
14. SUMMARY OF FIVE (5)-YEAR BUSINESS PLAN

Business and Product Development Plan

The Fotronics Group aims to be the premier technology design house in the production of critical enabling technological components for the electronics, computer/computer peripherals, aerospace and telecommunications industries. The Group has a comprehensive product development plan over the next five (5) years.

The Fotronics Group's business model is to leverage on its competencies in R&D design, process technology and continuous expansion in the following areas:

- (i) Precision manufacturing and engineering; and
- (ii) Precision manufacture and/or assembly of drums and magnetic recording heads, micro-optic components, aerospace parts and components and PHS handphones.

The Fotronics Group's strategy is to locate close to their customers' operations in order to enable them to respond to their customers' needs quickly and to facilitate promptness in the delivery of their products. This strategy is particularly effective due to the presence of ICT based multinational corporations with factories in various parts of China.

R&D Plan

The Fotronics Group places a strong emphasis on R&D and will continue to enhance its position as a leading technology design house that has the capability to provide one stop design and development services to fulfil customers' unique and specific needs. In order to compete in a constantly evolving ICT sector, the Group employs extensive R&D and market intelligence to maintain and increase its competitiveness and position in the market. The R&D research team builds on the existing precision engineering skills and technology available within the Group to develop products and processes with solid conceptual foundation to support the development requirements and specifications of the ICT sector.

In recognising the importance of R&D, Fotronics had entered into a Technical Assistance and Know-How Agreement with FInc in order to allow the Fotronics Group to gain access to Japanese R&D expertise and precision engineering skills. In the near future, the Group will establish Malaysia as its R&D technology conduit for Asia Pacific region.

Human Resource and Recruitment Plan

To establish the Group's competitiveness in the market, the Group will continue to employ additional engineers and workers in Malaysia to support the level of business in the manufacturing and assembling operations, R&D, business planning and marketing. This would enable the Group to increase its earnings base and further enhance its ability to develop products and shorten the product development cycle. The Group recognises the importance of its employees and updates them on the latest developments in the industry as well as increase their expertise and know-how by keeping them abreast with latest updates and methodologies through continuous training via a structured training programme, as and when the need arises.

In addition, the Kaizen method of productivity improvements adopted by the Group enables the Fotronics Group to maintain high levels of productivity and efficiency. In recognition of the employees' contribution to the Group's success, the Group will also be implementing various incentives including performance-oriented salary schemes.

14. SUMMARY OF FIVE (5)-YEAR BUSINESS PLAN (cont'd)

Marketing Plan

The Group intends to employ additional experienced staff in sales and marketing, as part of the Group's plan to market and negotiate its products and services.

The Fotronics Group intends to establish its sales representative office in Phoenix, Arizona, USA for the aerospace parts and components assembly. The Group is currently the approved vendor for Honeywell International Inc. to supply AES and ALS precision components. In addition, the Group also intends to expand its network presence in Europe for its AV products and AV magnetic heads by appointing a few strategic European partners who will act as importers as well as distributors. Currently, the Group is supplying AV magnetic heads to customers in Germany and the Netherlands.

Furthermore, in conjunction with the Group's plans to establish itself as manufacturer of handphones in China, the Group has also been negotiating with various wireless telecommunication vendors in China for the supply of PHS handphones. These plans will provide the Group the ability to further identify business opportunities and increase its client base.

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15. ESOS BYE-LAWS

BYE-LAWS OF FOTRONICS' ESOS

1. DEFINITIONS

1.1 In the ESOS Bye-Laws, the following words shall, unless the context otherwise requires, bear the following meanings:

“Associates”	: Has the same meaning as given in Section 6A(5) of the Companies Act, 1965, as amended from time to time and any re-enactment thereof
“Board”	: The Board of Directors of Fotronics
“Bursa Securities”	: Bursa Malaysia Securities Berhad (<i>formerly known as the Malaysia Securities Exchange Berhad</i>) (635988-W)
“CDS Account”	: A Central Depository System account established by the Bursa Malaysia Depository Sdn Bhd (<i>formerly known as Malaysian Central Depository Sdn Bhd</i>) for the recording of dealing in securities by a depositor
“Date of Expiry”	: The last day of the duration of the Scheme as defined in Clause 19 hereof
“Director”	: A Director of Fotronics (including non-executive director) or any of its subsidiaries (other than a subsidiary which is dormant)
“Eligible Employee”	: An employee or director of the Group who meets the criteria of eligibility for participation in the Scheme as set out in Clause 4 hereof
“ESOS Bye-Laws”	: The bye-laws stated herein presently regulating the ESOS for Fotronics, as may be amended from time to time
“ESOS”	: Employees’ Share Option Scheme
“Executive Director”	: A Director who is on the payroll and who is involved in the day-to-day management of any company in the Fotronics Group
“Fotronics Group” or “Group”	: Fotronics and its subsidiaries (other than a subsidiary which is dormant) as defined in the Companies Act, 1965 (as amended from time to time and any re-enactment thereof)
“Fotronics Shares”	: Ordinary shares of RM0.10 each in the Company
“Fotronics” or “Company”	: Fotronics Corporation Berhad

15. ESOS BYE-LAWS (cont'd)

“Market Day”	: Any day between Monday and Friday (inclusive) which is not a public holiday and on which the Bursa Securities is open for trading of securities
“Non-Executive Director”	: A Director other than an Executive Director
“Offer Date”	: The date on which an Offer (including any subsequent Offer) is made by the Company to an Eligible Employee to participate in the Scheme. Such date however shall commence after the date of the confirmation letter submitted by Fotronics’s adviser referred to in Clause 19 hereof
“Offer”	: An offer made in writing by the Options Committee to an Eligible Employee to subscribe for new Fotronics Shares in the manner indicated in Clause 5 hereof
“Option Holder”	: An Eligible Employee who has accepted an Offer or any part thereof in the manner indicated in Clause 8 hereof
“Option Period”	: The period commencing on the Offer Date and expiring at the end of five (5) years from the Offer Date or such other period as may be specifically stated in the Offer provided no Option Period shall extend beyond the period provided for in Clause 19.2 hereof or in event of a termination of the Scheme, the date of termination of the Scheme
“Option”	: The right of an Option Holder to subscribe for new Fotronics Shares pursuant to a contract constituted by the acceptance of an Offer, in the manner indicated in Clause 8 hereof
“Options Committee”	: The committee duly appointed and authorised by the Board to administer the Scheme
“Scheme”	: The scheme for the grant of Options to Eligible Employees to subscribe for new Fotronics Shares on the terms as set out herein
“Subscription Price”	: The price at which an Option Holder shall be entitled to subscribe for new Fotronics Shares as set out in Clause 7 hereof

1.2 In the ESOS Bye-Laws

- (i) any reference to a statutory provision shall include any subordinate legislation made from time to time under the provision and any listing requirements, policies and/or guidelines of Bursa Securities, 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;

15. ESOS BYE-LAWS *(cont'd)*

- (ii) any reference to a statutory provision shall include that provision as from time to time modified or re-enacted whether before or after the date of the ESOS Bye-Laws so far as such modification or re-enactment applies or is capable of applying to any Option offered and accepted within the duration of the Scheme as stated in Clause 19 hereof 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;
- (iii) words denoting the singular shall include the plural and references to gender shall include both genders and the neuter; and
- (iv) if an event occurs on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day.

2. NAME OF THE SCHEME

This Scheme will be called the "Fotronics Corporation Berhad Employees' Share Option Scheme".

3. TOTAL NUMBER OF FOTRONICS SHARES

The total number of new Fotronics Shares which may be made available under the Scheme shall not exceed ten per cent (10%) (or such other higher percentage as may be permitted by the relevant regulatory authorities) of the total issued and paid-up share capital of the Company at any time during the existence of the Scheme as referred to in Clause 19 hereof.

