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SYARIKAT TAKAFUL MALAYSIA BERHAD

(Company No. 131646-K)
(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED ESTABLISHMENT OF A LONG-TERM INCENTIVE PLAN OF UP TO TEN PERCENT (10%) OF THE ISSUED AND PAID-UP SHARE CAPITAL OF SYARIKAT TAKAFUL MALAYSIA BERHAD (“TAKAFUL MALAYSIA”) FOR THE ELIGIBLE EMPLOYEES AND EXECUTIVE DIRECTORS OF TAKAFUL MALAYSIA AND ITS SUBSIDIARIES

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser



Maybank Investment Bank Berhad (15938-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Scheme Adviser

TOWERS WATSON

Towers Watson (Malaysia) Sdn Bhd (26746-T)

The notice convening the Extraordinary General Meeting (“EGM”) of Takaful Malaysia to be held at Dewan Ahmad Mohamed Ibrahim, 5th Floor, Annexe Block, Menara Takaful Malaysia, No. 4, Jalan Sultan Sulaiman, 50000 Kuala Lumpur on Wednesday, 24 July 2013 at 10.00 a.m., or any adjournment thereof, together with the Form of Proxy are enclosed in this Circular.

The Form of Proxy in respect of the said EGM must be deposited at our registered office at Tingkat 26, Blok Annex, Menara Takaful Malaysia, No. 4, Jalan Sultan Sulaiman, 50000 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding our EGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at our EGM should you subsequently wish to do so.

The last date and time for lodging the Form of Proxy is on Monday, 22 July 2013 at 10.00 a.m.

This Circular is dated 9 July 2013

DEFINITIONS

Unless where the context otherwise indicates, the following words and abbreviations will apply throughout this Circular:

Act	:	Companies Act, 1965
Board	:	Board of Directors of Takaful Malaysia
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd
Bursa Securities	:	Bursa Malaysia Securities Berhad
By-Laws	:	Collectively, the terms and conditions governing the Proposed LTIP as amended, modified and/or supplemented from time to time and as set out in Appendix I of this Circular
CDS	:	Central Depository System governed under the Securities Industry (Central Depositories) Act, 1991
CDS Account	:	The account established by Bursa Depository for a depositor for the recording of deposit of securities and dealings in such securities by that depositor of securities
DHK	:	Dato' Mohamed Hassan Md. Kamil
Director	:	A natural person who holds a directorship in our Group
EGM	:	Extraordinary General Meeting
Eligible Employee	:	An Employee and/or Executive Director of any company within our Group and includes any person who is proposed to be employed as an Employee of our Group who is eligible to be selected to participate in the Proposed LTIP as set out in the By-Laws
Employee	:	A natural person who is employed by any company within our Group
EPS	:	Earnings per Takaful Malaysia Share
Executive Director	:	A natural person who is or will be a director in a full-time executive capacity who is involved in the day-to-day management and on the payroll of any company within our Group
FRS 2	:	Financial Reporting Standard 2 on Share-Based Payment as issued by the Malaysian Accounting Standards Board
FYE	:	Financial year ended/ending, as the case may be
Grant	:	The entitlement to receive new Takaful Malaysia Shares under the Proposed LTIP
Grantees	:	Collectively, the RSP Grantee and PSP Grantee, and a Grantee shall mean any of them
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	25 June 2013, being the latest practicable date prior to the printing of this Circular
LTIP Committee	:	A committee comprising such persons as may be appointed and duly authorised by our Board to implement and administer the Proposed LTIP in accordance with the By-Laws
Maybank IB or Adviser	:	Maybank Investment Bank Berhad

DEFINITIONS *(Cont'd)*

NA	:	Net assets
Offer	:	The offer comprising a RSP and/or PSP made in writing by the LTIP Committee to a Selected Employee in accordance with the By-Laws
Proposed Grant	:	Proposed Grant to DHK, our Group Managing Director, of a total of up to 2,500,000 Takaful Malaysia Shares pursuant to the Proposed LTIP
Proposed LTIP or Scheme	:	Proposed establishment of a long-term incentive plan of up to ten percent (10%) of the issued and paid-up share capital of our Company (excluding treasury shares, if any), at any point in time during the duration of the Proposed LTIP, for the Eligible Employees and Executive Directors of our Group
PSP	:	The performance share plan to be adopted by our Company, as may be modified or altered from time to time
PSP Grant	:	The PSP grant to a Selected Employee made under the Proposed LTIP
PSP Grantee	:	A Selected Employee who has accepted the PSP Grant in accordance with the provisions of the By-Laws
RSP	:	The restricted share plan to be adopted by our Company, as may be modified or altered from time to time
RSP Grant	:	The RSP grant to a Selected Employee made under the Proposed LTIP
RSP Grantee	:	A Selected Employee who has accepted the RSP Grant in accordance with the provisions of the By-Laws
Selected Employee	:	An Eligible Employee selected by the LTIP Committee to whom an Offer is to be made pursuant to the By-Laws
Takaful Malaysia or Company	:	Syarikat Takaful Malaysia Berhad
Takaful Malaysia Group or Group	:	Collectively, our Company and our subsidiaries, and in the context of the Proposed LTIP, shall exclude any subsidiaries which are dormant
Takaful Malaysia Share(s)	:	Ordinary share(s) of RM1.00 each in our Company
Towers Watson or Scheme Adviser	:	Towers Watson (Malaysia) Sdn Bhd

CURRENCY

RM and sen	:	Ringgit Malaysia and sen, respectively, the lawful currency of Malaysia
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All references to “our Company” in this Circular are to Takaful Malaysia and references to “our Group” are to our Company and our subsidiaries, and in the context of the Proposed LTIP, shall exclude any subsidiaries which are dormant. All references to “we”, “us” and “our” in this Circular are to Takaful Malaysia and where the context requires, shall include our subsidiaries.

All references to “you” in this Circular are to the shareholders of our Company.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. Reference to persons shall include corporations.

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

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NOTICE OF EGM **ENCLOSED**

FORM OF PROXY **ENCLOSED**



SYARIKAT TAKAFUL MALAYSIA BERHAD
(Company No. 131646-K)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office
Tingkat 26, Blok Annex
Menara Takaful Malaysia
No. 4, Jalan Sultan Sulaiman
50000 Kuala Lumpur

9 July 2013

Board of Directors

Dato' Paduka Ismee Ismail (*Chairman/Non-Independent Non-Executive*)
Dato' Mohamed Hassan Md. Kamil (*Group Managing Director/Non-Independent Executive*)
Encik Johan Abdullah (*Non-Independent Non-Executive*)
Puan Rozaida Omar (*Non-Independent Non-Executive*)
Encik Mahadzir Azizan (*Senior Independent Non-Executive*)
Dato' Sulaiman Mohd Yusof (*Independent Non-Executive*)
Encik Zakaria Ismail (*Independent Non-Executive*)
Dato' Othman Abdullah (*Independent Non-Executive*)

To: Our shareholders

Dear Sir/Madam,

PROPOSED ESTABLISHMENT OF A LONG-TERM INCENTIVE PLAN OF UP TO TEN PERCENT (10%) OF THE ISSUED AND PAID-UP SHARE CAPITAL OF TAKAFUL MALAYSIA FOR THE ELIGIBLE EMPLOYEES AND EXECUTIVE DIRECTORS OF TAKAFUL MALAYSIA GROUP

1. INTRODUCTION

On 15 March 2013, Maybank IB, on behalf of our Board, announced that we propose to establish and implement a long-term incentive plan of up to ten percent (10%) of the issued and paid-up share capital of our Company (excluding treasury shares, if any) at any point in time during the duration of the Proposed LTIP, for the Eligible Employees and Executive Directors of our Group.

The purpose of this Circular is to provide you with details of the Proposed LTIP and to seek your approval for the ordinary resolutions pertaining to the Proposed LTIP and the Proposed Grant to be tabled at our forthcoming EGM. The Notice of EGM and the Form of Proxy are enclosed in this Circular.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR BEFORE VOTING ON THE ORDINARY RESOLUTIONS PERTAINING TO THE PROPOSED LTIP AND THE PROPOSED GRANT TO BE TABLED AT OUR FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED LTIP

2.1 The Proposed LTIP is intended to allow us to award Takaful Malaysia Shares to our Selected Employees for the attainment of identified performance objectives of our Group.

The Proposed LTIP comprises a RSP and PSP. The main difference in the features of the RSP and PSP is the eligibility of our Selected Employees in terms of their job grades in our Group and the performance targets to be met prior to the Offer being made and vesting of the Grant to our Selected Employees. RSP is geared towards retention whilst PSP is performance driven.

The primary difference between the RSP and PSP is the intent of the Grant which is reflected in the plan mechanism where our Selected Employees will be assessed differently as set out in the details of the RSP and PSP as follows:

(i) RSP

The RSP is a restricted share plan for selected key Employees and the Executive Directors of our Group. The RSP Grant is intended as a one-off grant, subject to the discretion of the LTIP Committee for future grants, to retain key Employees and the Executive Directors for the development, growth and success of our Group.

The RSP will be vested to the RSP Grantees at no consideration over a period of up to three (3) years pro-rata which may include additional holding periods for each vesting as determined by the LTIP Committee, whereby our Selected Employees will be assessed based on, amongst others, the individual performance and achievement, which may include but are not limited to, profit after zakat and taxation and/or other financial measure(s) as may be relevant, in accordance with terms and conditions stipulated and determined by the LTIP Committee in its discretion.

(ii) PSP

The PSP is a performance share plan for selected key Employees and the Executive Directors of our Group. The PSP Grant is an annual grant to incentivise key Employees and the Executive Directors for the long-term success and growth of our Group as well as shareholders' value enhancement.

The PSP will be vested to the PSP Grantees at no consideration on a three (3)-year cliff vesting schedule whereby our Selected Employees will be assessed based on, amongst others, the total shareholders' return, which is the improvement in stock price including dividends paid, and the long-term financial performance of our Company over a period of three (3) financial years, or such other period of time should the LTIP committee choose to do so, in accordance with terms and conditions stipulated and determined by the LTIP Committee in its discretion.

In the event our Selected Employees do not meet the above targets over the said period set by the LTIP Committee, the new Takaful Malaysia Shares will not be vested to them at the end of the three (3) financial years.

The new Takaful Malaysia Shares to be allotted and issued pursuant to the PSP Grant will not be subject to any retention period or restriction on transfer.

In implementing the Proposed LTIP, the Grant will be satisfied by way of allotment and issuance of new Takaful Malaysia Shares to the Grantees upon vesting of the Grant.

