adjusted by multiplying it by the following fraction:

and the additional number of Options which a Grantee may be entitled to be issued with, shall be calculated as follows:

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

where:

B = B in ESOS By-law 17.1(a);

C = C in ESOS By-law 17.1(b);

G = G in ESOS By-law 17.1(c);

H = H in ESOS By-law 17.1(c);

 $H^* = H^*$ in ESOS By-law 17.1(c);

I = $\lim ESOS By-law 17.1(c)$;

 $I^* = I^*$ in ESOS By-law 17.1(c);

J = J in ESOS By-law 17.1(d);

K = K in ESOS By-law 17.1(d); and

T = T in ESOS By-law 17.1(a).

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the next Market Day following the entitlement date for the above transaction.

- (f) If and whenever consolidation or subdivision or conversion of Shares occurs, the Subscription Price shall be adjusted in the following manner:
 - (i) the Subscription Price shall be adjusted by multiplying it by the aggregate number of issued and fully-paid up Shares immediately before such consolidation or subdivision or conversion and dividing the aggregate number of issued and fully paid-up Shares immediately after such consolidation or subdivision or conversion

(ii) the number of Options shall be adjusted by multiplying the aggregate number of issued and fully paid-up Shares immediately after such consolidation or subdivision or conversion and dividing the aggregate number of issued and fully-paid up Shares immediately before such consolidation or subdivision or conversion

where:

the aggregate number of Bornoil Shares issued and fully paid-up immediately before such consolidation or subdivision or conversion;

M = existing Subscription Price

N = the aggregate number of Bornoil Shares immediately after such consolidation or subdivision or conversion.

O = existing number of Options.

Such adjustments will be effective from the close of the Market Day immediately preceding the date on which the consolidation or subdivision or conversion becomes effective.

(g) For the purposes of ESOS By-laws 17.1(b), (c), (d) and (e) above, the "Current Market Price" in relation to one (1) Bornoil Share for any relevant day shall be the average of the last dealt prices for the five (5) consecutive Market Days before such date or during such other period as may be determined in accordance with any guidelines issued, from time to time, by Bursa Securities.

Such adjustments must be confirmed in writing either by the Auditors or the Adviser for the time being (acting as experts and not as arbitrators), upon reference to them by the ESOS Committee, to be in their opinion, fair and reasonable, PROVIDED ALWAYS THAT:

- (a) Any adjustment to the Subscription Price shall be rounded up to the nearest one (1) cent and no adjustment to the Subscription Price shall be made which would result in the Bornoil Shares to be issued on the exercise of any Option being issued at a discount to the par value, and if such an adjustment would but for this provision have so resulted, the Subscription Price payable shall be the par value of the new Bornoil Shares;
- (b) In the event that a fraction of a new Bornoil Share arising from the adjustment referred to in this ESOS By-law would otherwise be required to be issued upon the exercise of an Option by the Grantee, the Grantee's entitlement shall be rounded down to the nearest whole number;
- (c) Upon any adjustment being made pursuant to this ESOS By-law, the ESOS Committee shall, within thirty (30) Calendar Days of the effective date of the alteration in the capital structure of the Company, notify the Grantee (or his legal representatives where applicable) in writing informing him of the adjusted Subscription Price thereafter in effect and/or the revised number of new Bornoil Shares thereafter to be issued on the exercise of the Option; and
- (d) Any adjustments made must be in compliance with the provisions for adjustment as provided in this ESOS By-law.

Nevertheless, any adjustments to the Subscription Price and/or the number of new Bornoil Shares comprised in the Option so far as unexercised arising from bonus issues, need not be confirmed in writing by the Auditors or the Adviser.