4. ELIGIBILITY AND ALLOCATION CRITERIA

- 4.1 The Board shall determine and have discretion on the ESOS allocation criteria to all Eligible Employees (including the Directors) of the Group in respect of their participation in the Scheme. The Options Committee shall notify the Eligible Employees of the ESOS allocation criteria (including any amendments thereto) in writing or through posting on a notice board.
- 4.2 Any employee (including Directors) of the Fotronics Group shall be eligible to participate in the Scheme, if as at the Offer Date, the employee:
 - (a) has attained the age of eighteen (18) years;
 - (b) is a confirmed employee of a company that is within the Fotronics Group;
 - (c) is employed full time by and on the payroll of a company within the Fotronics Group; and
 - (d) must be under such categories and of such criteria that the Board may from time to time decide.

In the case of Non-Executive Directors, the eligibility criteria set out in Sub-Clause 4.2 (b) and (c) shall not apply to them.

In the case of the Directors of Fotronics, their specific entitlement under the Scheme shall be approved by the shareholders of the Company in a general meeting.

15. ESOS BYE-LAWS (cont'd)

- 4.3 Eligibility, however, does not confer on an Eligible Employee a claim or right to participate in the Scheme unless an Offer has been made in writing by the Options Committee to the Eligible Employee in the manner as set out in Clause 5 hereof.

5. OFFER

- 5.1 The Options Committee shall, within the duration of the Scheme as set out in Clause 19 hereof, make Offers to any Eligible Employee whom the Board may in its discretion select to subscribe for new Fotronics Shares.
- 5.2 The actual number of Fotronics Shares which may be offered to an Eligible Employee under an Option shall be at the discretion of the Options Committee and, subject to any adjustments that may be made under Clause 15 hereof, shall not be less than one hundred (100) Fotronics Shares and shall always be in multiples of one hundred (100) Fotronics Shares. The number of Fotronics Shares so offered pursuant to the Scheme shall be verified by the Company's external auditors (which is a firm of chartered accountants) as part of its audit exercise, which shall be disclosed in the Company's annual report.
- 5.3 Subject always to Clause 3 hereof, nothing herein shall prevent the Options Committee from making more than one Offer to any Eligible Employee provided always that the total aggregate number of Fotronics Shares to be so offered to any Eligible Employee (inclusive of Fotronics Shares previously offered under the Scheme, if any) shall not exceed the maximum entitlement of the Eligible Employees as set out in Clause 6 hereof.
- 5.4 The Offer shall automatically lapse and be null and void in the event of the death of the Eligible Employee or the Eligible Employee ceasing to be employed by the Fotronics Group for any reason whatsoever prior to the acceptance of the Offer by the Eligible Employee in the manner set out in Clause 8 hereof.
- 5.5 Each Offer shall be made in writing and is personal to the Eligible Employee and is non-assignable.

6. MAXIMUM ENTITLEMENT

Subject to any adjustments which may be made under Clause 15 hereof, the maximum number of new Fotronics Shares that may be offered to an Eligible Employee shall be determined at the discretion of the Options Committee after taking into consideration the performance, designation, the employment grade and length of service of the Eligible Employees, subject to the following:

- (a) not more than fifty per cent (50%) of the new Fotronics Shares available under the Scheme should be allocated, in aggregate, to the directors and senior management of the Fotronics Group; and
- (b) not more than ten per cent (10%) of the new Fotronics Shares available under the Scheme should be allocated to any Eligible Employee, who either singly or collectively through his/her Associates, holds 20% or more in the issued and paid-up capital of the Company.

15. ESOS BYE-LAWS (cont'd)

7. SUBSCRIPTION PRICE

The price at which the Option Holder is entitled to subscribe for each new Fotronics Share may be at a discount of not more than ten per cent (10%) (if deemed appropriate by the Options Committee) from the five (5) day weighted average market price of Fotronics Shares as at the Offer Date or such other pricing mechanism as may be prescribed by Bursa Securities from time to time, subject to such adjustments in accordance with Clause 15 hereof, provided that the Subscription Price shall in no event be less than the par value of the Fotronics Shares.

8. ACCEPTANCE OF THE OFFER

- 8.1 The Offer to participate in the Scheme shall be valid for fourteen (14) days from the Offer Date or such longer period as may be determined by the Options Committee on a fair and equitable basis to all Option Holders at its discretion ("the Validity Period"). The acceptance of an Offer shall be made by way of a written notice from the Eligible Employee to whom the Offer is made to the Options Committee in the form prescribed by the Options Committee. In the event that the Eligible Employee fails to accept the Offer within the Validity Period, the Offer shall be deemed rejected by the Eligible Employee and shall be null and void, and of no effect, and the Fotronics Shares comprised in such Option may, at the discretion of the Options Committee, be re-offered to other Eligible Employees.
- 8.2 Acceptance of the Offer by an Eligible Employee shall be accompanied by the payment of Ringgit Malaysia One (RM1.00) only or such other amount as may be determined at the discretion of the Options Committee as non-refundable consideration for the Option.
- 8.3 After acceptance of the Offer and within thirty (30) days after the last day of the Validity Period and in accordance with the provisions of this Clause, the Options Committee shall issue to the Option Holder a certificate of Option in such form as may be determined by the Options Committee.

9. EXERCISE OF OPTIONS

- 9.1 Subject to Sub-Clause 9.2 hereof, an Option can be exercised by the Option Holder by notice in writing to the Company during the Option Period in respect of all or any part of the Fotronics Shares comprised in the Option, such part being in multiples of one hundred (100) Fotronics Shares. Such partial exercise of an Option shall not preclude the Option Holder from exercising the Option in respect of the balance of the Fotronics Shares comprised in the Option within the Option Period.
- 9.2 The Options Committee may, at any time and from time to time, before an Option is granted, limit the exercise of the Option to a maximum number of shares and/or such percentage of the total Fotronics Shares comprised in the Option during the Option Period and impose any other terms and/or conditions deemed appropriate by the Options Committee in its discretion including amending/varying any terms and conditions imposed earlier.

15. ESOS BYE-LAWS (cont'd)

- 9.3 Every such notice referred to in Sub-Clause 9.1 hereof must be in the form prescribed by the Options Committee from time to time and accompanied by a remittance (calculated in accordance with the provisions of Clause 7 hereof) for the full amount of the subscription monies for the new Fotronics Shares in respect of which the notice is given. Within ten (10) Market Days from the receipt by the Company of the aforesaid notice and remittance from the Option Holder, the Company shall endeavour to allot such Fotronics Shares, despatch such notices of allotment to the Option Holder accordingly, subject to the provisions in the Articles of Association of the Company and make an application for the quotation for the new Fotronics Shares pursuant to Clause 16 herein.
- 9.4 An Option Holder who exercises his/her Option shall provide the Options Committee with his/her CDS Account number in the notice referred to in Sub-Clause 9.1. The new Fotronics Shares to be issued pursuant to the exercise of an Option will be credited directly into the CDS account of the Option Holder and no physical certificate will be issued.
- 9.5 All Options to the extent unexercised on the expiry of the Option Period applicable thereto shall lapse and be null and void and of no further effect.
- 9.6 The Company will undertake to keep available sufficient unissued Fotronics Shares in its authorised share capital to satisfy all outstanding Options, which may be exercisable from time to time during the existence of the Scheme.
- 9.7 In the event that an Option Holder is subject to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service) the Options Committee shall have the right, at its discretion, to suspend the Option pending the outcome of such disciplinary proceedings. The Options Committee may impose such terms and conditions as the Options Committee shall deem appropriate having regard to the nature of the charges made or brought against the Option Holder PROVIDED ALWAYS THAT in the event that such Option Holder shall subsequently be found to be not guilty of the charges which gave rise to such disciplinary proceedings, the Options Committee shall reinstate the rights of such Option Holder to exercise his/her Option.
- 9.8 The Options Committee, Board and Company shall not, under any circumstances be held liable for any costs, expenses, charges and damages whatsoever and howsoever arising in any event relating to the delay on the part of Fotronics in allotting and issuing the new Fotronics Shares or in procuring the approval of the Bursa Securities to list the new Fotronics Shares.

10. RIGHTS ATTACHING TO THE NEW FOTRONICS SHARES

The new Fotronics Shares to be allotted upon any exercise of the Options shall, upon allotment and issue, rank *pari passu* in all respects with the existing issued and fully paid-up ordinary shares of RM0.10 each of the Company save and except that the new Fotronics Shares will not be entitled to any dividends, rights, allotments and/or other distributions where the entitlement date precedes the date of allotment of the new Fotronics Shares. For the purpose hereof, entitlement date means the date at the close of business on which shareholders must be registered in order to participate in any dividends, rights, allotments and/or other distributions. The Option shall not carry any rights to vote at any general meeting of the Company.