The LTIP Committee shall decide in its discretion, amongst others, the terms of the Offer, the performance targets to be met prior to the Offer being made and vesting of the Grant, the vesting period(s) and the number of new Takaful Malaysia Shares to be allocated in each Grant.

2.2 Other salient terms and conditions of the Proposed LTIP

2.2.1 Maximum number of new Takaful Malaysia Shares available under the Proposed LTIP

The maximum number of new Takaful Malaysia Shares which may be made available under the Proposed LTIP and/or allotted upon vesting of the new Takaful Malaysia Shares under a Grant shall not be more than ten percent (10%) of the issued and paid-up share capital of our Company (excluding treasury shares, if any) ("**Maximum Shares**") at any point in time during the duration of the Proposed LTIP as set out in Section 2.2.4 of this Circular.

In the event the total number of new Takaful Malaysia Shares made available under the Proposed LTIP exceeds the Maximum Shares as a result of our Company purchasing or reducing our issued and paid-up share capital in accordance with the provisions of the Act and/or undertakes any other corporate proposal resulting in the reduction of our issued and paid-up share capital, all Grants awarded prior to the said variation of the issued and paid-up share capital of our Company shall remain valid and may vest in accordance with the provisions of the Proposed LTIP as if that purchase and/or reduction had not occurred. However, no additional Offer shall be made unless the total number of new Takaful Malaysia Shares which may be issued under the Proposed LTIP in respect of such Grants shall fall below the Maximum Shares.

2.2.2 Basis of allocation and maximum allowable allotment

The total number of new Takaful Malaysia Shares that may be offered to any one of our Selected Employees and/or to be vested in any one of the Grantees under the Proposed LTIP at any time shall be at the discretion of the LTIP Committee, after taking into account such criteria as may be determined by the LTIP Committee in its discretion (subject always to the By-Laws and any applicable law). Notwithstanding the foregoing, not more than ten percent (10%) of the new Takaful Malaysia Shares available under the Proposed LTIP shall be allocated to any individual Selected Employee who, either singly or collectively through persons connected with him (as defined under the relevant applicable law), holds twenty percent (20%) or more of the issued and paid-up share capital of our Company (excluding treasury shares, if any). Eligible Employees who are Directors of our Company or any company within our Group or who are in senior management shall not participate in any deliberation or discussion on the Offer and/or their own respective allocations or any vesting and/or allotment or issuance of new Takaful Malaysia Shares to them under the Proposed LTIP.

The LTIP Committee may, during the duration of the Proposed LTIP, make one (1) or more Offers to any Selected Employee, whom the LTIP Committee may in its discretion select. Each Offer made to any Selected Employee by the LTIP Committee shall be separate and independent from any previous or later Offer made by the LTIP Committee to that Selected Employee.

2.2.3 Eligibility

A person who fulfils the following criteria as at the date of Offer shall be eligible to be considered an Eligible Employee:

- (i) has attained the age of eighteen (18) years;
- (ii) has entered into a full-time or fixed-term contract of employment with, and is on the payroll of any company within our Group and has not served a notice of resignation or received a notice of termination;
- (iii) whose service has been confirmed in writing;
- (iv) is not a non-executive or independent director of our Company; and
- (v) has fulfilled any other eligibility criteria which has been determined by the LTIP Committee in its discretion, as the case may be.

The LTIP Committee may determine any other eligibility criteria for the purposes of selecting an Eligible Employee at any time and from time to time, in the LTIP Committee's discretion.

The LTIP Committee shall have the discretion, at any time and from time to time, to extend the benefit of the Proposed LTIP to any employee of any company which is not a company within our Group and deem such an employee to be an Eligible Employee and such a company to be a company within our Group, in the situation where such an employee had at any time (whether before or after the coming into force of the By-Laws) been seconded from any company within our Group to that company. The LTIP Committee may, at any time and from time to time, determine in its discretion that a subsidiary of our Company (including those subsequently incorporated or acquired during the duration of the Proposed LTIP) shall be excluded from the expression “subsidiary” for the purpose of the Proposed LTIP. For this purpose, “subsidiary” shall mean a subsidiary (as defined in the Act) of our Company, which is not dormant.

2.2.4 Duration of the Proposed LTIP

The Proposed LTIP shall be in force for a period of ten (10) years commencing from the effective date of implementation of the Proposed LTIP, being the date of full compliance with all relevant requirements of the Listing Requirements in relation to the Proposed LTIP, more particularly set out in the By-Laws.

2.2.5 Ranking of and rights to the new Takaful Malaysia Shares

The new Takaful Malaysia Shares to be allotted and issued pursuant to the Proposed LTIP shall, upon allotment and issuance, rank equally in all respects with the then existing issued Takaful Malaysia Shares of our Company.

The new Takaful Malaysia Shares to be allotted and issued pursuant to the vesting of the Grant under the Proposed LTIP shall not be entitled to any dividends, rights, allotments and/or any other distributions, for which the entitlement date is prior to the date on which the new Takaful Malaysia Shares are credited into the CDS Account(s) of the respective Grantees upon vesting of the Grant under the Proposed LTIP.

2.2.6 Listing of and quotation for the new Takaful Malaysia Shares

The new Takaful Malaysia Shares to be allotted and issued pursuant to the Proposed LTIP will be listed and quoted on the Main Market of Bursa Securities.

2.2.7 Alteration of share capital and adjustment

If the LTIP Committee so decides (but not otherwise), in the event of any alteration in the capital structure of our Company during the duration of the Proposed LTIP, whether by way of capitalisation of profits or reserves, rights issues, bonus issues, capital reduction, capital repayment, sub-division or consolidation of capital, or otherwise howsoever taking place, such corresponding alterations (if any) may be made to the Proposed LTIP in:

- (a) the number of unvested new Takaful Malaysia Shares comprised in a Grant; and/or
- (b) the method and/or manner in the vesting of the new Takaful Malaysia Shares comprised in a Grant,

and such alterations shall be in a manner as to give the Grantee a fair and reasonable Grant entitlement.

Any such alterations (other than for adjustments made pursuant to a bonus issue) shall be certified in writing by the external auditor or adviser (which must be a principal adviser under the Securities Commission Malaysia’s Guidelines on Principal Advisers for Corporate Proposals) of our Company (acting as an expert and not as an arbitrator) as being in its opinion fair and reasonable and such certification shall be final and binding in all respects.

2.2.8 Modification and/or amendment to the By-Laws

The terms and conditions of the By-Laws and the Proposed LTIP may from time to time be modified and/or amended by resolution of our Board or the LTIP Committee, except that (unless expressly provided in the By-Laws) no such modification and/or amendment shall be made which would prejudice the rights then accrued to any Selected Employee and/or Grantee without his prior written consent and no amendment and alteration of the Proposed LTIP shall be made in relation to By-Laws 2, 3.1, 4.1, 5.3, 6.1, 7.1, 9.5, 10.3, 12.1 and 15.1 to the advantage of our Selected Employee and/or Grantee without the prior approval of our Company's shareholders in a general meeting and subject to any applicable laws.

3. UTILISATION OF PROCEEDS

No proceeds will be raised from the Proposed LTIP given that the new Takaful Malaysia Shares to be allotted and issued to our Selected Employees would not require any payment by the said Selected Employees.

4. RATIONALE FOR THE PROPOSED LTIP

As part of our total reward strategy in providing the right remuneration and benefits, our Group intends to establish and implement the Proposed LTIP, which serves as a long-term incentive plan that aligns our Eligible Employees' interests with the long-term objectives and business strategy of our Group. The Proposed LTIP will form part of the total remuneration structure as an integral part of our Group's reward strategy. It is to complement the existing remuneration structure of our Group which, amongst others, includes a basic salary and a variable cash bonus.

In addition, the Proposed LTIP establishes a defined relationship to reward long-term performance, creating a stronger link between Eligible Employees' performance and reward, and thereby increasing shareholders' value by enabling Eligible Employees' to have a greater involvement with, and share in the future growth and profitability of our Group.

The Proposed LTIP is intended to:

- (i) reward, retain and motivate our Eligible Employees whose services are vital to the businesses, continued growth and future expansion of our Group;
- (ii) align the interest of our Eligible Employees through the Proposed LTIP to focus on long-term financial performance and our shareholders' value enhancement via equity participation;
- (iii) encourage and incentivise long-term Eligible Employees' behaviour that are aligned with our shareholders' interests and our Group's business strategy;
- (iv) enable focus on the achievement of our Group's multi-year objectives;
- (v) attract prospective skilled and experienced Employees to our Group via a competitive total remuneration package; and
- (vi) create a sense of ownership amongst our Selected Employees upon vesting of the Grant as they will be able to participate directly in the future growth of our Group.

5. EFFECTS OF THE PROPOSED LTIP

5.1 Share capital

The Proposed LTIP will not have an immediate effect on the existing issued and paid-up share capital of our Company until and unless new Takaful Malaysia Shares are allotted and issued pursuant to the vesting of new Takaful Malaysia Shares under the Grant. The issued and paid-up share capital of our Company will increase progressively depending on the number of new Takaful Malaysia Shares which may need to be allotted and issued pursuant to the vesting of the new Takaful Malaysia Shares under the Grant.

For illustration purposes, assuming that the Maximum Shares are fully granted and vested, the proforma effect of the Proposed LTIP on our Company's issued and paid-up share capital as at the LPD is set out in the table below:

	No. of Takaful Malaysia Shares	RM
Issued and paid-up share capital as at LPD	162,817,000	162,817,000
To be issued pursuant to the Proposed LTIP	16,281,700	16,281,700
Enlarged issued and paid-up share capital	179,098,700	179,098,700

5.2 NA, NA per Takaful Malaysia Share and gearing

The Proposed LTIP will not have an immediate effect on the consolidated NA, NA per Takaful Malaysia Share and gearing of our Group until such time when the new Takaful Malaysia Shares are allotted and issued pursuant to the vesting of new Takaful Malaysia Shares under the Grant. Any potential effect on the consolidated NA per Takaful Malaysia Share will depend on the number of new Takaful Malaysia Shares to be allotted and issued pursuant to the vesting of new Takaful Malaysia Shares under the Grant, which can only be determined at the point of vesting of the Grant on the date of vesting.

For illustration purposes, upon the vesting of the Grant, the consolidated NA per Takaful Malaysia Share is expected to decrease resulting from the allotment and issuance of new Takaful Malaysia Shares under the Grant.

Nonetheless, the Proposed LTIP is not expected to have a material impact on our Group's NA, NA per Takaful Malaysia Share and gearing for the FYE 31 December 2013.