- 17.2 The adjustment pursuant to this ESOS By-law shall be effective on the Market Day immediately following the entitlement date for the event giving rise to the adjustment.
- 17.3 No adjustments shall be made to the Subscription Price and/or the number of Bornoil Shares comprised in the Option or any portion thereof that is unexercised when the alteration in the capital structure of the Company arises from:
 - (a) an issue of new Bornoil Shares or other securities convertible into Bornoil Shares or with rights to acquire or subscribe for Bornoil Shares in consideration or part consideration for an acquisition of any other securities, assets or business; or
 - (b) a special issue of new Bornoil Shares or other securities to Bumiputera investors nominated by the Ministry of International Trade and Industry and/or any other government authority to comply with Malaysian Government's policy on Bumiputera capital participation; or
 - (c) a private placement or restricted issue of new Bornoil Shares by the Company; or
 - (d) an issue of new Bornoil Shares arising from the exercise of any conversion rights in respect of any securities convertible into new Bornoil Shares including but not limited to warrants and convertible loan stocks; or
 - (e) an issue of new Bornoil Shares upon the exercise of Options granted under the ESOS; or
 - (f) a purchase by the Company of its own Bornoil Shares.
- 17.4 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to the Act, ESOS By-law 17.1 shall be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which ESOS By-law 17.1 is

applicable, but ESOS By-law 17.1 shall not be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which ESOS By-law 17.3 is applicable.

- Notwithstanding the provision referred to in this ESOS By-law 17, in any circumstances where the Board consider that any adjustment to the Subscription Price and/or the number of Bornoil Shares comprised in the Option or any portion thereof that is unexercised under the said provision should be adjusted or calculated on a different basis or date or should take effect on a different date or that an adjustment to the Subscription Price and/or the number of Bornoil Shares comprised in the Option or any portion thereof should be made notwithstanding that no such adjustment is required under the said provisions, the Company may but it is not obliged to appoint an Adviser and/or the Auditors to consider for any reason whatsoever the adjustment to be made (or the absence of any adjustment) or the adjustment to be made in accordance with the provisions of this ESOS By-law 17 is appropriate or inappropriate, as the case may be and if such Adviser and/or the Auditors shall consider the adjustment to be inappropriate, that adjustment shall be modified or nullified (or an adjustment made even though not required to be made) in such manner as shall be considered by such Adviser and/or the Auditors to be in its opinion appropriate.
- 17.6 The decision of the Board as to whether any adjustment shall be made or not made to the Subscription Price and and/or the number of Bornoil Shares comprised in the Option or any portion thereof pursuant to this ESOS By-law 17 shall be binding, final and conclusive.

18. ADMINISTRATION OF THE SCHEME

The ESOS shall be administered by the ESOS Committee appointed by the Board. The Board shall have the discretion as it deems fit from time to time to approve, rescind and/or revoke the appointment of any person(s) in the ESOS Committee. The ESOS Committee shall be vested with such powers and duties as are conferred upon it by the Board. The ESOS Committee may for the purpose of administering the ESOS do all acts and things and enter into any transaction, agreement, deed, document or arrangement, and make rules, regulations or impose terms and conditions or delegate part of its powers relating to the ESOS, which the ESOS Committee may in its discretion consider to be necessary or desirable to give full effect to the ESOS and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interest of the Company. The ESOS Committee shall comprise representative(s) from the Board and other persons appointed from time to time by the Board.

19. AMENDMENT AND/OR MODIFICATION TO THE SCHEME

- 19.1 Subject to ESOS By-law 19.2,ESOS By-law 19.3 and By-law 25, the ESOS Committee may at any time and from time to time recommend to the Board any additions and amendments to or deletions of these ESOS By-laws as it shall in its discretion think fit and the Board shall have the power by resolution to add to, amend or delete all or any of these ESOS By-laws upon such recommendation subject to the Company submitting a letter of compliance to Bursa Securities each time an amendment is made, that the said amendment to the ESOS By-laws is in compliance with the provisions of the Listing Requirements pertaining to employee share option schemes and Depository Rules pursuant to Paragraph 2.12 of the Listing Requirements.
- 19.2 Subject to ESOS By-law 19.3 and By-law 25, the approval of the shareholders of the Company in general meeting shall not be required in respect of additions or amendments to or deletions of these ESOS By-laws PROVIDED THAT no additions, amendments or deletions shall be made to these ESOS By-laws which would:
 - (a) prejudice any rights which would have accrued to any Grantee without his prior consent; or

- (b) increase the number of Bornoil Shares available under the ESOS beyond the maximum imposed by ESOS By-law 4.1; or
- (c) provide an advantage to any Grantee or group of Grantees or all Grantees.
- 19.3 For the purposes of complying with the provisions of the Listing Requirements, ESOS By-laws 4.1, 5.1, 6.1, 8.2, 9, 10.1, 10.8, 12, 13, 17, 20, 21.3 and this ESOS By-law 19.3 respectively shall not be amended or altered in any way whatsoever for the advantage of Eligible Persons without the prior approval of shareholders in general meeting.