15. ESOS BYE-LAWS (cont'd)

11. TERMINATION OF THE OPTION

11.1 In the event of the cessation of employment of an Option Holder with the Fotronics Group for whatever reason prior to the full exercise of an Option, such Option or the balance thereof, as the case may be, shall forthwith cease to be valid without any claim against the Company PROVIDED ALWAYS THAT subject to the written approval of the Options Committee in its discretion, if such cessation occurs by reason of:

- (i) retirement on attaining the retirement age under the Group's retirement policy;
- (ii) retirement before attaining the normal retirement age but with the consent of the Options Committee;
- (iii) ill health, injury, physical or mental disability; or
- (iv) any other circumstances which are acceptable to the Options Committee;

such Option shall remain exercisable during the Option Period.

11.2 An Option shall lapse forthwith upon the resignation of the Option Holder from his/her employment with the Fotronics Group and the Fotronics Shares comprised in such Option or the balance thereof not subscribed for may, at the discretion of the Options Committee, be re-offered to other Eligible Employees.

11.3 In the event of the liquidation of the Company and where a provisional liquidator/ liquidator has been appointed all unexercised or partially exercised Options shall lapse.

11.4 In the event that any subsidiaries shall cease to be a subsidiary of Fotronics, all unexercised or partially exercised Options of Option Holders employed under the said subsidiary shall automatically lapse and be null and void and of no further force and effect and that the Fotronics Shares comprised in such Options or the balance thereof not subscribed for may, at the discretion of the Options Committee, be re-offered to other Eligible Employees.

12. TAKEOVER

Notwithstanding Clause 9 hereof and subject to the provisions of any applicable statutes, rules, regulations and/or conditions issued by the relevant authorities, in the event of:

12.1 a take-over offer being made for the Company through a general offer 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 general offer ("Offeror") or any persons acting in concert with the Offeror) an Option Holder will be entitled within three (3) months of such general offer being made, to exercise all or any part of his/her Options. Any unexercised or partially exercised Options shall automatically lapse and be null and void after the expiry of the said period; and

15. ESOS BYE-LAWS (cont'd)

- 12.2 the Offeror becoming entitled or bound to exercise the right of compulsory acquisitions of Fotronics Shares under the provisions of the Securities Commissions Act, 1993 (as may be amended from time to time and any re-enactment thereof) or Companies Act, 1965 (as may be amended from time to time and any re-enactment thereof) and gives notice to the Company that it intends to exercise such right on a specific date, an Option Holder will be entitled to exercise all or any part of his/her Option from the date of service of the said notice to the Company until and inclusive of the date on which the right of compulsory acquisitions is exercised. Any unexercised or partially exercised Options shall automatically lapse and be null and void after the expiry of the said period;

PROVIDED ALWAYS THAT no Option shall be exercised after the expiry of the Option Period.

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

Notwithstanding Clause 9 hereof and subject to the discretion of the Options Committee, in the event of the court sanctioning a compromise or arrangement between the Company and its members proposed for the purpose of, or in connection with, a scheme of arrangement and reconstruction of the Company under Section 176 of the Companies Act, 1965 or its amalgamation with any other company or companies under Section 178 of the Companies Act, 1965, an Option Holder may be entitled to exercise all or any part of his/her Option at any time commencing from the date upon which the compromise or arrangement is sanctioned by the court and ending with the date upon which it becomes effective PROVIDED ALWAYS THAT no Option shall be exercised after the expiry of the Option Period.

14. RETENTION PERIOD

An Option Holder (with the exception of Non-Executive Directors) may deal with the new Fotronics Shares allotted and issued to him/her in any way he/she pleases without any retention period or restriction of transfer. However, Option Holders who have exercised their Options are encouraged to hold the new Fotronics Shares as investments rather than to realise immediate gain from their disposal.

In the case of Option Holders who are Non-Executive Directors, they must not sell, transfer or assign the new Fotronics Shares allotted and issued to them pursuant to the exercise of Options within one (1) year from the Offer Date.

15. ALTERATION OF SHARE CAPITAL DURING THE OPTION PERIOD

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 issues, bonus issues, reduction, subdivisions or consolidations of capital or otherwise howsoever taking place:

- (i) the Subscription Price;
- (ii) the number of Fotronics Shares comprised in the Option so far as unexercised; and/or
- (iii) the maximum number of shares and/or percentage of the total Fotronics Shares comprised in the Option that may be exercised in a particular year;

may be adjusted in such manner as the external auditors of the Company for the time being (acting as experts and not as arbitrators), upon reference to them by the Options Committee, confirm in writing to be, in their opinion, fair and reasonable, PROVIDED ALWAYS THAT:

15. ESOS BYE-LAWS (cont'd)

- (i) no adjustment to the Subscription Price shall be made which would result in the Fotronics Shares to be issued on the exercise of the Option 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 Fotronics Shares;
- (ii) upon any adjustment being made pursuant to this Clause, the Options Committee shall notify the Option Holder (or his/her legal representatives where applicable) in writing of the adjusted Subscription Price, the adjusted number of Fotronics Shares comprised in the Option and/or the revised maximum number of Fotronics Shares and/or percentage of the total Fotronics Shares comprised in the Option that may be exercised in a particular year; and
- (iii) such adjustments should ensure that the capital outlay to be incurred by the Option Holder in exercising his/her Options remains unaffected.

In the case of the alteration in the capital structure of the Company during the Option Period arising from a bonus issue, the abovesaid written confirmation from the external auditors of the Company is not required.

The adjustment pursuant to this Clause shall be made on the day immediately following the books closure date for the event giving rise to the adjustment.

The provisions of this Clause shall not apply where the alterations in the capital structure of the Company arises from:

- (a) the issue of securities as consideration for an acquisition of any assets by the Company; or
- (b) a special issue of new Fotronics Shares to Bumiputera parties required by any relevant authority to comply with any Government policy; or
- (c) the issue of new Fotronics Shares pursuant to the exercise of warrants and conversion of convertible securities; or
- (d) a private placement/restricted issue of new Fotronics Shares; or
- (e) a reduction of the share capital of the Company as a result of the Company purchasing its own shares pursuant to Section 67A of the Companies Act, 1965; or
- (f) the issue of new Fotronics Shares pursuant to the Scheme.

In the event that the Company carries out a buy-back of its own shares, any unexercised or partially exercised Options shall remain valid and exercisable until the expiry of the Option Period notwithstanding that the number of new Fotronics Shares to be issued pursuant to the exercise of such Options may exceed ten per cent (10%) of the issued and paid-up share capital of the Company at the time of the exercise of the Options.

16. LISTING AND QUOTATION OF FOTRONICS SHARES

The Company will use its best endeavours to obtain permission from the Bursa Securities for the listing of and quotation for all the new Fotronics Shares to be allotted pursuant to the Scheme.

15. ESOS BYE-LAWS (cont'd)**17. ADMINISTRATION**

The Scheme shall be administered by the Options Committee consisting of such persons as shall be appointed by the Board from time to time. The Options Committee shall so administer the Scheme in such manner, as it shall in its discretion deem fit. For the purpose of administering the Scheme, the Options Committee may do all such acts and things and enter into any transactions, agreements, deeds, documents or arrangements, and make rules, regulations or impose terms and conditions or delegate part of its power relating to the Scheme, as the Options Committee may in its discretion deem fit. The Board shall have the power from time to time to rescind the appointment of any person to the Options Committee as it deems fit.

18. AMENDMENT AND/OR MODIFICATION TO THE SCHEME

Subject to the approvals of the relevant authorities (if any), the Board shall have the power at any time and from time to time by resolution to amend all or any of the provisions of the Scheme. This is provided that no such amendment shall be made would prejudice the rights accrued to any Option Holder without the consent or sanction of that Option Holder as if the provisions of the variation of class rights contained in the Articles of Association of the Company for the time being were applicable mutatis mutandis to the Options Holder. Further no such amendment shall be made to the advantage of any Option Holder in respect of any provisions of the Scheme without the prior approval of the Company's shareholders in a general meeting.