5.3 Earnings and EPS

With the adoption of FRS 2, the potential cost of awarding the Grant under the Proposed LTIP will need to be measured at fair value on the date of the Grant and recognised as an expense in the statement of comprehensive income of our Group over the vesting period of such new Takaful Malaysia Shares under the Grant.

The extent of the effect of the Proposed LTIP on our Group's earnings and EPS cannot be determined at this juncture as it would depend on the fair value of the new Takaful Malaysia Shares as at the respective dates of the Grant. However, it is important to note that the potential cost of awarding the Grant pursuant to the Proposed LTIP do not represent a cash outflow and is only an accounting treatment.

For illustration purposes, the Proposed LTIP will have a dilutive effect on our Group's EPS due to the increase in the number of Takaful Malaysia Shares resulting from the allotment and issuance of new Takaful Malaysia Shares pursuant to the Proposed LTIP.

Our Board has taken note of the potential impact of FRS 2 on our Group's future earnings and will take into consideration of such impact in the allocation and granting of the Offer to our Selected Employees.

The estimated expenses associated with the implementation and administration of the Proposed LTIP (excluding the potential cost of awarding the Grant under FRS 2 charges as defined and explained above) is approximately RM1.0 million, which will be paid by our Company through internally-generated funds.

5.4 Substantial shareholders

The Proposed LTIP is not expected to have any immediate effect on the shareholdings of the substantial shareholders of our Company until and unless new Takaful Malaysia Shares are allotted and issued pursuant to the vesting of new Takaful Malaysia Shares under the Grant. Any potential effect on the shareholdings of the substantial shareholders of our Company would depend on the number of new Takaful Malaysia Shares allotted and issued at the relevant point in time.

For illustration purposes, assuming that the maximum of ten percent (10%) of our Company's issued and paid-up share capital (excluding treasury shares, if any) is made available under the Proposed LTIP and are fully vested, the proforma effects of the Proposed LTIP on the shareholdings of the substantial shareholders of our Company as at the LPD are set out in the table below:

	As at the LPD				After the Proposed LTIP			
	Direct		Indirect		Direct		Indirect	
	No. of Takaful Malaysia Shares	%	No. of Takaful Malaysia Shares	%	No. of Takaful Malaysia Shares	%	No. of Takaful Malaysia Shares	%
BIMB Holdings Berhad	99,103,775	60.87	-	-	99,103,775	55.33	-	-
Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	14,640,320	8.99	-	-	14,640,320	8.17	-	-

5.5 Convertible Securities

Our Company does not have any convertible securities as at the LPD.

6. APPROVALS REQUIRED

The Proposed LTIP is subject to the following approvals being obtained:

- (i) Bursa Securities, for the listing of and quotation for the new Takaful Malaysia Shares to be issued pursuant to the Proposed LTIP on the Main Market of Bursa Securities, which was obtained vide its letter dated 1 April 2013;
- (ii) shareholders of our Company at our forthcoming EGM; and
- (iii) any other relevant authorities, if required.

The Proposed LTIP is not conditional upon any other corporate exercise/scheme of our Company.

7. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, our Board expects to implement the Proposed LTIP by the fourth (4th) quarter of 2013.

8. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of Takaful Malaysia Shares as traded on Bursa Securities for the last twelve (12) months preceding the date of this Circular are as follows:

	High RM	Low RM
2012		
July	6.61	5.78
August	6.45	6.14
September	6.45	5.91
October	5.91	4.62
November	5.40	5.13
December	5.50	5.27
2013		
January	5.82	5.28
February	5.71	5.34
March	7.10	5.64
April	6.99	6.50
May	7.60	6.60
June	7.97	6.82
Last transacted price of Takaful Malaysia Shares on 14 March 2013, being the full trading day prior to the announcement of the Proposed LTIP on 15 March 2013		6.26
Last transacted price of Takaful Malaysia Shares on the LPD		6.84

(Source: Bloomberg)

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

DHK, being our Group Managing Director is eligible to be awarded Grants under the Proposed LTIP, as such he is deemed interested in the Proposed LTIP to the extent of his allocation under the Proposed Grant. DHK has abstained and will continue to abstain from deliberating and voting on any subject matter pertaining to the Proposed Grant at our Board meetings and will continue to abstain from voting in respect of his direct and/or indirect shareholdings in our Company (if any), on the resolution pertaining to the Proposed Grant at our forthcoming EGM. Further, DHK has also undertaken that he shall ensure that persons connected with him will abstain from voting in respect of their direct and/or indirect shareholdings in our Company (if any) on the resolution approving the Proposed Grant at our forthcoming EGM.

Save as disclosed above, none of our Directors, major shareholders and/or persons connected with them have any interest, direct and/or indirect, in the Proposed LTIP.

10. DIRECTORS' RECOMMENDATION

After having considered the rationale and effects of the Proposed LTIP in Sections 4 and 5 of this Circular respectively, our Board (save for DHK, who is deemed interested in the Proposed LTIP to the extent of his allocation under the Proposed Grant) is of the opinion that the Proposed LTIP is in the best interest of our Company and recommends that you vote in favour of the ordinary resolution in relation to the Proposed LTIP to be tabled at our forthcoming EGM.

After having considered the Proposed Grant, our Board (save for DHK who is deemed interested in the Proposed Grant and has accordingly abstained from expressing any opinion or recommendation relating to the Proposed Grant) recommends that you vote in favour of the ordinary resolution in relation to the Proposed Grant to be tabled at our forthcoming EGM.

11. OUTSTANDING CORPORATE EXERCISE/SCHEME ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed LTIP, our Board confirms that as at the date of this Circular, there are no outstanding corporate exercises or schemes which have been announced but are pending completion by our Company.

12. EGM

An EGM, the notice of which is enclosed in this Circular, will be held at Dewan Ahmad Mohamed Ibrahim, 5th Floor, Annexe Block, Menara Takaful Malaysia, No. 4, Jalan Sultan Sulaiman, 50000 Kuala Lumpur on Wednesday, 24 July 2013 at 10.00 a.m., or any adjournment thereof, for the purpose of considering and, if thought fit, passing, with or without modifications, the resolutions to give effect to the Proposed LTIP and the Proposed Grant.

If you are unable to attend and vote in person at our EGM, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions contained therein as soon as possible and in any event, so as to arrive at our registered office at Tingkat 26, Blok Annex, Menara Takaful Malaysia, No. 4, Jalan Sultan Sulaiman, 50000 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding our EGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at our EGM should you subsequently wish to do so.

13. FURTHER INFORMATION

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

Yours faithfully
For and on behalf of the Board
SYARIKAT TAKAFUL MALAYSIA BERHAD

DATO' PADUKA ISMEE ISMAIL
Chairman and Non-Independent Non-Executive Director

DRAFT BY-LAWS FOR THE PROPOSED LTIP

**SYARIKAT TAKAFUL MALAYSIA BERHAD
DRAFT BY-LAWS FOR THE
LONG-TERM INCENTIVE PLAN**

1. DEFINITIONS AND INTERPRETATIONS

1.1 In these By-Laws, the following words and expressions shall bear the following meanings, unless the context otherwise requires.

“Act”	Companies Act, 1965 as amended from time to time and any re-enactment thereof.
“Affected Employee”	“ Affected Employee ” as defined in By-Law 22.1.
“Articles”	the Articles of Association of the Company as amended from time to time.
“Authorised Nominee”	a person who is authorised to act as a nominee as specified in accordance with the schedule prescribed under part VIII of the Rules of Bursa Depository.
“Board”	the board of directors of the Company.
“Bursa Depository”	Bursa Malaysia Depository Sdn Bhd (165570-W).
“Bursa Securities”	Bursa Malaysia Securities Berhad (635998-W).
“By-Laws”	collectively, the terms and conditions governing the Scheme as set forth in these By-Laws as amended, modified and/or supplemented from time to time.
“CDS”	the Central Depository System governed under the SICDA.
“CDS Account”	the account established by Bursa Depository for a depositor for the recording of deposit of securities and dealings in such securities by that depositor of securities.
“Commencement Date”	the date fixed by the LTIP Committee as the date on which the Vesting Period commences.
“Date of Offer”	in respect of an Offer, the date of the letter to be determined by the LTIP Committee containing an Offer to be made to a Selected Employee to participate in the Scheme.
“Disciplinary Proceedings”	proceedings instituted by a Group Company against a Grantee/Selected Employee employed by that Group Company for any alleged misbehaviour, misconduct and/or any other act of the Grantee’s/Selected Employee’s deemed to be unacceptable by that Group Company in the course of that Grantee’s/Selected Employee’s employment, whether or not such proceedings may give rise to a dismissal or termination of the contract of service of such Grantee/Selected Employee.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

"Effective Date"	the date on which the Scheme takes effect on the date of full compliance with all relevant requirements of the Listing Requirements.
"Eligible Employee"	an employee and/or Executive Director of a Group Company and includes any person who is proposed to be employed as an employee of the Group who is eligible to be selected to participate in the Scheme as set forth in By-Laws 2.1 and 2.2, and " Eligible Employees " means any two or more of them.
"Executive Director"	a natural person who is or will be a director in a full-time executive capacity who is involved in the day-to-day management and on the payroll of any Group Company.
"Ex-Group Company"	" Ex-Group Company " as defined in By-Law 2.4.
"Grant"	an entitlement to receive Shares under the Scheme.
"Grantee"	a Selected Employee who has accepted an Offer in accordance with the provisions of these By-Laws and " Grantees " means any two or more of them.
"Group Company"	the Company or any one of the Subsidiaries, and " Group Companies " means any two or more of them.
"LTIP Committee"	a committee comprising such persons as may be appointed and duly authorised by the Board pursuant to By-Law 13 to implement and administer the Scheme in accordance with these By-Laws.
"Listing Requirements"	the Main Market Listing Requirements of Bursa Securities as amended from time to time.
"Market Day"	a day on which Bursa Securities is open for the trading of securities.
"Maximum Allowable Allocation"	" Maximum Allowable Allocation " as defined in By-Law 4.1.
"Maximum Scheme Shares Available"	" Maximum Scheme Shares Available " as defined in By-Law 3.2.
"Notice of Vesting"	the notice that is given by the Company to the Grantee in relation to the number of Shares which are to be vested to him pursuant to the Grant.
"Offer"	the offer comprising a RSP and/or PSP made in writing by the LTIP Committee to a Selected Employee in the manner indicated in By-Law 5 and " Offers " shall mean any two or more of them in the context of these By-Laws.
"PSP"	a performance share plan to be adopted by the Company, as may be modified or altered from time to time.
"Previous Company"	" Previous Company " as defined in By-Law 2.4.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