20. LIQUIDATION OF THE COMPANY

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date or soon after it despatches such notice to each member of the Company give notice thereof to all Grantees (together with a notice of the existence of the provisions of this ESOS By-law 20). Each Grantee (or his or her legal personal representative(s)) shall thereupon be entitled to exercise all or any of his Options at any time not later than two (2) business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

In the event that any order is made or a special resolution is passed for the liquidation of the Company, all unexercised or partially exercised Options shall automatically lapse and shall be null and void and have no further effect.

21. DURATION OF THE SCHEME

- 21.1 The Effective Date for the implementation of the ESOS shall be at the date of full compliance with all relevant requirements in the Listing Requirements including the following:
 - (a) submission of the final copy of the ESOS By-laws to Bursa Securities together with a letter of compliance pursuant to paragraph 2.12 of the Listing Requirements and a checklist showing compliance with Appendix 6E of the Listing Requirements;
 - (b) receipt of approval or approval-in-principle, as the case may be from Bursa Securities for the listing and quotation of the new Bornoil Shares to be issued pursuant to the exercise of Options granted under the ESOS;
 - (c) procurement of shareholders' approval for the ESOS;
 - (d) receipt of approval of any other relevant authorities (where applicable); and
 - (e) fulfilment of all conditions attached to the above approvals (if any).
- 21.2 The Adviser of the Company shall submit a confirmation letter to Bursa Securities of full compliance with the relevant requirements of the Listing Requirements stating the Effective Date together with a certified true copy of a resolution passed by the shareholders of the Company in general meeting. The confirmation letter shall be submitted to Bursa Securities no later than five (5) Market Days after the Effective Date.

- 21.3 Subject to ESOS By-law 25, the ESOS shall be in force for a period of five (5) years from the Effective Date and may be extended or renewed (as the case may be) for a further period of up to five (5) years, at the sole and absolute discretion of the Board upon the recommendation by the ESOS Committee, provided always that the initial ESOS period stipulated above and such extension of the ESOS made pursuant to these ESOS By-laws shall not in aggregate exceed a duration of ten (10) years from the Effective Date. For the avoidance of doubt, no further sanction, approval or authorisation of the shareholders of the Company in a general meeting is required for any such extension or renewal (as the case may be).
- 21.4 In the event the Board elects to extend or renew the ESOS for a further period of up to five (5) years as provided in By-law 21.3. The Board may resolve to extend or renew the ESOS on or before the fifth (5th) anniversary of the Effective Date.

22. COSTS AND EXPENSES OF THE SCHEME

All fees and costs incurred in relation to the ESOS including but not limited to the fees, costs and expenses relating to the issue and allotment of the new Bornoil Shares pursuant to the exercise of any Option, shall be borne by the Company save and except for any tax (including income tax), if any, arising from the Offer and/or exercise of any Options under the ESOS.

23. DISPUTES/DIFFERENCES

In case any dispute or difference shall arise between the ESOS Committee and an Eligible Person or a Grantee, as the case may be, as to any matter of any nature arising under the ESOS, the ESOS Committee shall determine such dispute or difference by a written decision (without any obligation to give any reason thereof) given to the Eligible Person or Grantee, as the case may be. The said decision shall be final and binding on the parties.

24. DIVESTMENT FROM AND TRANSFER TO/FROM THE BORNOIL GROUP

- 24.1 If the Grantee who was in the employment of a company in the Bornoil Group which was subsequently divested from the Bornoil Group resulting in that company ceasing to be a Subsidiary, unless approved by the ESOS Committee in writing, the Options unexercised on the date of such company ceasing to be a Subsidiary, shall be null and void and be of no effect. Such Grantee shall not be eligible to participate for further Option(s) under the ESOS.
- 24.2 In the event that the Grantee is transferred from the Bornoil Group to any associated companies of the Bornoil Group (which definition shall be that which is adopted by the Malaysian Accounting Standard Board) or to any related companies (as defined in Section 5 of the Act which provides that where a corporation (a) is the holding company of another corporation; (b) is a subsidiary of another corporation; or (c) is a subsidiary of the holding company of another corporation, that corporation and that other corporation shall for the purposes of this Act be deemed to be related to each other) of the Company which have an existing share option scheme in which the Grantee will be entitled to participate, unless approved by the ESOS Committee in writing, the Options held by such Grantee unexercised on the date of transfer shall be null and void and be of no effect.