19. DURATION AND CONDITIONS OF THE SCHEME

19.1 The Scheme shall be in force for a period of five (5) years commencing from the date of full compliance with all relevant requirements of the Listing Requirements issued by Bursa Securities ("Effective Date") including:

- (i) submission of the final copy of these Bye-laws to Bursa Securities;
- (ii) receipt of approval-in-principle for the listing of the new Fotronics Shares to be issued under the Scheme;
- (iii) procurement of shareholders' approval for the Scheme;
- (iv) receipt of approval from any relevant authorities, where applicable; and
- (v) the fulfilment of all conditions attached to the above approvals, if any.

19.2 The adviser of the Company must submit a confirmation to Bursa Securities of full compliance pursuant to Bye-Law 19.1 above, stating the Effective Date of implementation together with a certified true copy of the relevant resolution passed by shareholders in a general meeting. The submission of the confirmation must be made no later than five (5) Market Days after the Effective Date.

19.3 The Scheme may at the discretion of the Options Committee be extended provided always that the initial scheme period stipulated in Clause 19.1 and such extension of the Scheme made pursuant to this ESOS Bye-Law shall not in aggregate exceed a duration of ten (10) years.

19.4 No further Options shall be granted upon expiration of the initial scheme period stipulated in Clause 19.1 or such extension thereof in the event that the duration of the Scheme is extended pursuant to Clause 19.2.

15. ESOS BYE-LAWS (cont'd)**20. TERMINATION OF THE SCHEME**

Notwithstanding Clause 19 hereof and subject to approval of the relevant authorities, compliance with the requirements of the relevant authorities and the written consent of all Option Holders, the Company in a general meeting may, by ordinary resolution, terminate the continuation of this Scheme at any time and in such an event no further Offer shall be made by the Options Committee from the date of such resolution and any Offers outstanding but not accepted by the Eligible Employee and the Options as yet unexercised or partially exercised at the date of the said resolution shall be deemed to be terminated at the date of such resolution.

21. NON-TRANSFERABILITY OF THE OPTION

The Option granted is personal to the Eligible Employee and is not transferable, chargeable, disposable or assignable in any manner whatsoever except in the event where an Option Holder whilst in the employment of the Company dies (other than in the case of suicide) and with the express consent in writing from the Options Committee, his/her legal representatives may exercise the Option before the expiry of the Option Period or any shorter period which may be imposed by the Options Committee.

22. SUBSEQUENT ESOS

The Company may establish a new ESOS after the expiry of this Scheme or upon the termination of the Scheme pursuant to Clause 20 hereof. However, the new scheme shall be subject to the approval of the Bursa Securities, the Company's shareholders and any other relevant authorities.

23. DISPUTES

23.1 In the event of any dispute or difference between the Options Committee and an Eligible Employee or Option Holder, as to any matter or thing of any nature arising hereunder, the Options Committee shall determine such dispute or difference by a written decision (without the obligation to give any reason therefor) given to the Eligible Employee or Option Holder, as the case may be. The said decision shall be final and binding on the parties unless the Eligible Employee or Option Holder, as the case may be, shall dispute the same by written notice to the Options Committee within fourteen (14) calendar days of the receipt of the written decision, in which case such dispute shall be referred to the decision of the external auditors of the Company for the time being, acting as experts and not as arbitrators, whose decision shall be final and binding in all respects. In the event that the external auditors are unable to reach a decision in respect of a dispute or difference, it shall be referred to arbitration in accordance with the Rules for Arbitration of the Kuala Lumpur Regional Centre for Arbitration ("KLRC"). Only one (1) arbitrator shall be nominated by mutual consent of the parties, failing such consent, the appointing authority shall be the KLRC. The decision by the arbitrator shall be final and binding in all respects.

23.2 The cost incurred in the appointment of the external auditor and the referral of dispute to the arbitrator pursuant to Clause 23.1 above shall be borne by the Eligible Employee or Option Holder.

15. ESOS BYE-LAWS (*cont'd*)

24. COMPENSATION

- 24.1 An Eligible Employee who ceases to hold office or employment shall not be entitled to any compensation for the loss of any right or benefit or prospective right or benefit under the Scheme which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office.
- 24.2 No Eligible Employee or Option Holder or legal representatives shall bring any claim, action or proceeding against the Company or the Options Committee or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension of his/her rights to exercise his/her Option or his/her Option ceasing to be valid pursuant to the provisions of the Clauses herein, as may be amended from time to time in accordance with Clause 18 hereof.

25. INSPECTION OF AUDITED ACCOUNTS

All Option Holders are entitled to inspect the latest audited accounts of the Company during normal office hours on any Market Day at the registered office of the Company.

26. COSTS AND EXPENSES

Subject to Sub-Clause 9.8 and 23.2 hereof, the Company will bear all costs of and incidental to the setting-up and administration of the Scheme.

27. NOT A TERM OF EMPLOYMENT

This Scheme does not form part nor shall it in any way be construed as part of the terms and conditions of employment of any employee.

28. TRANSFER OF EMPLOYEES

In the event:

- (a) an employee or an executive director who was employed in:
- (i) a corporation which is related to the Company pursuant to Section 6 of the Companies Act, 1965 (but excluding any subsidiaries of the Company); or
 - (ii) a corporation which is an associate of the Company; or
 - (iii) a corporation in which the Company is an associate; or
 - (iv) a corporation, which is a subsidiary of the first mentioned corporation, referred to in Bye Law 28(a) (iii) above;

and is subsequently transferred from such corporation to any company within the Group; or

15. ESOS BYE-LAWS (cont'd)

- (b) an employee or an executive director who was in the employment of a corporation referred to in Bye-Law 28(a) above which subsequently becomes a member of the Group pursuant to a corporate exercise, (the corporation in Bye-Law 28(a) above are hereinafter referred to as the "Previous Company"), such an employee or an executive director of the Previous Company (the "Affected Employee") will, if the Affected Employee satisfies all the conditions of these Bye-Laws, be eligible to participate in the Scheme PROVIDED THAT the Affected Employee:
- (i) shall be entitled to continue to exercise all such unexercised or partially exercised option(s) which were granted to him/her under the employee's share option scheme (if any) which he/she was participating (the "Previous ESOS") whilst the Affected Employee was in the employment of the Previous Company in accordance with the bye-laws of such Previous ESOS but he/she shall not, upon such transfer or divestment as the case may be, be eligible to participate for further options of such Previous ESOS;
 - (ii) will only be eligible to participate in the Scheme for its remaining duration; and
 - (iii) if the Affected Employee has participated in a Previous ESOS, the number of new Options to be offered to such Affected Employee under the Scheme shall be ALWAYS SUBJECT to the sole discretion of the Options Committee after taking into consideration, amongst others:
 - (aa) the number of Fotronics Shares as shall be equivalent to the difference between the Affected Employee's total Fotronics Shares entitlement (but always subject to Clause 6 hereof) under the Scheme and the total number of shares which were offered to the Affected Employee under the Previous ESOS;
- OR
- (bb) the number of Fotronics Shares as shall be equivalent to the difference between the Affected Employee's total Fotronics Shares entitlement (but always subject to Clause 6 hereof) under the Scheme and the total number of shares which were exercised by the Affected Employee under the Previous ESOS if the Affected Employee has opted not to exercise the remaining unexercised options which were granted to him/her in the Previous ESOS.

For the avoidance of doubt if there are no Previous ESOS, the Options Committee shall view the Affected Employees as new employees of the Company. Pursuant to this, the eligibility criteria for the Company's ESOS as set out in Clause 4 of the ESOS Bye-Laws shall be applicable to the Affected Employees.

29. ARTICLES OF ASSOCIATION

Notwithstanding the terms and conditions contained in this Scheme, if a situation of conflict should arise between this Scheme and the Articles of Association of the Company, the provisions of the Articles of Association of the Company shall prevail at all times.

30. TAXES

All taxes (including income tax), if any, arising from the exercise of any Option under the Scheme shall be borne by the Option Holder.