"RM"	the Ringgit Malaysia, the lawful currency of Malaysia.
"RSP"	a restricted share plan to be adopted by the Company, as may be modified or altered from time to time.
"retention period"	"retention period" as defined in By-Law 16.2.
"SC"	the Securities Commission Malaysia, established pursuant to the Securities Commission Act 1993.
"SICDA"	Securities Industry (Central Depositories) Act, 1991 as amended from time to time and any re-enactment thereof.
"Said Grantee"	"Said Grantee" as defined in By-Law 15.3.
"Scheme" or "Syarikat Takaful Malaysia Berhad Long-Term Incentive Plan"	the Syarikat Takaful Malaysia Berhad Long-Term Incentive Plan for the award of Grants to Selected Employees upon the terms of these By-Laws.
"Scheme Period"	the period of the Scheme as set out in By-Law 15.1.
"Scheme Termination Date"	"Scheme Termination Date" as defined in By-Law 15.3.
"Selected Employee"	an Eligible Employee selected by the LTIP Committee to whom an Offer is to be made pursuant to By-Law 5 and "Selected Employees" means any two or more of them.
"Subsidiary"	(subject to By-Law 2.3) a subsidiary (as defined in the Act) of the Company which is not dormant, and include such subsidiaries which are existing as at the Effective Date and those subsequently acquired or incorporated at any time during the Scheme Period unless determined by the LTIP Committee to fall outside the expression "Subsidiary" pursuant to By-Law 2.3 and "Subsidiaries" shall be construed accordingly.
"Takaful Malaysia" or "Company"	Syarikat Takaful Malaysia Berhad (131646-K), a public company limited by shares and incorporated in Malaysia.
"Takaful Malaysia Group" or "Group"	collectively, Takaful Malaysia and its Subsidiaries.
"Takaful Malaysia Shares" or "Shares"	new ordinary shares of nominal value RM1.00 each in the capital of the Company (unless otherwise adjusted), and "Share" means any one of them.
"Termination Date"	in relation to the Grant, the date on which the Grant terminates, expires, lapses and/or otherwise ceases to be of any force and effect or the date immediately following the day on which the Shares comprised in a Grant are intended to vest in full in accordance with these By-Laws.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

“Vesting Period” the period commencing from the Commencement Date and expiring on the Market Day immediately preceding that Termination Date (both dates inclusive).

1.2 In these By-Laws, unless the context otherwise requires:

- (a) any reference to a statutory provision or an applicable law shall include a reference to:
 - (i) any and all subsidiary legislation made from time to time under that provision or law;
 - (ii) any and all Listing Requirements, policies and/or guidelines of Bursa Securities and/or the SC (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 by Bursa Securities and/or the SC);
 - (iii) that provision as from time to time modified or re-enacted, whether before or after the date of these By-Laws, so far as such modification or re-enactment applies or is capable of applying to any Offer or Grant (as may be applicable) made, offered and/or accepted within the duration of the Scheme; and
 - (iv) any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced;
- (b) any reference to a By-Law is a reference to a By-Law of these By-Laws;
- (c) the headings to the provisions are for convenience only, and shall not be taken into account in the interpretation of these By-Laws;
- (d) any word importing:
 - (i) the singular meaning includes the plural meaning and vice versa; and
 - (ii) the masculine gender includes the feminine gender and vice versa;
- (e) any liberty or power which may be exercised, and/or any decision or determination which may be made, under these By-Laws:
 - (i) by the Board may be exercised in the Board’s discretion; and
 - (ii) by the LTIP Committee may be exercised in the LTIP Committee’s discretion, but subject always to the Board’s power to overrule any decision of the LTIP Committee;
- (f) if an event is to occur on a stipulated day which is not a Market Day, then the stipulated day shall be taken to be the first Market Day after that day; and if an event is to occur on a stipulated day which falls after the expiry of the Scheme then the stipulated day shall be taken to be the last Market Day of the Scheme Period; and
- (g) in the event of any change in the name of the Company from its present name, all references to “**Syarikat Takaful Malaysia Berhad**” in these By-Laws and all other documents pertaining to the Scheme shall be deemed to be references to the Company’s new name.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

2. ELIGIBILITY

- 2.1 Subject to By-Law 2.2, employees may be considered as eligible from time to time and at any time for the purposes of this Scheme by the LTIP Committee. Each selection of Eligible Employees made by the LTIP Committee shall be separate and independent from any other selection previously or later made by the LTIP Committee.
- 2.2 A person who fulfills the following criteria as at the Date of Offer shall be eligible to be considered an Eligible Employee:
- (a) has attained the age of eighteen (18) years;
 - (b) has entered into a full-time or fixed-term contract of employment with, and is on the payroll of a Group Company and has not served a notice of resignation or received a notice of termination;
 - (c) whose service has been confirmed in writing;
 - (d) is not a non-executive or independent director of Takaful Malaysia; and
 - (e) has fulfilled any other eligibility criteria which has been determined by the LTIP Committee in its discretion, as the case may be.

For the avoidance of doubt, the LTIP Committee may determine any other eligibility criteria for the purposes of selecting an Eligible Employee at any time and from time to time, in the LTIP Committee's discretion.

- 2.3 Subject to these By-Laws and to any applicable law, the LTIP Committee shall have the discretion, at any time and from time to time, to extend the benefit of this Scheme to any employee of any company which is not a Group Company and deem such an employee to be an Eligible Employee and such a company to be a Group Company, in the situation where such an employee had at any time (whether before or after the coming into force of these By-Laws) been seconded from any Group Company to that company. The LTIP Committee may, at any time and from time to time, determine in its discretion that a subsidiary of the Company (including those subsequently incorporated or acquired during the Scheme Period) shall be excluded from the expression "**Subsidiary**" for the purpose of the Scheme.
- 2.4 The LTIP Committee shall have the discretion to extend (or not) the benefit of this Scheme to an employee in any of the following circumstances:
- (a) an employee who is in the employment of a corporation which is not a Group Company but which subsequently becomes a Group Company as a result of a restructuring, an acquisition, a merger, a disposal, a divestment or other exercise involving the Company and/or any Group Company ("**Previous Company**");
 - (b) an employee who was employed in a Previous Company and is subsequently transferred from that Previous Company to a Group Company; or
 - (c) where:
 - (i) a corporation that was a Group Company ceases to be a Group Company ("**Ex-Group Company**"); and
 - (ii) an employee of that Ex-Group Company is re-employed by another Group Company.

- 2.5 In the case where an employee is transferred, from a Group Company to a corporation which is not a Group Company, that employee may, at the discretion of the LTIP Committee, continue to be entitled to all of his rights in respect of his Grant (as may be applicable), subject to these By-Laws.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

- 2.6 Eligibility under this Scheme however, does not confer on any Eligible Employee any claim, right to participate in, or any other right whatsoever under this Scheme, and an Eligible Employee does not acquire or have any right over, or in connection with, any Grant under this Scheme unless an Offer has been made by the LTIP Committee to that Eligible Employee and that Eligible Employee has accepted the Offer in accordance with the terms of the Offer and these By-Laws.
- 2.7 Notwithstanding anything to the contrary, an Eligible Employee, Selected Employee or Grantee may participate at any time in another employee share scheme or share option scheme of any other corporation, whether or not a Group Company, unless the LTIP Committee otherwise determines in its discretion.
- 2.8 Without prejudice to the generality of the foregoing, any Offer made by the LTIP Committee that has not been accepted yet, shall become void, of no effect and incapable of acceptance upon any of the following events occurring:
- (a) the Selected Employee's death;
 - (b) the Selected Employee having received a letter of termination or ceasing to be an employee of any Group Company, for any reason whatsoever;
 - (c) the Selected Employee giving notice of his resignation from employment;
 - (d) the corporation which employs the Selected Employee ceasing to be a Group Company; or
 - (e) the Selected Employee is subject to Disciplinary Proceedings.
- 2.9 For the avoidance of doubt, no Grant may be awarded to any person who is a director of the Company, a major shareholder of the Company, a chief executive of the Company or the holding company of Takaful Malaysia, or a person connected to them (within the meaning of the Listing Requirements), unless the specific award of that Grant, and the related allotment of Shares pursuant to that Grant, to that person shall have previously been approved by the Company in general meeting.
- 2.10 The LTIP Committee may in its discretion revoke or suspend the nomination of any Selected Employee or Group Company at any time and from time to time, whereupon such Selected Employees and the employees of such corporation shall henceforth cease to be eligible for any Offer or Grant under this Scheme.

3. MAXIMUM NUMBER OF SHARES AVAILABLE UNDER THIS SCHEME

- 3.1 Subject to By-Law 3.2, the maximum number of Shares which may be made available under the Scheme and/or allotted upon vesting of the Shares under a Grant, shall not be more than ten percent (10%) of the issued and paid-up share capital of the Company (excluding treasury shares) at any point in time during the duration of the Scheme Period.
- 3.2 In the event the total number of Shares made available under the Scheme exceeds the ten percent (10%) limit referred to in By-Law 3.1 ("**Maximum Scheme Shares Available**") as a result of the Company purchasing or reducing its own issued and paid-up share capital in accordance with the provisions of the Act and/or undertakes any other corporate proposal resulting in the reduction of its issued and paid-up share capital, all Grants awarded prior to the said variation of the issued and paid-up share capital of the Company shall remain valid and may vest in accordance with the provisions of this Scheme as if that purchase and/or reduction had not occurred. However no additional Offer shall be made unless the total number of Shares which may be issued under the Scheme in respect of such Grants shall fall below the Maximum Scheme Shares Available.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

- 3.3 The Company shall, during the duration of the Scheme Period as provided in By-Law 15, make available sufficient unissued shares in the authorised share capital of the Company to satisfy all outstanding Grants.

4. BASIS OF ALLOCATION AND MAXIMUM ALLOWABLE ALLOTMENT

- 4.1 The total number of Shares that may be offered to any one of the Selected Employees and/or to be vested in any one of the Grantees under this Scheme at any time shall be at the discretion of the LTIP Committee, after taking into account such criteria as may be determined by the LTIP Committee in its discretion (subject always to these By-Laws and any applicable law). Notwithstanding the foregoing, not more than ten percent (10%) of the Shares available under this Scheme shall be allocated to any individual Selected Employee who, either singly or collectively through persons connected with him (as defined under the relevant applicable law), holds twenty percent (20%) or more of the issued and paid-up share capital of the Company (excluding treasury shares) ("**Maximum Allowable Allocation**"). Eligible Employees who are directors of the Company or any Group Company or who are in senior management shall not participate in any deliberation or discussion on the Offer and/or their own respective allocations or any vesting and/or allotment/issuance of Shares to them under the Scheme.
- 4.2 For the avoidance of doubt, the LTIP Committee shall have the discretion in determining whether the Shares available for vesting under this Scheme are to be offered to the Selected Employees via:
- (a) one (1) single Offer (as the case may be) at a time determined by the LTIP Committee; or
 - (b) several Offers (as the case may be) where the vesting of Shares comprised in those Offers is staggered or made in several tranches at such times determined by the LTIP Committee.
- 4.3 In the event the LTIP Committee decides that the Offer or vesting of any number of Shares is to be staggered, the number of Shares to be offered in each Offer and the timing for the vesting of the same shall be decided by the LTIP Committee at its discretion and each Offer shall be separate and independent from the others.