24.3 In the event that:

(a) an employee who was employed in a company which is related to the Company pursuant to Section 5 of the Act (that is to say, a company which does not fall within the definition of "Bornoil Group") and is subsequently transferred from such company to any company within the Bornoil Group; or

(b) an employee who was in the employment of a company which subsequently becomes a company within the Bornoil Group as a result of a restructuring or acquisition exercise or otherwise involving the Company and/or any company within the Bornoil Group with any of the first mentioned company stated in (a) above;

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

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

25. TERMINATION OF THE SCHEME

25.1 Subject to compliance with the requirements of Bursa Securities and any other relevant authorities, the Company may terminate the continuation of this ESOS and no further Offers shall be made by the ESOS Committee. For the avoidance of doubt, this By-law 25 shall prevail over the requirements under By-law 19.

All Offers outstanding but not yet accepted by the Eligible Person at the date of the said resolution shall automatically lapse or cease to have effect as at the date of the resolution and the Options yet to be exercised shall automatically lapse or cease to have any effect from the date on which the last of the conditions stipulated in ESOS By-law 25 is fulfilled. The ESOS shall be deemed terminated at the date on which the last of the conditions stipulated in ESOS By-law 25 is fulfilled.

- In the event the Company terminates this ESOS in accordance with the Listing Requirements and these By-laws, the Company must immediately announce on Bursa Securities:
 - (a) the effective date of termination;
 - (b) the number of Options exercised or the Bornoil Shares vested; and
 - (c) the reasons for termination.

26. DISCLAIMER OF LIABILITY

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

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

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

27. RIGHTS OF GRANTEES

- The Options shall not carry any right to attend and vote at any general meeting of the Company. The Grantee shall not in any event be entitled to any dividends, rights or other entitlement on his unexercised Options.
- 27.2 Subject to the Articles, all Grantees are entitled to inspect the latest audited financial statements of the Company during the normal business hours on any working day at the registered office of the Company in Malaysia.

28. ARTICLES OF ASSOCIATION

Notwithstanding the terms and conditions contained herein, if a situation of conflict should arise between the ESOS By-laws and the Articles, the provisions of the Articles shall at all times prevail.

29. NOTICE

- 29.1 Any notice or request which the Company is required to give, or may desire to give, to any Eligible Person or the Grantee pursuant to the ESOS shall be in writing and shall be deemed to be sufficiently given:
 - (a) if it is sent by ordinary post by the Company to the Eligible Person or the Grantee at the last address known to the Company as being his address, such notice or request shall be deemed to have been received three (3) Market Days after posting;
 - (b) if it is delivered by hand to the Eligible Person or the Grantee, such notice or request shall be deemed to have been received on the date of delivery; and

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

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

29.2 Where any notice which the Company or the ESOS Committee is required to give, or may desire to give, in relation to matters which may affect all the Eligible Persons or the Grantee (as the case may be) pursuant to the ESOS, 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).

30. GOVERNING LAW AND JURISDICTION

- 30.1 The ESOS and these ESOS By-laws and all Options granted hereunder shall be governed by and construed in accordance with the laws of Malaysia and the Eligible Person and/or Grantee shall submit to the exclusive jurisdictions of the Courts of Malaysia in all matters connected with the obligations and liabilities of the parties hereto under or arising out of this ESOS By-Laws.
- 30.2 Any proceeding or action shall be instituted or taken in Malaysia and the Eligible Person and/or Grantee irrevocably and unconditionally waives any objection on the ground of venue or forum non conveniens or any other grounds.

31. SUBSEQUENT AND ADDITIONAL SCHEMES

Subject to the approval of Bursa Securities, any other relevant authorities or prevailing guidelines applicable, the Company may establish a new share option scheme after the expiry date of this ESOS if this ESOS is not renewed or upon termination of this ESOS (in accordance with ESOS By-law 25). Should this ESOS is being renewed (in accordance with ESOS By-law 21 of these ESOS By-laws); a new ESOS may be established upon the expiry of the renewal of this ESOS.