16. EXPERTS' REPORTS PERTAINING TO POLICIES ON FOREIGN INVESTMENTS AND REPATRIATION OF PROFITS

(Prepared for inclusion in the Prospectus)

ANG & PARTNERS
ADVOCATES & SOLICITORS

Our Ref: AJ/SW/lmf/2004006029
Your Ref:

23 December 2004

FOTRONICS CORPORATION BERHAD
No. 16, Jalan 227
Seksyen 51A
46100 Petaling Jaya
Selangor, Malaysia

Dear Sirs

FOREIGN INVESTMENT AND THE REPATRIATION OF PROFITS UNDER THE LAWS OF SINGAPORE

1. We understand that Fotronics Corporation Berhad ("Fotronics"), which is incorporated under the laws of Malaysia, has entered into an agreement to acquire the entire issued share capital of M-Precision Centre Pte Ltd, a private limited company incorporated under the laws of Singapore.

We have been requested by Fotronics to advise on the current position under Singapore law regarding foreign investment policy, and the repatriation of profits by a company incorporated in Singapore to a holding company incorporated in Malaysia.

Subject to the qualifications set forth herein:

2. **Foreign Investments in Singapore Companies**

There is no foreign investment legislation in Singapore. Generally, there are no restrictions on foreign ownership of Singapore companies, with the exception of companies operating in certain sectors such as:

- (a) Local retail banking;
- (b) Local legal services;
- (c) Broadcasting and news media; and
- (d) Holding of certain types of residential real estate.

In particular, there are no restrictions on foreign ownership of companies whose business activities are cylinder drum processing and assembly and precision engineering works.

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CONSULTANTS

Goh Phai Cheng, Senior Counsel

Keh Kee Guan
Notary Public/Commissioner for Oaths

ENGLISH LAW CONSULTANT

Prof. Francis Reynolds QC (Hon)

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Zagreb



16. EXPERTS' REPORTS PERTAINING TO POLICIES ON FOREIGN INVESTMENTS AND REPATRIATION OF PROFITS (*cont'd*)

ANG & PARTNERS

23 December 2004

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3. Repatriation of Profits

There are currently no foreign exchange controls in Singapore.

Hence, there are presently no restrictions on the repatriation of profits whether in the form of dividends or interest by a Singapore incorporated company to its holding company incorporated in Malaysia.

4. General

This letter sets out our advice on the specified matters under Singapore laws of general application as at the date hereof. We have not made any investigation of, and do not express any views on, the laws of any other countries.

We do not express or imply any opinion as to matters of fact, and for the purpose of this advice, we have not reviewed any documents nor the facts of any specific circumstances. Our advice only covers matters considered from a legal perspective and is not intended to cover any matters to be considered from a tax, financial, commercial or accounting perspective

This advice is addressed to you solely for your benefit and the benefit of your legal advisors in connection with the proposed listing of Fotronics on the Mesdaq Market of Bursa Malaysia Securities Berhad only and may not be disclosed or quoted to or relied upon by any other person, without our prior written consent in each specific case. Notwithstanding the foregoing, this letter may be included in Fotronics' prospectus to be issued pursuant to its proposed listing on the Mesdaq Market of Bursa Malaysia Securities Berhad, on the basis that it is for disclosure purposes only and may not be relied upon by any party other than you.

Yours faithfully



ANG & PARTNERS

16. EXPERTS' REPORTS PERTAINING TO POLICIES ON FOREIGN INVESTMENTS AND REPATRIATION OF PROFITS (*cont'd*)

RICHARD S. K. CHAN & CO.

CERTIFIED PUBLIC ACCOUNTANTS (practicing)

CHARTERED SECRETARIES

Date: **23 DEC 2004**

FOTRONICS Corporation Berhad
Level 7, Menara Milenium
Jalan Damanela, Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Malaysia

Dear Sirs,

FOREIGN INVESTMENT AND REPATRIATION OF PROFITS UNDER THE LAWS OF HONG KONG SAR

Background

Reference is made to the above in relation to the listing of Fotronics Corporation Berhad ("Fotronics" or the "Company") on the MESDAQ market of Bursa Malaysia Securities Berhad ("Listing Exercise") and the prospectus to be issued pursuant to the Listing Exercise ("Prospectus").

In accordance with item 22.01(g) of Chapter 22 of the Securities Commission Prospectus Guidelines, the Company has requested for our assistance in connection with the following for inclusion in the Prospectus:

- (a) policies on foreign investment in Hong Kong SAR; and
- (b) policies on repatriation of profit of Hong Kong SAR as well as expected timeframe in which profit are to be repatriated to Malaysia.

Foreign Investments in Hong Kong SAR Companies

There is no foreign investment legislation in Hong Kong SAR. With the exception of companies operating in the following industries, there are no restrictions on foreign ownership of Hong Kong SAR companies:

16. **EXPERTS' REPORTS PERTAINING TO POLICIES ON FOREIGN INVESTMENTS AND REPATRIATION OF PROFITS** (*cont'd*)

RICHARD S. K. CHAN & CO.

CERTIFIED PUBLIC ACCOUNTANTS (practicing)

CHARTERED SECRETARIES

- (a) Industries that fall within the public sector and that are not generally open to private enterprise; and
- (b) Banking, insurance and certain other financial services activities.

Repatriation of Profits

There are no foreign exchange controls currently in Hong Kong SAR. Consequently, there are no restrictions on repatriation of profits, whether in the form of dividend or interest, by a Hong Kong SAR company to Malaysia. As such, the expected timeframe for profits to be repatriated to Malaysia by Hong Kong SAR companies is dependent on the ability of such companies to pay dividends to shareholders whether in or outside of Hong Kong.

Our opinion is valid as of the date of this letter. Unless you specifically request otherwise, we will not update this opinion for subsequent changes or modifications to the laws and regulations or to the judicial and administrative interpretation thereof.

We consent to this opinion being, where Fotronics deems it necessary or desirable, to be included in the prospectus to be issued pursuant to the Listing Exercise.

Save as provided in this opinion, this opinion may not be delivered to any other person or entity without our prior written consent.

Yours truly,



RICHARD S.K. CHAN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS (practicing)
CHARTERED SECRETARIES

Unit B, 9/F., Vincent Hse., 513-515 Lockhart Rd., Causeway Bay, Hong Kong.

**16. EXPERTS' REPORTS PERTAINING TO POLICIES ON FOREIGN INVESTMENTS AND
REPATRIATION OF PROFITS (*cont'd*)**

Legal Opinion

BEIJING DING YE LAW FIRM

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16. EXPERTS' REPORTS PERTAINING TO POLICIES ON FOREIGN INVESTMENTS AND REPATRIATION OF PROFITS (*cont'd*)

To: 23 December 2004

Fotronics Corporation Berhad

No. 16, Jalan 227
Seksyen 51A
46100 Petaling Jaya
Selangor, Malaysia

Dear Sirs

PRC LAWS AND REGULATIONS ON REPATRIATION OF PROFITS OUT OF CHINA

At the request of the Directors of Fotronics Corporation Berhad, we are issuing this legal opinion in relation to the laws and regulations of the People's Republic of China ("PRC") on repatriation of profits made by foreign investors in China.

We are duly qualified to practise law within the PRC and are authorised by the PRC Ministry of Justice to practice and issue legal opinions in relation to the PRC laws, and such qualification and authorisation have not been revoked, suspended, restricted or limited in any manner whatsoever. Accordingly, we are duly qualified and authorised to issue this legal opinion.