5. OFFER

- 5.1 The LTIP Committee may, during the duration of the Scheme Period, make one (1) or more Offers to any Selected Employee, whom the LTIP Committee may in its discretion select. Each Offer made to any Selected Employee by the LTIP Committee shall be separate and independent from any previous or later Offer made by the LTIP Committee to that Selected Employee.
- 5.2 Subject always to these By-Laws:
- (a) nothing shall prevent the LTIP Committee from making more than one Offer to any Selected Employee provided always that the aggregate number of Shares in respect of the Offers granted to any Grantee shall not exceed the Maximum Allowable Allocation; and
 - (b) the number of Shares which a Selected Employee may be entitled pursuant to an Offer shall be at the discretion of the LTIP Committee and, subject to any adjustment that may be made under these By-Laws, shall be not be less than one hundred (100) Shares and shall always be in multiples of one hundred (100) Shares. In the event a Selected Employee is entitled to a number of Shares which is not in a multiple of one hundred (100) Shares, such entitlement shall be rounded to the nearest multiple of one hundred (100) Shares.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

The numbers of Shares so offered for vesting pursuant to the Scheme, which shall be disclosed in the Company's annual report, shall be verified by the Company's external or internal auditors and the Audit Committee of the Board of Takaful Malaysia (if required).

- 5.3 An Offer shall be made in any manner as the LTIP Committee shall determine and may be made upon such terms and conditions as the LTIP Committee may decide from time to time. Each Offer shall be made in writing and is personal to the Selected Employee and cannot be assigned, transferred, encumbered or otherwise disposed of in any manner whatsoever, except that in the case where a Selected Employee is not a resident in Malaysia, the Offer for the benefit of that non-resident Selected Employee may be in favour of (and be accepted by) any person who represents, is an Authorised Nominee of, is an agent of, and/or is a trustee of, that Selected Employee. Nothing herein shall require any Offer made to be the same as or similar to other Offers previously or subsequently made whether to the same or a different Selected Employee. For the avoidance of doubt, the restriction in this By-Law 5.3 shall apply to any person who represents, is an Authorised Nominee of, is an agent of and/or is a trustee of, that Selected Employee, to the extent where any assignment, transfer or disposal thereby is in favour of any person other than the Selected Employee.

6. ACCEPTANCE OF OFFERS

- 6.1 An Offer shall be valid for a period of one (1) month (or such other period as may be determined by the LTIP Committee) from the date of that Offer. Any acceptance of that Offer must be made by the person to whom that Offer is made within that period by written notice to the LTIP Committee (in such form as may be prescribed by the LTIP Committee), accompanied by a non-refundable payment to the Company of the sum of RM1.00 as a consideration for acceptance of that Offer. If that Offer is not accepted in this manner, that Offer shall, upon the expiry of the prescribed period, automatically lapse and shall be null and void and of no effect and the Shares that would have been vested and allotted in such Offer may, at the discretion of the LTIP Committee, be offered to other Selected Employees in accordance with these By-Laws provided that the LTIP Committee shall not be precluded from making a fresh Offer to the Selected Employee subsequently.

7. NON-TRANSFERABILITY OF THE GRANT

- 7.1 Subject to By-Law 5.3, a Grant is personal to the Grantee thereof, and cannot be assigned, encumbered, transferred or otherwise disposed of in any manner whatsoever, except that in the case where a Grantee is not a resident in Malaysia, the Grant that is for the benefit of that non-resident Grantee may then be held and its rights exercised by or in favour of any person who represents, is an Authorised Nominee of, is an agent of, and/or is a trustee of, that Grantee. For the avoidance of doubt, the restriction in this By-Law 7.1 shall apply to any person who represents, is an Authorised Nominee of, is an agent of and/or is a trustee of that Grantee, to the extent where any assignment, transfer or disposal thereby is in favour of any person other than the Grantee.

8. VESTING CONDITIONS AND VESTING OF SHARES

- 8.1 The Shares to be allotted/issued under a Grant shall vest to the Grantee in accordance with the terms of the Offer and these By-Laws:
- (a) during his employment with a Group Company (unless otherwise expressly provided under these By-Laws);
 - (b) in any number of times within the Vesting Period for that Grant as the LTIP Committee may decide in its discretion from time to time; and

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

not otherwise, during the normal business hours of the Company on such days and/or during such periods as the LTIP Committee may decide for the purposes of vesting of the Shares, provided that no Shares under a Grant shall vest beyond the expiry of the duration of the Scheme Period. The Shares comprised in a Grant shall vest in multiples of and no less than hundred (100) Shares.

- 8.2 Every Notice of Vesting must be in the form prescribed by the LTIP Committee from time to time and will stipulate the number of Shares vested/which will be vested to the Grantee pursuant to the Grant. Within eight (8) Market Days from the vesting date stipulated in the Notice of Vesting, the Company shall:
- (a) allot and issue such number of Shares to the Grantee (subject to and in accordance with the provisions of the Articles and all applicable laws);
 - (b) despatch notices of allotment to the Grantee accordingly; and
 - (c) make an application to Bursa Securities for the listing of and quotation for the relevant number of Shares (where applicable).

In any case, the Company will apply to Bursa Securities for the listing of and quotation for all the Shares to be allotted pursuant to this Scheme and will use its best endeavours to obtain permission for such listing and quotation.

- 8.3 The Shares to be issued pursuant to the vesting of a Grant under this Scheme shall be credited directly into the CDS Account of the Grantee or his Authorised Nominee (as the case may be), and no physical share certificates will be issued and delivered to the Grantee or his Authorised Nominee (as the case may be). The Grantee shall provide the Company with his CDS Account number or the CDS Account number of his Authorised Nominee (as the case may be) within the time period as determined by the LTIP Committee. It is the obligation and responsibility of the Grantee to notify the Company of any change in his CDS Account number and any other relevant details.
- 8.4 To the extent Shares under a Grant shall not have vested upon expiry of the Vesting Period or vest at all under the Scheme for any reason whatsoever (including, without limitation, by reason of the LTIP Committee determining that a Grant shall not vest at all, pursuant to By-Law 8.6) the Grant shall lapse and become null and void (unless extended at any time and from time to time by the LTIP Committee in its discretion).
- 8.5 Notwithstanding anything to the contrary, in the event of any take-over offer being made for the issued and paid-up share capital of the Company or any other corporate proposal (including but not limited to a selective capital reduction exercise), being undertaken whereby all of the issued share capital of the Company is to be acquired (or all of the issued share capital of the Company ends up in the hands of one or more sponsor of such proposal), whether by way of a general offer or otherwise, the LTIP Committee may in its discretion unilaterally decide:
- (a) to alter any Vesting Period applicable in respect of any Grant, whether by shortening or lengthening the same;
 - (b) to alter any Commencement Date and/or Termination Date in respect of any Grant;
 - (c) to fix any Commencement Date and/or Termination Date in respect of any Grant; and/or
 - (d) to alter the terms of any Grant;

but in the absence of any such decision by the LTIP Committee, upon any such take-over offer or corporate proposal becoming or being declared unconditional, the LTIP Committee may allow, within one (1) month from the date on which such take-over offer or corporate proposal becomes or is declared unconditional (or such shorter period expiring on the day

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

immediately prior to the date on which the Offer or proposal is to expire or to complete, if such period is shorter than the said one (1) month period), for such number of Shares comprised in Grants to vest fully, including those Shares comprised in Grants that have not yet vested in accordance with By-Law 8.6, provided that if during such period a party becomes entitled or bound to exercise the rights of compulsory acquisition under the provisions of any applicable law, and gives notice to the Company and/or any member of the Company that it intends to exercise such rights on a specified date, the Shares under the Grant shall vest to the Grantee until the day immediately prior to that specified date, but no later.

- 8.6 Notwithstanding By-Law 8.1, all Shares comprised in a Grant under this Scheme shall vest only if the LTIP Committee determines that such Shares are able to vest (and if so, determines the extent to which such Shares will vest) in accordance with such criteria as the LTIP Committee may determine at any time and from time to time in its discretion, and (as the case may be) subject to such limits in numbers of Shares and times of vesting as may be determined by the LTIP Committee also in its discretion. For the avoidance of doubt, no Shares comprised in Grants shall vest unless the same shall have been determined by the LTIP Committee to be able to vest pursuant to this By-Law 8.6. In this regard, the LTIP Committee may (without prejudice to the generality of the foregoing) impose such conditions precedent, including but not limited to any vesting conditions or performance targets or such other conditions precedent as the LTIP Committee thinks fit in respect of the vesting of any Shares comprised in a Grant. In respect of any year during the duration of the Scheme Period, the Board shall make the relevant determinations for the purposes of this By-Law 8.6 that are applicable to that year and notify Grantees of the same.
- 8.7 The LTIP Committee shall have the discretion to settle the vesting of any Shares comprised in a Grant by way of cash payment in lieu of an allotment of Shares to a Grantee.
- 8.8 No Grantee shall have the right to or interest in the Shares granted to him unless and until the Shares are vested in him on and with effect from the date such Shares are credited into his CDS Account.

9. TERMINATION OF GRANTS AND UNVESTED SHARES

- 9.1 In the event of the cessation of employment of a Grantee with a Group Company for whatever reason, including but not limited to the receipt of a letter of termination or the serving of a notice of resignation by the Grantee, prior to the vesting of Shares comprised in a Grant, such Grant or the balance thereof, as the case may be, shall forthwith cease to be valid without any claim against the Group Company.
- 9.2 In the event of the cessation of employment of a Grantee with a Group Company in any of the following circumstances:
- (a) retirement on attaining the normal retirement age under the Group Company's retirement policy;
 - (b) retirement before attaining that normal retirement age;
 - (c) ill-health, injury, physical or mental disability;
 - (d) redundancy or retrenchment, pursuant to the acceptance by that Grantee of a voluntary separation scheme offered by the relevant Group Company;
 - (e) non-renewal of fixed term contract; or
 - (f) any other circumstance which is acceptable to the LTIP Committee in its discretion;

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

the LTIP Committee may at its discretion determine that all or any part of the unvested Shares comprised in a Grant, can vest in accordance with the provisions of these By-Laws, and the times or periods at or within which such Shares may vest (provided that no Shares shall vest after the expiry of the Vesting Period). Unless the LTIP Committee in its discretion permits such vesting in accordance with this By-Law 9.2, any unvested Shares shall cease or deem to be ceased to be capable of vesting to the Grantee without any liability or right to claim against the Company and/or LTIP Committee and/or the Board.