If the Company so wishes, it may implement more than one (1) share issuance scheme provided that the aggregate number of shares available under all the schemes do not breach the limit set out in By-law 4.1 and/or the prevailing Listing Requirements.

32. TAXES

All taxes including income tax, if any, arising from the exercise of any Option under this ESOS shall be borne by the Grantee.

33. SEVERABILITY

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

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board, and the 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

RHBIB, 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 INTEREST

RHBIB has given its written confirmation that there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Adviser to Bornoil for the Proposals.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

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

5. MATERIAL COMMITMENTS

Save as disclosed below, as at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the Group which may have a material impact on the financial results/ position of the Group:-

| Capital expenditure commitments | RM'000 |
|---|---------|
| In respect of property, plant and equipment | |
| Authorised and contracted for | |
| Less: Amount paid up to-date | (1,557) |
| | 1,992 |

6. CONTINGENT LIABILITIES

Save as disclosed below, as at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by the Group which, upon becoming enforceable, may have a material impact on the financial results/ position of the Group:-

RM'000

Corporate guarantees given to banks and other financial institutions for credit facilities granted to subsidiary companies

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7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of the Company at 1st & 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007 Wilayah Persekutuan Labuan, during normal business hours (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM of the Company:-

- i. Memorandum and Articles of Association of Bornoil;
- ii. Audited consolidated financial statements of Bornoil Group for the past two (2) financial years up to the FYE 31 January 2017 and the latest unaudited quarterly report of Bornoil Group for the three (3)-month financial period ended 30 April 2017;
- iii. The draft By-laws as set out in Appendix I of this Circular; and
- iv. The letter of consent and declaration of conflict of interest referred to in Sections 2 and 3 above, respectively.

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(Company No.: 121919-H) (Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Borneo Oil Berhad ("Bornoil" or the "Company") will be held at 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007 Wilayah Persekutuan Labuan on Monday, 31 July 2017 at 9.00 a.m., or immediately following the conclusion or adjournment of the 33rd Annual General Meeting of the Company scheduled to be held at the same venue and on the same date at 8.00 a.m., whichever is later, for the purpose of considering and if thought fit, passing with or without modifications, the following resolutions:-

SPECIAL RESOLUTION

PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION OF BORNOIL ("PROPOSED AMENDMENT")

"THAT, subject to the passing of Ordinary Resolution 1, approval be and is hereby given to the Company to alter, modify, vary and amend the Articles of Association of Bornoil in the following manner:-

Article 17(b) of the Articles of Association of Bornoil

Existing

No Director shall participate in an issue of shares to employees unless shareholders in general meeting have approved of the specific allotment to be made to such Director and unless he holds office in an executive capacity. A Director not holding office in an executive capacity may participate in an issue of shares pursuant to a public offer or a public issue.

Proposed

No Director shall participate in an issue of shares to employees unless shareholders in general meeting have approved of the specific allotment to be made to such Director."

ORDINARY RESOLUTION 1

PROPOSED ESTABLISHMENT OF A NEW EMPLOYEES' SHARE OPTION SCHEME OF UP TO 15% OF THE TOTAL NUMBER OF ISSUED SHARES OF BORNOIL (EXCLUDING TREASURY SHARES, IF ANY) AT ANY POINT IN TIME ("PROPOSED NEW ESOS")

"THAT, subject to the passing of the Special Resolution and approvals of the relevant authorities for the Proposed New ESOS, including the approval from Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of the new ordinary shares in Bornoil ("Bornoil Share(s)") to be issued arising from the exercise of the options granted under the Proposed New ESOS ("ESOS Option(s)"), having been obtained and to the extent permitted by law and the Memorandum and Articles of Association of the Company, the Directors of the Company be and are hereby authorised:-

(a) to establish, implement and administer the Proposed New ESOS in accordance with the bylaws of the Proposed New ESOS ("By-laws"), a draft of which is set out in Appendix I of the Circular to Shareholders of the Company dated 7 July 2017 ("Circular") and for such purpose and the utilisation of proceeds as disclosed in Section 3 of the Circular, to approve and adopt the By-laws and to give effect to the Proposed New ESOS with full power to assent to any conditions, variations, modifications and/ or amendments as may be required by the relevant authorities;