In relation to repatriation of profits made by foreign investors in China, we have reviewed and considered the following PRC laws and regulations:

1. The Law of People's Republic of China on Sino-foreign Equity Joint Venture Enterprises (中华人民共和国中外合资企业法) adopted on 1 July 1979 and revised on 4 April 1990 and 15 March 2001 by the National People's Congress of China and its Implementing Rules (实施细则) adopted on 20 September 1983 and revised on 15 January 1986, 21 December 1987 and 22 July 2001 by the State Council of China ("EJV Law");
2. The Law of People's Republic of China on Sino-foreign Co-operative Joint Venture Enterprises (中华人民共和国中外合作企业法) adopted on 13 April 1988 and revised on 31 October 2000 by the National People's Congress of China and its Implementing Rules (实施细则) adopted on 7 August 1995 and revised on 4 September 1995 by the State Council of China ("CJV Law");
3. The Law of the People's Republic of China Concerning Enterprises with Sole Foreign Investment (中华人民共和国外资企业法) adopted on 12 April 1986 and revised on 31 October 2000 by the National People's Congress of China and its Implementing Rules (实施细则) adopted on 12 December 1991 and revised on 12 April 2001 by the State Council of China ("WFOE Law");
4. The Rules of the People's Republic of China on Foreign Exchange Control (中华人民共和国外汇管理条例) adopted on 29 January 1996 by the State Council of China and amended on 14 January 1997;

16. EXPERTS' REPORTS PERTAINING TO POLICIES ON FOREIGN INVESTMENTS AND REPATRIATION OF PROFITS (*cont'd*)

5. The Relevant Questions Concerning the Remittance of Profits, Dividends and Bonuses out of China through Designated Exchange Banks Circular (关于外汇指定银行办理利润、股息、红利汇出有关问题的通知) issued on 22 September 1998 by the State Administration of Foreign Exchange
6. The Circular to Amend the Notice The Relevant Questions Concerning the Remittance of Profits, Dividends and Bonuses out of China through Designated Exchange Banks Circular (关于修改《关于外汇指定银行办理利润、股息、红利汇出有关问题的通知》的通知) issued on 14 September 1999 by the State Administration of Foreign Exchange.

The EJV Law provides that after payment of equity joint venture income tax pursuant to the tax laws of the PRC and after deductions reserve funds, employee bonus and welfare funds and enterprise development funds, the net profit of an equity joint venture in China shall be distributed between the investors of the joint venture in proportion to their investment contribution to the registered capital of the joint venture. Net profit received by a foreign partner after executing obligations prescribed by the relevant laws, agreements and contracts may be remitted abroad in accordance with the foreign exchange control regulations and in the currency specified in the joint venture contract.

The CJV Law provides that dividends received after a foreign investor has fulfilled all obligations as prescribed in the laws and regulations and the provisions in the joint venture contract may be remitted abroad in accordance with the law.

The Foreign Enterprise Law provides that after payment of taxes, a wholly foreign-owned enterprise must make contributions to a reserve fund and an employee bonus and welfare fund. The allocation ratio for the employee bonus and welfare fund may be determined by the enterprise. However, at least 10% of the after tax profits must be allocated to the reserve fund. If the cumulative total of allocated reserve funds reaches 50% of an enterprise's registered capital, the enterprise will not be required to make any additional contribution. The enterprise is prohibited from distributing dividends unless the losses (if any) of previous years have been made up.

According to the Circular, a foreign investor that intends to remit the dividends it receives from a joint venture enterprise or wholly foreign owned enterprise shall submit the following documents to the designated exchange bank:

1. Certificate of payment of tax and tax returns or certificate of tax exemption;
2. Audit report issued by a registered public accountant;
3. Board resolution on distribution of profits;
4. Foreign exchange registration certificate;
5. Capital verification report issued by a registered public accountant; and
6. Other documents as may be required by the State Administration of Foreign Exchange.

There is no timing restriction on repatriation of profit and the withholding tax on profit received by a foreign investor from its investment project in China is waived under PRC law.

We understand that this legal opinion is for use of Fotronics Corporation Berhad and its advisor, Avenue Securities Sdn. Bhd. and legal advisor, Mazlan & Associates for inclusion in the prospectus to issued pursuant to its proposed listing on the Mesdaq Market of Bursa Malaysia Securities Berhad.

**16. EXPERTS' REPORTS PERTAINING TO POLICIES ON FOREIGN INVESTMENTS AND
REPATRIATION OF PROFITS *(cont'd)***

Yours faithfully

A handwritten signature in black ink, appearing to read 'Ding Ye', is written over the typed name.

Beijing Ding Ye Law Firm

17. LEGAL OPINIONS ON THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS

(Prepared for inclusion in the Prospectus)

ANG & PARTNERS

ADVOCATES & SOLICITORS

Our Ref: AJ/SW/lmf/2004006021
Your Ref:

23 December 2004

Fotronics Corporation Berhad
No. 16, Jalan 227
Seksyen 51A
46100 Petaling Jaya
Selangor, Malaysia

Dear Sirs

SHARE PURCHASE AGREEMENT DATED 28th FEBRUARY 2004 BETWEEN SEAH WEE KIAT WILLIE, NG KWOK LEUNG GEORGE, SEAH BAK SENG, YAUW ENTERPRISE PTE LTD (AS VENDORS), AND FOTRONICS CORPORATION BERHAD (AS PURCHASER) RELATING TO 100% OF THE EQUITY SHARE CAPITAL OF M-PRECISION CENTRE PTE. LTD. (THE "COMPANY") (THE "AGREEMENT")

1. We have been requested by Fotronics Corporation Berhad to deliver this opinion in connection with the proposed listing of Fotronics Corporation Berhad on the Mesdaq Market of Bursa Malaysia Securities Berhad.
2. In giving our opinion, we have reviewed only the copy of the Agreement dated 28th February 2004 which is annexed hereto. Unless otherwise defined herein or the context requires otherwise, the terms defined in the Agreement shall have the same meaning in this opinion.
3. For the purpose of giving this opinion, we have assumed the following:
 - a. that the Agreement is legal, valid, binding and enforceable (both substantively and procedurally) in accordance with its terms for all purposes under the laws of Malaysia by which it is expressed to be governed and in the jurisdictions (other than Singapore) where they are to be performed;
 - b. that the copy of the Agreement annexed hereto is true, accurate and complete (save for the Audited Accounts at Appendix 1, which we have not reviewed) and that the signatures thereon are genuine;

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Notary Public/Commissioner for Oaths

ENGLISH LAW CONSULTANT

Prof. Francis Reynolds QC (Hon)

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17. LEGAL OPINIONS ON THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS (cont'd)

ANG & PARTNERS

23 December 2004

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- c. the capacity, power and authority of each party to the Agreement (and where such party is a corporation, the capacity, power and authority of the person acting on behalf of such corporation) to enter into and to perform their respective obligations under the Agreement;
- d. the correctness of all facts and information stated or given in the Agreement;
- e. that all consents, approvals, permits, licences, exemptions, waivers or orders required from and all filing or registration with any governmental or regulatory body or agency outside Singapore and all stamping and other requirements outside Singapore in connection with the execution, delivery, performance, legality, validity and enforceability of the Agreement have or will have been duly obtained or fulfilled and are in full force and effect;
- f. that all consents, approvals, exemptions or waivers required under the memorandum and articles of association of the Company, the Purchaser and the corporate Vendor or any other agreement, arrangement or understanding binding on or applicable to the Company or to which any of the parties under the Agreement is a party or by which any of the property or assets of any of the parties or the Company is bound, for the execution, delivery or performance of the Agreement have or will have been duly obtained or fulfilled and are in full force and effect;
- g. that there are no provisions of the laws of any jurisdiction outside Singapore which would be contravened by the execution, delivery or performance of the Agreement and that, in so far as any obligation under the Agreement falls to be performed in any jurisdiction outside Singapore, its performance will not contravene, violate or be affected by any provisions of the laws of such jurisdiction or be contrary to the public policy of that jurisdiction;
- h. in respect of each party which is a corporation, that in entering into the Agreement, such party did so in good faith and for the purposes of carrying on its legitimate business and that, at the time of entering into the Agreement, there were reasonable grounds for the board of directors of such party to believe that such action and the assumption and performance by such party of its obligations under the Agreement would be of commercial benefit to such party;
- i. None of the parties is or will be seeking to achieve any purpose not apparent from the Agreement which might render the Agreement or any of the transactions contemplated therein illegal or void;
- j. The Company, and every party that is a corporation, has complied with or will comply with all applicable corporate secretarial formalities in respect of the approval, stamping and registration of the transfer of the Sale Shares;
- k. The only business activities carried on by the Company are as set out

17. LEGAL OPINIONS ON THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS *(cont'd)*

ANG & PARTNERS

23 December 2004

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in Schedule 2 of the Agreement;

1. In relation to each party which is a corporate entity:
 - (1) it has not passed a voluntary winding-up resolution or a resolution to appoint a liquidator or administrator and no step has been taken by its directors in relation to obtaining a moratorium or making proposals for a voluntary arrangement;
 - (2) no petition has been presented, application made or notice given by any person, and no order has been made by any court, for its winding up, dissolution or administration;
 - (3) no receiver, administrative receiver, administrator or similar officer has been appointed in relation to it or any of its assets or revenues;
 - (4) no application or order has been made, nor steps taken for its deregistration; and
- m. In relation to each party who is a natural person, that no petition has been presented, nor order made for his bankruptcy.