- 9.3 Subject to By-Law 9.2, upon the resignation of the Selected Employee or the Grantee from his employment with the relevant Group Company, such Offer or such Grant shall lapse and cease to be valid forthwith on the date the Selected Employee or Grantee, as the case may be, tenders his resignation.
- 9.4 Where a Grantee dies before the expiry of the Vesting Period, the LTIP Committee may at its discretion determine that all or any part of the unvested Shares under the Grants held by the Grantee, can vest to the legal or personal representative of that Grantee, and the times or periods at or within which such Shares comprised in the Grants may vest, provided always that no Shares comprised in the Grants may vest after the expiry of the Vesting Period. In this regard, the LTIP Committee may require the said personal or legal representative to provide evidence satisfactory to the LTIP Committee of his status as such legal or personal representative as the case may be.
- 9.5 Any unaccepted Offers and/or unvested Shares shall forthwith lapse and/or be deemed to be cancelled and/or cease to be capable of acceptance and/or vesting, as the case may be, without any claim against the Company and/or the LTIP Committee upon the occurrence of one or more of the following events:
- (a) winding-up or liquidation of the Company; or
 - (b) termination of the Scheme pursuant to By-Law 15.3.

10. ALTERATION OF SHARE CAPITAL AND ADJUSTMENT

- 10.1 If the LTIP Committee so decides (but not otherwise), in the event of any alteration in the capital structure of the Company during the duration of the Scheme, whether by way of capitalisation of profits or reserves, rights issues, bonus issues, capital reduction, capital repayment, sub-division or consolidation of capital, or otherwise howsoever taking place, such corresponding alterations (if any) may be made to the Scheme.
- 10.2 Alterations, as set out in By-Law 10.1, may be made in:
- (a) the number of unvested Shares comprised in a Grant; and/or
 - (b) the method and/or manner in the vesting of the Shares comprised in a Grant.
- 10.3 The alterations as set out in By-Law 10.2 shall be in such a manner as to give the Grantee a fair and reasonable Grant entitlement, as certified in writing (other than for adjustments made pursuant to a bonus issue) by the external auditor or adviser (which must be a principal adviser under the SC's Guidelines on Principal Advisers for Corporate Proposals) of the Company (acting as an expert and not as an arbitrator) as being in its opinion fair and reasonable and such certification shall be final and binding in all respects, provided that:
- (a) upon any adjustment being made pursuant to By-Law 10.2, the LTIP Committee shall notify the Grantee (or his personal representatives, where applicable) in writing of the adjusted number of Shares comprised in the Grant, and/or the revised maximum number of Shares and/or percentage of the total Shares comprised in the Grant, that may vest at any time or in any period which supersedes the earlier Grant.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

- (b) in the event that a fraction of a Share arising from the adjustments referred to in By-Law 10.2 would otherwise be required to be issued upon the vesting of Shares comprised in a Grant, the Grantee's entitlement shall be rounded to the nearest whole number.

Unless otherwise determined by the LTIP Committee, the adjustments pursuant to By-Law 10.2 shall be effective on the day immediately following the book closure date for the event giving rise to that adjustment.

- 10.4 Notwithstanding anything to the contrary, the provisions of this By-Law 10 shall not apply where the alteration in the capital structure of the Company arises from:

- (a) any issuance of Shares or other securities as consideration (or part consideration) for an acquisition of any other securities, assets or business by the Takaful Malaysia Group;
- (b) any special issuance of Shares or other securities to Bumiputera investors nominated by the Malaysian government and/or any other relevant authority of the Malaysian government to comply with the Malaysian government's policy on Bumiputera capital participation;
- (c) any private placement or restricted issuance of Shares or other securities by the Company;
- (d) any implementation of a share buy-back arrangement by the Company under the Act;
- (e) any issuance of warrants, convertible loan stocks or other instruments by the Company that gives a right of conversion into shares in the Company or other securities, and any issuance of Shares or other securities arising from the exercise of any conversion rights attached to such convertible securities; or
- (f) any issuance of Shares upon the vesting of Shares comprised in a Grant.

- 10.5 The provisions of By-Law 10 shall also, where applicable, apply to a situation where the Offer has been made but has not been accepted by the Selected Employee or withdrawn by the LTIP Committee.

11. DISCIPLINARY PROCEEDINGS

- 11.1 For the avoidance of doubt, in the event that a Grantee is subject to Disciplinary Proceedings (whether or not such Disciplinary Proceedings will give rise to a dismissal or termination of service), the LTIP Committee may in its discretion suspend any one or more of the Grantee's rights in respect of any Grant then held by him, pending the outcome of such Disciplinary Proceedings, provided always that:

- (a) (for the avoidance of doubt) in the event that such Grantee shall subsequently be found to be not guilty of all the charges which gave rise to such Disciplinary Proceedings, the Grantee's rights in respect of any Grant then held by him shall remain unaffected (and where that Grant had been suspended, the suspension shall be lifted);
- (b) in the event the Disciplinary Proceedings result in a dismissal or termination of service of such Grantee, the Grant held by that Grantee shall immediately lapse and be null and void and of no further force and effect upon the date of the notice of the dismissal or termination of service of such Grantee, notwithstanding that such dismissal or termination of service may be subsequently challenged by the Grantee in any other forum; and

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

- (c) in the event that the Disciplinary Proceedings result in a demotion of the Grantee to a lower category of employment, the numbers of Shares comprised in the Grant held by that Grantee which are unvested (as the case may be) at that time may be reduced by the LTIP Committee in its discretion; but

in any case and notwithstanding anything to the contrary, in the event such Grantee is found guilty of some or all of the charges but no dismissal or termination of service is recommended, the LTIP Committee shall have the right to determine, at its discretion, whether or not the Shares comprised in the Grant may continue to vest and, if so, to impose such limits, terms and conditions as it deems appropriate, in respect of such vesting (regardless of anything previously determined in respect of his Grant). Nothing herein shall prevent the LTIP Committee (but the LTIP Committee shall not be obliged to do so) from making a fresh Offer and/or reinstating the right of a Grantee to have vested any unvested Shares in the event that such disciplinary actions are not decided against him or if such disciplinary actions are withdrawn.

- 11.2 In the event a Selected Employee is subjected to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service) after an Offer is made, the Offer is deemed revoked and/or withdrawn and ceases to be capable of acceptance, unless otherwise decided by the LTIP Committee who may in doing so, impose such terms and conditions as it deems appropriate having regard to the nature of the disciplinary actions made or brought against the Selected Employee. Nothing herein shall prevent the LTIP Committee (but the LTIP Committee shall not be obliged to do so) from making a fresh Offer to such Selected Employee in the event that such disciplinary actions are not found against him or if such disciplinary actions are withdrawn.

12. RANKING OF AND RIGHTS TO THE SHARES

- 12.1 The Shares to be allotted and issued pursuant to this Scheme shall, upon allotment and issuance, rank equally in all respects with the then existing issued shares of the Company.
- 12.2 The Shares to be allotted and issued pursuant to the vesting of the Grant under this Scheme shall not be entitled to any dividends, rights, allotments and/or any other distributions, for which the entitlement date is, prior to the date on which the Shares are credited into the CDS Account(s) of the respective Grantees upon vesting of the Grant under this Scheme.
- 12.3 The Shares shall be subject to all the provisions of the Articles of the Company in relation to their transfer, transmission or otherwise.

13. ADMINISTRATION

- 13.1 This Scheme shall, subject to these By-Laws, be implemented and administered by the LTIP Committee in such manner as it shall, in its discretion, think fit, in the best interest of the Company. The LTIP Committee shall comprise such persons appointed by the Board from time to time and shall be vested with such powers and duties as are conferred upon it by the Board and the Board may determine all matters pertaining to this LTIP Committee, including, its duties, powers and limitations.
- 13.2 Without limiting the generality of By-Law 13.1, the LTIP Committee may for the purpose of administering this Scheme, do all acts and things and enter into any transaction, agreement, deed, document or arrangement, and make such rules and regulations, or impose terms and conditions or delegate part of its power relating to the administration of the Scheme as the LTIP Committee in its discretion deem fit necessary and/or expedient for the implementation and administration of, and to give full effect to, the Scheme.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

- 13.3 The Board shall have power at any time and from time to time to:
- (a) approve, rescind and/or revoke the appointment of any member of the LTIP Committee and appoint replacement members to the LTIP Committee;
 - (b) assume and/or exercise or execute any of the powers and authorities conferred upon the LTIP Committee pursuant to these By-Laws; and
 - (c) amend, modify or vary the terms of reference of the LTIP Committee.

14. MODIFICATION AND/OR AMENDMENT TO THESE BY-LAWS

- 14.1 The terms and conditions of these By-Laws and this Scheme may from time to time be modified and/or amended by resolution of the Board or LTIP Committee, except that (unless expressly provided in these By-Laws) no such modification and/or amendment shall be made which would prejudice the rights then accrued to any Selected Employee and/or Grantee without his prior written consent and no amendment and alteration of this Scheme shall be made in relation to By-Laws 2, 3.1, 4.1, 5.3, 6.1, 7.1, 9.5, 10.3, 12.1, and 15.1 to the advantage of the Selected Employee and/or Grantee without the prior approval of the Company's shareholders in a general meeting and subject to any applicable laws.

15. SCHEME PERIOD

- 15.1 This Scheme shall take effect on the Effective Date i.e. the date upon which the Company has fully complied with the provisions of the Listing Requirements in relation to the Scheme and shall be in force for a period of ten (10) years provided that the following conditions have been fulfilled:

- (a) approval of Bursa Securities for the listing of and quotation for the Shares to be issued pursuant to the Scheme on the Main Market of Bursa Securities;
- (b) approval of the shareholders of the Company at a general meeting to be convened;
- (c) the submission to Bursa Securities of the final copy of the By-Laws;
- (d) any other relevant regulatory authorities' approval where applicable; and
- (e) fulfillment of all conditions attached to the above approvals if any.