- (b) to 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 Bornoil Shares which may from time to time be allotted and issued arising from the exercise of the ESOS Options:
- to allot and issue such number of new Bornoil Shares from time to time as may be required arising from the exercise of the ESOS Options, provided always that the total number of new Bornoil Shares which may be made available under the Proposed New ESOS shall not in aggregate exceed 15% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point in time during the existence of the Proposed New ESOS and such new Bornoil Shares to be issued arising from the exercise of the ESOS Options shall, upon allotment and issuance, rank *pari passu* in all respects with the existing Bornoil Shares, except that the new Bornoil Shares will not be entitled to any dividends, rights, allotment and/ or other forms of distribution that may be declared, made or paid to shareholders, for which the entitlement date precedes the date of allotment of the new Bornoil Shares pursuant to the Proposed New ESOS;
- (d) to modify and/ or amend the Proposed New ESOS and/ or the By-laws from time to time provided that such modifications and/ or amendments are permitted and effected in accordance with the provisions of the By-laws relating to modifications and/ or amendments; and
- (e) to 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 New ESOS and terms of the By-laws 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 2 TO 6

PROPOSED GRANT OF ESOS OPTIONS TO THE DIRECTORS OF BORNOIL

"THAT, subject to the passing of the Special Resolution and Ordinary Resolution 1 and the approvals of the relevant authorities for the Proposed New ESOS, including the approval from Bursa Securities for the listing of the new Bornoil Shares to be issued arising from the exercise of the ESOS Options, having been obtained, approval be and is hereby given to the Board of Directors of the Company, at any time and from time to time throughout the duration of the Proposed New ESOS, to offer and grant to the following Directors of Bornoil, ESOS Options to subscribe for new Bornoil Shares under the Proposed New ESOS:-

| i. | Tan Kok Chor | Ordinary Resolution 2 |
|------|---------------------|-----------------------|
| ii. | Teo Kiew Leong | Ordinary Resolution 3 |
| iii. | Chan Keng Leong | Ordinary Resolution 4 |
| iv. | Michael Moo Kai Wah | Ordinary Resolution 5 |
| ٧. | Seroop Singh Ramday | Ordinary Resolution 6 |

Provided always that:-

- (a) he must not participate in the deliberation or discussion of his own allocation; and
- (b) the allocation to him must not exceed 10% of the total number of new Bornoil Shares to be issued under the Proposed New ESOS if he, either singly or collectively through persons connected with him, holds 20% or more of the total number of issued shares of the Company (excluding treasury shares, if any),

and subject always to such terms and conditions and/ or any adjustments which may be made in accordance with the provisions of the By-laws of the Proposed New ESOS, the Main Market Listing Requirements of Bursa Securities, or any prevailing guidelines issued by Bursa Securities or any other relevant authority, as amended from time to time."

By Order of the Board

CHIN SIEW KIM (L.S. 000982) CHIN CHEE KEE, J.P. (MIA 3040)

Company Secretaries

Wilayah Persekutuan Labuan 7 July 2017

Notes:-

- 1. In respect of deposited securities, only members whose names appear in the Company's Record of Depositors as at 24 July 2017 shall be eligible to attend, participate, speak and vote at this meeting or appoint proxy(ies) to attend, participate, speak and vote on his/ her behalf.
- 2. A member (other than an exempt authorised nominee) of the Company who is entitled to attend, participate, speak and vote at this meeting is entitled to appoint not more than two (2) proxies, and in the case of a corporation, a duly authorised representative to attend, participate, speak and vote in its stead.
- 3. A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar. Where a member appoints more than one (1) proxy, he/ she shall specify the proportions of his/ her shareholdings to be represented by each proxy.
- 4. Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- 5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/ her attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised in writing.
 - 6. The original instrument appointing a proxy must be deposited at the Registered Office of the Company situated at 1st & 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007 Wilayah Persekutuan Labuan, not less than 48 hours before the time set for holding this meeting, or in the case of a poll, not less than 24 hours before the time appointed for taking the poll.

Personal data privacy:-

By submitting an instrument appointing a proxy(ies) and/ or representative(s) to attend, participate, speak and vote at this meeting, 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 this meeting and the preparation and compilation of the attendance lists, minutes and other documents relating to this meeting, 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.