The making of the above assumptions does not imply that we have made any enquiry to verify any assumption (other than as expressly stated in this opinion or that we are aware of circumstances which would affect the correctness of any assumption. No assumption specified above is limited by reference to any other assumption.

4. Based on and subject to the foregoing, to the qualifications set out below and to any matters not disclosed to us which might affect our opinion, we are of the opinion that under the laws of Singapore:
 - a. the Agreement constitutes valid, legally binding and enforceable obligations of the parties and are enforceable in accordance with its terms;
 - b. the execution, delivery and performance by the parties under the Agreement will not violate any law of general application in Singapore;
 - c. in the context of foreign equity ownership restrictions,
 - (1) there are no restrictions that would prohibit the transfer of the Sale Shares by the Vendors to the Purchaser; and
 - (2) there are no restrictions that would prohibit the ownership of the Sale Shares by the Purchaser;
 - d. no consent, authorisation, licence or approval of, nor registration or filing with, any governmental or public bodies or authorities or courts in Singapore is required under the laws of Singapore in connection with the

17. LEGAL OPINIONS ON THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS *(cont'd)*

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23 December 2004

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execution, delivery, legality, validity, enforceability or admissibility in evidence of the Agreement or the performance by the parties of their obligations under the Agreement;

- e. no stamp duty or other documentary tax of any kind imposed by any governmental or other regulatory authorities in Singapore is payable in connection with the execution and delivery of the Agreement or the performance by the parties of their obligations under the Agreement save that the transfer forms in respect of the Sale Shares are subject to stamp duty calculated in accordance with Schedule 1 of the Stamp Duties Act, Cap 312 computed on the higher of the amount of consideration or value of the Sale Shares at the rate of S\$0.20 for every S\$100 or any part thereof; and that filing fees are payable to the Accounting and Corporate Regulatory Authority for notification of matters such as changes of the Company's officers;
 - f. the choice of the laws of Malaysia to govern the Agreement will be upheld by a Singapore court;
 - g. the submission by the parties under the Agreement to the jurisdiction of the courts of Malaysia is valid and binding on the parties; and
 - h. by reason only of the execution, delivery and performance of the Agreement by the parties, they will not be deemed to be resident or domiciled or carrying on business in Singapore.
5. Our opinion is subject to the following qualifications:
- a. we do not express or imply any opinion as to any law other than the laws of Singapore as are in force at 23 December 2004 and we have made no investigation into the laws of any other country or jurisdiction;
 - b. no inference shall be made that the Agreement is sufficient for any purpose intended;
 - c. our opinion that an obligation or the Agreement is enforceable means that the obligation or Agreement is of a type and form which courts in Singapore enforce. It is not to be taken as meaning that the obligation or Agreement can necessarily be enforced in accordance with its terms in all circumstances. In particular:
 - (1) the enforcement of the obligations of the parties under the Agreement in Singapore may be affected by prescription or lapse of time, bankruptcy, insolvency, liquidation, reorganisation, reconstruction, judicial management or similar laws affecting creditors' rights generally or may be or become subject to a defence of set-off or counter-claim;
 - (2) the power of the courts of Singapore to grant equitable remedies such as injunctive relief and specific performance is discretionary

17. LEGAL OPINIONS ON THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS (*cont'd*)

ANG & PARTNERS

23 December 2004

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- and equitable remedies may not be available where damages are considered to be an adequate remedy;
- (3) the validity or enforceability of the Agreement may be limited by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);
 - (4) a claim for breach or the enforcement of the Agreement will have to be brought within the applicable limitation period;
 - (5) as regards jurisdiction, a court in Singapore may in its discretion stay proceedings in certain circumstances, for example, if concurrent proceedings are brought elsewhere, if the matter concerned is *res judicata*, if litigation is pending in another forum on the same matter or if another forum is more convenient;
 - (6) the leave of the court in Singapore is required before service of process can be made outside the jurisdiction in respect of proceedings commenced in Singapore;
 - (7) any provision of the Agreement providing that certain calculations and/or certifications will be conclusive and binding (i) will not be effective if such calculations and/or certifications are fraudulent, incorrect, unreasonable, arbitrary, or shown not to have been given or made in good faith and (ii) will not necessarily prevent judicial enquiry into the merits of any claim by an aggrieved party;
 - (8) where a party to the Agreement is vested with a discretion or may determine a matter in its opinion, the laws of Singapore may require that such discretion is exercised reasonably or that such an opinion is based upon reasonable grounds;
 - (9) any provision in the Agreement which involves an indemnity for the costs of litigation is subject to the discretion of the Singapore court to decide whether and to what extent a party to the litigation should be awarded the costs incurred by it in connection with the litigation;
 - (10) the effectiveness of any provisions exculpating a party from liability or a duty otherwise owed may be limited by law;
 - (11) where an obligation is to be performed or observed or is based upon a matter arising in a jurisdiction outside Singapore or a party's obligations are subject to the laws of jurisdiction outside Singapore, then such obligations may not be enforceable under Singapore law if the same would be unlawful, unenforceable or contrary to public policy under the laws of such jurisdiction;

17. LEGAL OPINIONS ON THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS (cont'd)

ANG & PARTNERS

23 December 2004

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- (12) the Agreement may be varied, amended or discharged by a further agreement or affected by a collateral agreement which may be effected by an oral agreement or a course of dealing;
- (13) where it can be shown that the directors of a company were not acting bona fide or considering the best interests of that company when entering into the Agreement, such Agreement could be set aside. We do not express an opinion as to whether the courts of Singapore would determine that the parties in fact derived a benefit from the transaction;
- (14) application may be made to the High Court in Singapore ("**High Court**") for a judgment, within the meaning of the Reciprocal Enforcement of Commonwealth Judgments Act (Cap. 264) of Singapore (the "**RECJ Act**"), of a superior court of Malaysia to be registered in the High Court without re-examination of the issues in accordance with the provisions of the RECJ Act and The Rules of Court. The High Court, in considering the merits of such an application, will consider the circumstances of the case and may order the registration of such judgment without re-examination of the issues only if it is just and convenient that it be registered and if the provisions of the RECJ Act do not otherwise prohibit such judgment from being registered;
- (15) the choice of the laws of Malaysia to govern the Agreement will be or upheld provided that:
 - (i) it was made in good faith for legal and *bona fide* purposes;
 - (ii) such law is proved to the satisfaction of the Singapore courts (which satisfaction is within the discretion of the said courts);
 - (iii) the chosen governing law will be disregarded if its application will be illegal or contrary to public policy in Singapore; and
 - (iv) matters of procedure will generally be governed by Singapore law as a *lex fori*.
- (16) in appropriate circumstances, the courts of Singapore may render judgments in foreign currencies (such judgments may, however, have to be converted into local currency for enforcement purposes);
- (17) provisions as to severability may not be binding under the laws of Singapore and the question of whether or not provisions which are invalid on account of illegality may be severed from other provisions in order to save such other provisions would be determined by a Singapore court at its discretion;