All unaccepted Offers and/or unvested Shares comprised in any Grants shall forthwith cease to be capable of vesting upon expiration of the Scheme.

- 15.2 Within five (5) Market Days after the Effective Date, the Company shall, through the principal adviser, submit a confirmation to Bursa Securities of full compliance with approvals and/or conditions set out in By-Law 15.1 stating the Effective Date, together with a certified true copy of the relevant resolution passed by the shareholders of the Company in the general meeting approving the Scheme.
- 15.3 Notwithstanding anything set out in these By-Laws and subject always to compliance with the SC, Bursa Securities and any other regulatory authorities' guidelines or directives, the Company may, by notice in writing to all Grantees whose Shares have not been vested in them ("**Said Grantee**"), terminate the Scheme at any time during the Scheme Period, provided that all of the following approvals/consents have been obtained prior to such termination:
- (a) the consent of the Company's shareholders at a general meeting, wherein at least a majority of the shareholders, present and voting, vote in favour of the termination; and

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

- (b) the written consent of all the Said Grantee,

whereupon all Offers shall be deemed revoked and be null and void and any unvested Shares shall be deemed to cease to be capable of vesting and be null and void on the date specified in the notice which shall be after approvals/consents aforementioned have been obtained ("**Scheme Termination Date**") provided that the LTIP Committee may in its discretion, permit the vesting of unvested Shares (or any part thereof) in the Said Grantee at any time prior to the Scheme Termination Date subject to such terms and conditions as may be prescribed notwithstanding that:

- (i) the vesting date of the Shares is not due or has not occurred; and/or
- (ii) other terms and conditions set out in the Offer have not been fulfilled/satisfied.

16. RETENTION PERIOD

- 16.1 The Shares allotted and issued pursuant to the vesting of Shares comprised in a Grant under this Scheme may be subjected to any retention period at the discretion of the LTIP Committee.
- 16.2 The expression "**retention period**" referred to in By-Law 16.1 shall mean the period in which the Shares allotted and issued pursuant to this Scheme must not be sold, transferred, assigned or otherwise disposed of by the Grantee.

17. COSTS AND EXPENSES OF SCHEME

- 17.1 All administrative costs and expenses incurred in relation to this Scheme, including but not limited to the costs and expenses relating to the allotment and issuance of the Shares upon the vesting of Shares comprised in a Grant, shall be borne by the Company.
- 17.2 For the avoidance of doubt, all other costs, fees, levies, charges, and/or taxes (including, without limitation, income taxes) that are incurred by an allottee of Shares pursuant or relating to the vesting of Shares comprised in a Grant, and any holding or dealing of such Shares (such as (but not limited to) brokerage commissions and stamp duty) shall be borne by that Grantee for his own account, and the Company shall not be liable for any one or more of such costs, fees, levies, charges and/or taxes.

18. NO COMPENSATION

- 18.1 All employees of any Group Company (including but not limited to an Eligible Employee/Selected Employee and/or Grantee) who cease to hold office or employment or their legal or personal representatives, shall not be entitled to any compensation for the loss of any right or benefit, or prospective right or benefit, under this Scheme which they might otherwise have enjoyed, whether such compensation is claimed by way of damages for wrongful dismissal, other breach of contract or by way of compensation for loss of office.
- 18.2 All employees of any Group Company or their legal or personal representatives, shall not be entitled to bring any claim, action or proceeding against the Company, the Board, the LTIP Committee or any other party for any compensation, loss or damages whatsoever and howsoever arising from the suspension of the vesting of Shares comprised in a Grant, their Shares comprised in a Grant not vesting for any reason whatsoever, and/or their Grant ceasing to be valid pursuant to the provisions of these By-Laws.

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

19. DISPUTES

- 19.1 In the event of a dispute between the Board and/or LTIP Committee, and an employee of any Group Company as to any matter or thing of any nature arising hereunder, the Board or LTIP Committee shall determine such dispute or difference by a written decision (without the obligation to give any reason for the same) given to the employee of any Group Company. The said decision of the Board or LTIP Committee (as the case may be) shall be final and binding on the parties.

20. INSPECTION OF AUDITED ACCOUNTS

- 20.1 All Grantees shall be entitled to inspect a copy of the latest audited accounts of the Company, which shall be made available at the Company's website, www.takaful-malaysia.com.my.

21. DIVESTMENTS OF SUBSIDIARIES

- 21.1 If a Grantee is in the employment of a company which ceases to be a Group Company due to a subsequent disposal or divestment (in whole or in part) from the Group such Grantee shall not be eligible for any further award of Grants under this Scheme. Unless otherwise determined by the LTIP Committee, any unvested Shares in respect of the Grantee shall cease to be capable of vesting.

22. ACQUISITIONS OF SUBSIDIARIES

- 22.1 Notwithstanding anything to the contrary, but subject to By-Law 2.4, in the case of an employee of a Previous Company, such an employee ("**Affected Employee**"):

- (a) will be entitled to continue to exercise all such unexercised rights or options that were granted to him under the Previous Company's employee share scheme or employee share option scheme in accordance with the by-laws of that Previous Company's employee share scheme or employee share option scheme, but he shall not, upon that Previous Company becoming a Group Company, be eligible to participate for further rights or options under such Previous Company's employee share scheme or employee share option scheme unless permitted by the LTIP Committee; and
- (b) (subject to the approval of the LTIP Committee) may be eligible to participate in this Scheme only for remaining duration of this Scheme;

provided that, notwithstanding anything to the contrary, the number of Shares that may be offered to such an Affected Employee under By-Law 22.1(b) will always be subject to the discretion of the LTIP Committee.

23. SCHEMES OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION ETC

- 23.1 Notwithstanding By-Law 8, in the event of any application being made to the court for approval of a compromise or arrangement between the Company and its members proposed for the purposes of, or in connection with, a scheme of arrangement and/or arrangement and reconstruction of the Company under section 176 of the Act, or its amalgamation with any other company or companies under section 178 of the Act, the LTIP Committee may at its discretion determine that a Grantee may be entitled to receive all or any part of the Shares comprised in a Grant that remain unvested in accordance with By-Law 8.6 commencing from the date upon which the application is so made to the court and ending on the date immediately prior to the date on which the Scheme is approved (or on any other date specified by the LTIP Committee in its discretion) after which all Offers

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

shall be null and void and Grants (whether or not comprising Shares vested thereunder), shall cease to be capable of vesting.

24. THE ARTICLES

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

25. SCHEME NOT A TERM OF EMPLOYMENT

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

26. DISCLAIMER OF LIABILITY

- 26.1 Notwithstanding anything to the contrary, the Board, LTIP Committee and/or the Company including any Group Company and its directors, officers, employees, agents, affiliates and representatives, shall not, under any circumstance, be held liable for any damages, cost, loss and expense whatsoever and howsoever arising in any event in respect of this Scheme, including but not limited to the Company's delay in allotting and issuing the Shares or in applying for or procuring the listing of the Shares on Bursa Securities.

27. NOTICE

- 27.1 Any notice under the Scheme required to be given to or served upon an Eligible Employee, Selected Employee or Grantee shall be deemed to be sufficiently given, served or made if it is given, served or made by hand, by electronic mail, by facsimile transmission and/or by letter sent via ordinary post addressed to the Eligible Employee, Selected Employee or Grantee at his place of employment, to his electronic mail address, at his last facsimile transmission number known to the Company, or to his last-known address. Any notice served by hand, by facsimile, by electronic mail or post as aforesaid shall be deemed to have been received at the time when such notice (if by hand) is received and duly acknowledged, (if by facsimile transmission) is transmitted with a confirmed log print-out for the transmission indicating the date, time and transmission of all pages, (if by electronic mail) the despatch of the electronic mail, and (if by post) three days after postage.
- 27.2 Any notice under the Scheme required to be given to or served upon the Board or the LTIP Committee by an Eligible Employee, Selected Employee or Grantee shall be given, served or made in writing and delivered by hand or by registered post to the registered office of the Company (or such other office or place which the LTIP Committee may have stipulated for this purpose).

28. MULTIPLE JURISDICTIONS

- 28.1 In order to facilitate the making of any Grants (and/or the benefit thereof) under this Scheme, the LTIP Committee may provide for such special terms to apply to Grants to Grantees who are employed by a Group Company in a particular jurisdiction, or who are nationals of any particular jurisdiction, that is outside Malaysia, as the LTIP Committee may consider necessary or appropriate to accommodate differences in applicable law, tax policy or custom. Moreover, the LTIP Committee may approve such supplements to or

DRAFT BY-LAWS FOR THE PROPOSED LTIP (Cont'd)

amendments, restatements or alternative versions of, the Scheme as it may consider necessary or appropriate for such purposes, without thereby affecting the terms of the Scheme as they are in effect for any other purpose, and the secretary of the Company or any other appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as this Scheme. No such special terms, supplements, amendments or restatement, however, shall include any provision that is inconsistent with the terms of this Scheme and these By-Laws as then in effect unless this Scheme and these By-Laws could have been amended to eliminate such inconsistency. The provisions of this By-Law shall also where applicable, apply to the making of any Offer.

29. SEVERABILITY

- 29.1 Any term, condition, stipulation, and/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, but the same shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation, provision contained in these By-Laws.

30. ERRORS AND OMISSIONS

- 30.1 If in consequences of an error or omission, the LTIP Committee discovers/determines that:
- (a) an Eligible Employee who was selected as a Selected Employee has not been given the opportunity to participate in the Scheme on any occasion;
 - (b) an Eligible Employee was erroneously selected as a Selected Employee; or
 - (c) the number of Shares allotted and issued to any Grantee on any occasion is found to be incorrect;

and such error or omission cannot be corrected, the LTIP Committee may do all such acts and things to rectify such error or omission including, but not limited to, all acts and things to ensure that the Eligible Employee is given the opportunity to participate in the Scheme and/or to withdraw the Offer/Grant given to the employee who was erroneously as a Selected Employee and/or to ensure that the Grantee is credited with the correct number of Shares to which he is entitled to and/or payment of cash to the Grantee in the case of settlement by way of cash (whichever is applicable).

31. GOVERNING LAW

- 31.1 The Scheme, these By-Laws, and all Offers and Grants made and granted and actions taken under the Scheme shall be governed by and construed in accordance with Malaysian law and the Grantees, by accepting the Offer in accordance with these By-Laws and terms of the Scheme and the Articles, irrevocably submit to the exclusive jurisdiction of the courts of Malaysia.

32. DECISION OF THE BOARD AND/OR LTIP COMMITTEE

- 32.1 Any decision and/or determination made by the Board and/or the LTIP Committee under these By-Laws shall be final and binding on all parties.