BORNEO OIL BERHAD

(Company No.: 121919-H) (Incorporated in Malaysia)

| | OF | | | |
|--|----|--|--|--|
| | | | | |
| | | | | |

| No. of shares held | |
|--------------------|--|
| CDS account no. | |
| | |

| | CDS account no. | | |
|---------------------------------|---|---------------------|---------------------|
| I/We | *NRIC/ Company No. | | |
| • | (FIII I NAME IN BLOCK CAPITAL) | | |
| of | (FULL ADDRESS) | | |
| | (FULL ADDRESS) | | |
| being | *a member / members of BORNEO OIL BERHAD (121919-H) hereby appoint | | |
| | *NRIC No./ Passport No./ (FULL NAME IN BLOCK CAPITAL) | 2 | |
| | (FULL NAME IN BLOCK CAPITAL) | J | |
| of | (5141.455550) | | |
| | (FULL ADDRESS) | | |
| or faili | ing *him/ her*NRIC No./ Passport No./ (FULL NAME IN BLOCK CAPITAL) | o | |
| | (FULL NAME IN BLOCK CAPITAL) | | |
| of | (FULL ADDRESS) | | |
| | ing *him/ her the Chairman of the Meeting as *my/ our proxy/ proxies to attend, p | | |
| Point, conclu | ry/our behalf at the Extraordinary General Meeting of Borneo Oil Berhad ("Comp Jalan OKK Awang Besar, 87007, W.P. Labuan on Monday, 31 July 2017 at 9 usion or adjournment of the 33rd Annual General Meeting of the Company school n the same date at 8.00 a.m., whichever is later. | .00 a.m. or immedia | ately following the |
| | our proxy is to vote as indicated below:- | | tille same venue |
| ^My/ o | or providing to the contraction across | | tille same venue |
| ^My/ o | 33. p. 5. y 15 to 15 to 25 to 15 to 25 to 15 to | FOR | AGAINST |
| , | CIAL RESOLUTION - PROPOSED AMENDMENT | FOR | |
| SPEC | CIAL RESOLUTION – PROPOSED AMENDMENT DINARY RESOLUTIONS:- | | |
| SPEC | CIAL RESOLUTION – PROPOSED AMENDMENT | | |
| SPE(| CIAL RESOLUTION - PROPOSED AMENDMENT DINARY RESOLUTIONS:- | | |
| SPECORD 1 | CIAL RESOLUTION – PROPOSED AMENDMENT DINARY RESOLUTIONS:- PROPOSED NEW ESOS | | |
| SPECORD 1 | CIAL RESOLUTION – PROPOSED AMENDMENT DINARY RESOLUTIONS:- PROPOSED NEW ESOS PROPOSED GRANT OF ESOS OPTIONS TO TAN KOK CHOR | | |
| SPECORD 1 2 3 | CIAL RESOLUTION – PROPOSED AMENDMENT DINARY RESOLUTIONS:- PROPOSED NEW ESOS PROPOSED GRANT OF ESOS OPTIONS TO TAN KOK CHOR PROPOSED GRANT OF ESOS OPTIONS TO TEO KIEW LEONG | | |
| SPEC ORD 1 2 3 4 | CIAL RESOLUTION – PROPOSED AMENDMENT DINARY RESOLUTIONS:- PROPOSED NEW ESOS PROPOSED GRANT OF ESOS OPTIONS TO TAN KOK CHOR PROPOSED GRANT OF ESOS OPTIONS TO TEO KIEW LEONG PROPOSED GRANT OF ESOS OPTIONS TO CHAN KENG LEONG | | |

resolutions or abstain from voting as the proxy thinks fit.

Strike out whichever is not desired

| Signature of Member(s)/ Common Seal | |
|-------------------------------------|--|
| Date: | |

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Personal Data Privacy:-

By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 7 July 2017.

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| | | AFFIX STAMP |
| | | OTAIVII |
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| | The Company Secretaries | |
| | BORNEO OIL BERHAD (121919-H) 1st & 2nd Floor, Victoria Point | |
| | Jalan OKK Awang Besar 87007 Wilayah Persekutuan Labuan | |
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