17. LEGAL OPINIONS ON THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS (*cont'd*)

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- (18) failure to exercise a right promptly may operate as waiver of that right notwithstanding a provision to the contrary; and
 - (19) The courts of Singapore may not give effect to an indemnity for legal costs incurred by an unsuccessful litigant or where the Singapore court has itself made an order for costs.
 - d. we have not investigated nor rendered any opinion on the accuracy or adequacy of any statement of fact, warranty or representation made in the Agreement;
 - e. except as may be expressly described herein, we have not undertaken any independent investigation to determine the existence or absence of any facts and no inference as to our knowledge of the existence or absence of such facts should be drawn from our serving as counsel in giving this opinion; and
 - f. we express no opinion as to financial and accounting matters or the tax consequences of the transactions contemplated by the Agreement.
6. This opinion is effective and correct as at 23 December 2004 and is given on the basis that there will be no amendment to or termination or replacement of the Agreement on the basis of the laws of Singapore in force as at 23 December 2004. This opinion is also given on the basis that we undertake no responsibility to notify you of any change in the laws of Singapore after 23 December 2004. This opinion does not constitute any implication that there has been no change in the affairs of the parties under the Agreement after 23 December 2004 and may not be relied on as containing any confirmation of matters stated herein after that date.
7. This opinion is addressed to you solely for your benefit and the benefit of your legal advisors in connection with the Agreement only and may not be disclosed or quoted to or relied upon by any other person, without our prior written consent in each specific case provided however that this opinion letter may be included in Fotronics Corporation Berhad's prospectus to be issued pursuant to its proposed listing on the Mesdaq Market of Bursa Malaysia Securities Berhad. No other person into whose possession a copy of this opinion comes may rely on this opinion, without our express written consent addressed to him.
8. This opinion is governed by and construed in accordance with the laws of Singapore and is strictly limited to the matters stated herein and does not apply by implication to other matters in connection with the Agreement or any other document signed or to be signed in connection with or pursuant to the Agreement.

**17. LEGAL OPINIONS ON THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS
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Yours faithfully



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17. LEGAL OPINIONS ON THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS (*cont'd*)



Robert Wang Solicitors

Our Ref.

Date:

Your Ref.

12974-36588/TPD

23rd December 2004

To:

FOTRONICS CORPORATION BERHAD
No. 16, Jalan 227
Seksyen 51A
46100 Petaling Jaya
Selangor, Malaysia

Dear Sirs

SHARE PURCHASE AGREEMENT DATED 28th FEBRUARY 2004 (THE AGREEMENT) BETWEEN M-PRECISION CENTRE PTE LTD (AS VENDOR), AND FOTRONICS CORPORATION BERHAD (AS PURCHASER) RELATING TO 60% OF THE EQUITY SHARE CAPITAL OF VTREK PRECISION CENTRE (HK) PTE LIMITED (THE "COMPANY")

1. At the request of Fotronics Corporation Berhad, we are issuing this legal opinion in relation to the:
 - (i) performance of the Agreement in the Hong Kong Special Administrative Region ("Hong Kong SAR"); and
 - (ii) ownership of the Sale Shares (as defined in the Agreement) under the laws of Hong Kong SAR.
2. In giving our opinion, we express no opinion on any law other than the laws of Hong Kong SAR.
3. We have reviewed the Agreement (a copy of which is annexed hereto), which is expressed to be subject to the laws of Malaysia. Unless the context requires otherwise, the terms used in this opinion shall have the same meaning as in the Agreement.
4. Save for the Agreement, we have not examined any contracts, instruments or other documents entered into or affecting the Company, or any corporate records of the Company, and have not made any other enquiries concerning the Company.

王雅翰律師樓

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17. LEGAL OPINIONS ON THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS (*cont'd*)

5. For the purpose of giving this opinion, we have made the following assumptions:
- (a) that the Agreement is legal, valid, binding and enforceable (both substantively and procedurally) in accordance with its terms for all purposes under the laws of Malaysia by which it is expressed to be governed and in the jurisdictions (other than the Hong Kong SAR) where they are to be performed and that neither the laws of Malaysia nor the laws of any such other jurisdiction qualify or modify our opinion as set out below;
 - (b) the existence of the capacity, power and authority of each party to the Agreement (and where such party is a corporation, the capacity, power and authority of the person acting on behalf of such corporation) to enter into and to perform their respective obligations under the Agreement;
 - (c) the correctness of all facts and information stated or given in the Agreement;
 - (d) that all consents, approvals, permits, licences, exemptions, waivers or orders required from and all filing or registration with any governmental or regulatory body or agency outside of Hong Kong SAR and all stamping and other requirements outside of Hong Kong SAR in connection with the execution, delivery, performance, legality, validity and enforceability of the Agreement have or will have been duly obtained or fulfilled and are in full force and effect;
 - (e) no steps have been taken to wind up the Company or to appoint a receiver in respect of it or any of its assets;
 - (f) all signatures on the Agreement are genuine; and
 - (g) the execution and delivery of the Agreement by the parties thereto is duly authorised and the Agreement constitutes the valid and legally binding obligations of each of these relevant parties.
6. Based on and subject to the foregoing assumptions and to the qualifications set out in paragraph 7 below, and to any matters not disclosed to us which might affect our opinion, we are of the opinion that under the laws of Hong Kong SAR:
- (a) the Agreement constitutes valid, legally binding and enforceable obligations of the parties and are enforceable in accordance with its terms;

17. **LEGAL OPINIONS ON THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS** (*cont'd*)

- (b) the execution, delivery and performance by the parties under the Agreement will not violate any law of general application in Hong Kong SAR;
- (c) there are no restrictions under the laws of Hong Kong that would prohibit the transfer of the Sale Shares (as defined in the Agreement) by the Vendor to the Purchaser;
- (d) there are no restrictions under the laws of Hong Kong SAR that would prohibit the ownership of the Sale Shares (as defined in the Agreement) by the Purchaser;
- (e) no consent, authorisation, licence or approval of, nor registration or filing with, any governmental or public bodies or authorities or courts in the Hong Kong SAR is required under the laws of the Hong Kong SAR in connection with the execution, delivery, legality, validity, enforceability or admissibility in evidence of the Agreement or the performance by the parties of their obligations under the Agreement save for stamp duty being paid on the execution and delivery of the Agreement and transfer of Sale Shares in accordance with the provisions of the Stamp Duty Ordinance (Cap 117 of the Laws of Hong Kong SAR);
- (f) the choice of the laws of Malaysia to govern the Agreement is a valid choice of law and will be upheld by the courts in the Hong Kong SAR.

7. Our opinion is subject to the following qualifications:

- (a) our opinion that an obligation or the Agreement is enforceable means that the obligation or Agreement is of a type and form which courts in Hong Kong SAR can and do enforce. It is not to be taken as meaning that the obligation or Agreement can necessarily be enforced in accordance with its terms in all circumstances. In particular:
 - (i) the enforcement of the obligations of the parties under the Agreement in Hong Kong SAR may be affected by the decisions, precedents and discretion of the courts in Hong Kong SAR;
 - (ii) where an obligation is to be performed or observed or is based upon a matter arising in a jurisdiction outside Hong Kong SAR or a party's obligations are subject to the laws of jurisdiction outside the Hong Kong SAR, then such obligations may not be enforceable under Hong Kong SAR law if the same would be unlawful, unenforceable or contrary to public policy under the laws of such jurisdiction;

17. **LEGAL OPINIONS ON THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS** (*cont'd*)

- (b) the choice of the laws of Malaysia to govern the Agreement and the submission by the parties under the Agreement to the jurisdiction of the Malaysia courts contained in the Agreement, respectively, will only be applied or upheld (as the case may be) if it is bona fide and there are no reasons for avoiding it on the grounds of public policy, subject always to the judicial discretion of the courts of Hong Kong SAR. However, a choice of law or agreement to submit to a jurisdiction will not be given effect to if it is made with a view to avoiding the consequences of the application of the laws of some other jurisdiction;
 - (c) in appropriate circumstances, the courts of Hong Kong SAR may render judgments in foreign currencies (such judgments may, however, have to be converted into local currency for enforcement purposes); and
 - (d) we render no opinion on the accuracy or adequacy of any statement of fact, warranty or representation made in the Agreement.
8. This opinion is addressed to you solely for your benefit and may not be disclosed or quoted to or relied upon by any other person and no other person into whose possession a copy of this opinion comes may rely on this opinion without our express written consent addressed to him.
9. This opinion is governed by and construed in accordance with the laws of Hong Kong SAR and is strictly limited to the matters stated herein and does not apply by implication to any other matters.

Yours faithfully



Robert Wang Solicitors