33. DELAY IN PERFORMANCE

- 33.1 The performance of any obligations provided herein may be delayed, prohibited or become impossible by reason of events beyond reasonable control of the Company or the LTIP Committee.

FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

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

2. WRITTEN CONSENT AND CONFLICT OF INTEREST

2.1 Maybank IB

Maybank IB, our Adviser in relation to the Malaysian regulatory requirements for the Proposed LTIP, 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 it appears in this Circular.

Maybank IB and its related and associated companies (“**Maybank Group**”) form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and fund management and credit transaction services businesses. The Maybank Group has engaged and may in the future, be engaged in transactions with and perform services for our Company and/or its affiliates, in addition to the role set out in this Circular. In addition, in the ordinary course of business, any member of the Maybank Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of our Group or any other entity or transactions for its own account or the account of its customers in debt or equity securities or senior loans. This is a result of the business of the Maybank Group generally acting independent of each other and accordingly, there may be situations where parts of the Maybank Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the said interest. Nonetheless, the Maybank Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require amongst others, segregation between dealing and advisory activities, and Chinese wall between different business divisions.

Maybank IB confirms that as at the LPD, it is not aware of any circumstance that exists or is likely to exist to give rise to a possible conflict of interest situation in its capacity as Adviser to our Company for the Proposed LTIP.

2.2 Towers Watson

Towers Watson, our Scheme Adviser in relation to the Proposed LTIP, 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 it appears in this Circular.

Towers Watson confirms that as at the LPD, it is not aware of any circumstance that exists or is likely to exist to give rise to a possible conflict of interest situation in its capacity as Scheme Adviser to our Company for the Proposed LTIP.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

3.1 Material commitments

As at 31 March 2013, our Directors are not aware of any material commitments contracted or known to be contracted by our Group which may have a material impact on the financial position of our Group.

FURTHER INFORMATION *(Cont'd)*

3.2 Contingent liabilities

As at 31 March 2013, our Board is not aware of any contingent liabilities, which upon becoming enforceable, may affect the ability of our Group to meet our obligations as and when they fall due.

4. MATERIAL LITIGATION

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

5. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at our registered office at Tingkat 26, Blok Annex, Menara Takaful Malaysia, No. 4, Jalan Sultan Sulaiman, 50000 Kuala Lumpur, during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of our EGM:

- (i) Our Memorandum and Articles of Association;
- (ii) Our audited consolidated financial statements for the past two (2) FYE 31 December 2011 and 2012 and unaudited consolidated financial statements for the financial period ended 31 March 2013;
- (iii) the consent letters referred to in Section 2 above; and
- (iv) Draft By-Laws for the Proposed LTIP.

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SYARIKAT TAKAFUL MALAYSIA BERHAD

(Company No. 131646-K)

(Incorporated in Malaysia under the Companies Act, 1965)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM**") of Syarikat Takaful Malaysia Berhad ("**Takaful Malaysia**" or "**Company**") will be held at Dewan Ahmad Mohamed Ibrahim, 5th Floor, Annexe Block, Menara Takaful Malaysia, No. 4, Jalan Sultan Sulaiman, 50000 Kuala Lumpur on Wednesday, 24 July 2013 at 10.00 a.m., or any adjournment thereof, for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions:

ORDINARY RESOLUTION 1

PROPOSED ESTABLISHMENT OF A LONG-TERM INCENTIVE PLAN OF UP TO TEN PERCENT (10%) OF THE ISSUED AND PAID-UP SHARE CAPITAL OF TAKAFUL MALAYSIA FOR THE ELIGIBLE EMPLOYEES AND EXECUTIVE DIRECTORS OF TAKAFUL MALAYSIA AND ITS SUBSIDIARIES ("PROPOSED LTIP")

"THAT subject to the approvals of all relevant regulatory authorities for the Proposed LTIP being obtained and to the extent permitted by law and the Memorandum and Articles of Association of Takaful Malaysia, the Board of Directors of Takaful Malaysia ("**Board**") be and is hereby authorised:

- (a) to establish, implement and administer the Proposed LTIP which comprises the restricted share plan ("**RSP**") and performance share plan ("**PSP**") for the benefit of the employees and executive directors of Takaful Malaysia and its subsidiaries (excluding subsidiaries which are dormant) ("**Takaful Malaysia Group**") who fulfil the criteria of eligibility for participation in the Proposed LTIP ("**Eligible Employees**") and who are selected by a committee established to administer the Proposed LTIP to be offered a grant of RSP and/or PSP ("**Selected Employees**") in accordance with the by-laws of the Proposed LTIP ("**By-Laws**") set out in Appendix I of the Circular to shareholders dated 9 July 2013;
- (b) to allot and issue from time to time such number of new ordinary shares of RM1.00 each in Takaful Malaysia ("**Takaful Malaysia Shares**") as may be required to be issued to the Selected Employees who have accepted the grant of RSP ("**RSP Grant**") and/or the grant of PSP ("**PSP Grant**") (RSP Grant and PSP Grant are collectively referred to as "**Grants**") pursuant to the vesting of the Grants under the Proposed LTIP, provided always that the total number of new Takaful Malaysia Shares to be allotted and issued shall not exceed ten percent (10%) of the issued and paid-up share capital of Takaful Malaysia (excluding treasury shares, if any) at any point in time during the duration of the Proposed LTIP and that such new Takaful Malaysia Shares shall, upon allotment and issuance, rank equally in all respects with the then existing issued Takaful Malaysia Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other distributions, for which the entitlement date is prior to the date on which the new Takaful Malaysia Shares are credited into the central depository system account(s) of the respective Selected Employees who have accepted the Grants, upon vesting of their Grants under the Proposed LTIP;
- (c) to add, modify and/or amend the Proposed LTIP, By-Laws and all rules, regulations and administration relating to the Proposed LTIP and/or the administration thereof, from time to time as may be permitted by the authorities or deemed necessary by the relevant regulatory authorities or the Board or any committee established to administer the Proposed LTIP, provided that such additions, modifications and/or amendments are effected and permitted in accordance with the provisions of the By-Laws; and
- (d) to do all such acts and things and to execute all such documents and enter into all such transactions, arrangements and agreements, deeds or undertakings, to make such rules or regulations, or impose such terms and conditions or delegate part of its power and to generally exercise such powers and perform such acts as may be necessary or expedient in order to give full effect to the Proposed LTIP and the terms of the By-Laws;

THAT the Board be and is hereby authorised to give effect to the Proposed LTIP with full power to consent to and to adopt such conditions, modifications, variations and/or amendments (including adopting such modifications, variations and/or amendments to the By-Laws as set out in Appendix I of the Circular to shareholders dated 9 July 2013) as it may deem fit and/or as may be required by the relevant regulatory authorities;

AND THAT the proposed By-Laws of the Proposed LTIP, as set out in Appendix I of the Circular to shareholders dated 9 July 2013, which is in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**"), be and is hereby approved."

ORDINARY RESOLUTION 2

PROPOSED GRANT TO DATO' MOHAMED HASSAN MD. KAMIL ("DHK") ("PROPOSED GRANT")

"THAT subject to the passing of Ordinary Resolution 1 above and the approvals of all relevant regulatory authorities for the Proposed LTIP, the Board (save for DHK) be and is hereby authorised at any time and from time to time, cause or procure the offering and the allocation to DHK, the Group Managing Director of the Company, of up to 2,500,000 Takaful Malaysia Shares under the Proposed Grant as they shall deem fit, which will be vested to him at a future date, subject always to such terms and conditions of the By-Laws;

AND THAT the Board be and is hereby authorised to allot and issue new Takaful Malaysia Shares pursuant to the Proposed Grant to him from time to time pursuant to the vesting of his Grant."

By Order of the Board

MOHAMAD ASRI HAJI YUSOFF (MIA 14171)

Company Secretary

Kuala Lumpur

9 July 2013

Notes:

1. *A member entitled to attend and vote at the EGM is entitled to appoint not more than two (2) proxies to attend and to vote instead of him and shall specify the proportions of his holdings to be represented by each proxy and a proxy need not be a member of the Company.*
2. *The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his attorney and in the case of a corporation, must be under seal or under the hand of an officer or attorney duly authorised.*
3. *The instrument appointing a proxy must be deposited at the Registered Office of the Company at Tingkat 26, Blok Annex, Menara Takaful Malaysia, No. 4, Jalan Sultan Sulaiman, 50000 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the EGM or any adjournment thereof.*
4. *Only members whose names appear in the Record of Depositors on 17 July 2013 shall be eligible to attend, speak and vote at the EGM or appoint proxy(ies) to attend, speak and/or vote on their behalf.*



TAKAFULmalaysia

SYARIKAT TAKAFUL MALAYSIA BERHAD

(Company No. 131646-K)

(Incorporated in Malaysia under the Companies Act, 1965)

*I/We, (FULL NAME IN BLOCK LETTERS)

NRIC No./Company No.

of (FULL ADDRESS)

being a member/members of **Syarikat Takaful Malaysia Berhad**, hereby appoint

..... (FULL NAME IN BLOCK LETTERS)

NRIC No./Company No.

of (FULL ADDRESS)

or failing *him/her, (FULL NAME IN BLOCK LETTERS)

NRIC No./Company No.

of (FULL ADDRESS)

or failing *him/her, the Chairman of the Meeting as *my/our proxy to attend and vote for *me/us on my/our behalf at the Extraordinary General Meeting ("EGM") of Syarikat Takaful Malaysia Berhad to be held at Dewan Ahmad Mohamed Ibrahim, 5th Floor, Annexe Block, Menara Takaful Malaysia, No.4, Jalan Sultan Sulaiman, 50000 Kuala Lumpur on Wednesday, 24 July 2013 at 10.00 a.m., or any adjournment thereof, in the manner as indicated below.

*I/We direct *my/our proxy to vote for or against the resolutions to be proposed at the EGM as hereinunder indicated.

NO	ORDINARY RESOLUTIONS	FOR	AGAINST
1	PROPOSED LTIP		
2	PROPOSED GRANT		

* Strike out whichever is not applicable

(Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If this Form of Proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.)

NO. OF TAKAFUL MALAYSIA SHARES HELD	
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Dated this day of 2013.

Signature of Member/Common Seal

Notes:

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Fold this flap for sealing

Then fold here

AFFIX
STAMP

Company Secretary
SYARIKAT TAKAFUL MALAYSIA BERHAD (131646-K)
Tingkat 26, Blok Annex
Menara Takaful Malaysia
No. 4, Jalan Sultan Sulaiman
50000 Kuala Lumpur

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