

## 12. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT

(Prepared for inclusion in this Prospectus)

F R O S T  S U L L I V A N

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27 JUN 2005

The Board of Directors

Can-One Berhad

4829, Tingkat Mak Mandin Lima

Mak Mandin Industrial Estate

13400 Butterworth, Penang

Dear Sirs:

### Executive Summary of the Independent Market Research Report on the Strategic Analysis of the Malaysian Tin Cans Market

The purposes of the Summary Independent Market Research Report (IMR) on the Strategic Analysis of the Malaysian Tin Cans Market is prepared by Frost & Sullivan (M) Sdn Bhd for inclusion in the Prospectus of Can-One Berhad in relation to the proposed listing of and quotation for the entire issued and paid-up share capital of Can-One Berhad on the Main Board of Bursa Malaysia Securities Berhad.

### GLOBAL ECONOMY

The world's gross domestic product (GDP) improved from an average of 2.1 percent in 2001-2002 to a growth rate of 3.0 percent in 2003. And over the past year, the global recovery has become increasingly well established. Between mid-2003 and mid-2004, global growth has averaged 5 percent - well in excess of the 4 percent historical trend. Acceleration in growth accompanied by a sharp pick up in the developments of the industrial countries and exceptionally rapid expansion in emerging markets, notably the People's Republic of China (China) has been the hallmark of the recovery in global markets. This has been accompanied by a strong upturn in industrial production and global trade flows; a pickup in private consumption growth underpinned by generally improving labour market conditions; and continued strength in investment, as post-bubble corporate balance sheet restructuring has taken place.

While global growth was much stronger than expected, the momentum of the recovery slowed entering the second quarter of 2004. This was expected following three consecutive quarters of exceptionally

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Silicon Valley  
Mumbai

Toronto  
Chennai

San Antonio  
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London  
Kuala Lumpur

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Beijing

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Oxford  
Sydney

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rapid expansion. Emerging market and developing countries continue to experience a generally strong recovery, with GDP growth forecasts for 2004 revised upward markedly in all major regions. In emerging Asia, GDP growth is projected to remain at around 7 percent in 2004, led by the strong growth in China where rapid investment and credit growth continue to take place and in India, where despite recent adverse weather conditions, growth is still underpinned by the global expansion and supportive monetary conditions. For the region as a whole, domestic demand growth is expected to remain generally strong while current account surpluses and in some countries capital inflows, remain very high. Further to that, the robust export performance to countries like US, the European Union (EU) and also expansion of the increasingly important intra-regional trade are expected to boost growth for the region.

Moving forward, the global economic expansion is forecasted to be sustained at a steady pace in 2005. The pace of slowdown in the US and China is expected to be moderate, based on the premise that adjustment in imbalances in these economies would be gradual. Monetary policy is expected to remain accommodative as inflation is forecast to remain manageable. In the developing countries, investment behaviour has become a key element of their economic outlook. Geopolitical uncertainties and jitters in the financial markets are keeping investors cautious throughout most parts of the world. Sudden reversals in capital flows can dampen investments sharply and weaken the growth momentum. Hence, countries with strong policies in place are more likely to avoid external financial shocks.

#### MALAYSIAN ECONOMY

The Malaysian economy entered 2004 on a stronger overall growth performance recording a strong economic growth of 7.8 percent in the first half of 2004. However, following two consecutive quarters of strong growth averaging 8 percent real GDP growth, the Malaysian economy slowed slightly to register 6.8 percent growth in the third quarter of 2004. The slowdown continued into the fourth quarter of 2004 as real GDP growth was recorded at 5.6 percent. Overall, the Malaysian economy expanded by 7.1 percent for 2004, which is the highest GDP growth recorded since 2001. The slowdown is in line with regional and global economic growth trends. Growth was driven mainly by the private sector as the public sector remained committed to fiscal consolidation program. The expansion in domestic demand was attributed to stronger household consumption and sustained private investment activities.

Malaysia's real GDP grew by 5.3 percent in 2003, driven by higher consumer spending, soaring exports and stronger growth in investments. In 2004, all sectors in the economy showed positive growth, with the manufacturing sector leading the way with 10.5 percent compared with 8.3 percent in 2003, mainly due to a favourable external environment. China's continued strong growth, Japan and US's firm recovery served as catalysts to the higher demand for manufactured goods, particularly for electrical and electronics products. With these favourable external environments, coupled with the strengthening in the

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growth of domestic-oriented industries, the contribution of the manufacturing sector to GDP growth is expected to increase.

The private sector continued to lead the expansion in domestic demand. The rise in consumer sentiment was due to stable employment conditions and sustained high disposable incomes from strong commodity export proceeds. Consumer confidence and optimism remains positive and this was reflected in higher imports of consumption goods, sales of passenger cars, loans approved and disbursed to households for the purposes of consumption and purchase of durable goods. The increase in private consumption can be attributed to the favourable financing conditions, low interest rates and low inflation.

The Malaysian economy is expected to moderate in 2005. The combined effects of an improved external environment, indication of strong domestic activity and private sector investment expansion in Malaysia improves growth prospects for 2005. In the latest Malaysian Budget 2005, it was announced that Malaysia's GDP is expected to grow at a slower pace of 6 percent in 2005 due to inflationary pressure, interest rate hikes, uncertainties over oil prices, the imminent down-cycle in the electronics sector and a probable slowdown in the economy of China. Growth would be driven by the private sector as the public sector consolidates its fiscal position. The services sector will remain the largest contributor to GDP at 57 percent, mainly supported by higher consumer spending, growth in tourism, communications and finance activities. Meanwhile, the manufacturing sector will continue to spearhead growth albeit at a slower pace as demand for electronic products tapers in the global semiconductor cycle.

#### MARKET DYNAMICS

Tin cans are packaging material for mainly food and industrial segments, its demand is directly correlated to the performance of these industries, which in turn as consumer items, are closely correlated with the national and global economic performance. There are approximately 25 to 30 players in tin cans manufacturing industry in Malaysia in 2004. However, only a handful are considered large players (and as such, real competitors) due to their large production capacity due to a higher number of production lines – as this is a capital intensive industry, both from initial investment as well as working capital points of view. The market size for tin cans is estimated at RM1.07 billion in 2004. During the forecast period from 2003 to 2008, the market size is projected to increase at a CAGR of 9.8 percent, reaching approximately RM 1.4 billion in 2008.

#### PRODUCT DEFINITION

Tin cans are a form of packaging material for the food industry and also the industrial sector. The food industry which uses tin cans involve:

- *Edible Oils*: palm oil, vegetable oil, ghee, margarine, etc

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- *Processed Foods*: liquid milk, fruits, vegetables, meat, fish, etc
- *Dry Foods*: biscuits, cereals, tonic food, milk powder
- *Beer and Beverage*: carbonated, non-carbonated and still drinks

Meanwhile, the industrial sector which uses tin cans involves products such as motor oil, lubricants, paints, and chemicals.

Tin cans are generally considered to be an appropriate type of packaging material, in particular for the food industry, as they are made from tinplates, which have unique properties that ensure that the contents are free from bacterial and other external contaminations.

There are essentially two types of tin cans, known as the “two-piece” type and the “three-piece” type.

The “two-piece” can is a can where the can’s body and bottom are made from a single piece of tinplate that has been drawn and ironed, resulting in a seamless body with integral bottom. A second piece of tinplate is used for the top end. This type of can is often used for the shallower food packs, such as baby food and canned fish. The interior of a can is often a gold colour due to a coating of lacquer applied to give extra protection to the can surface, especially with acidic foods.

The “three-piece” can is a can which is made up of the can’s body and two other pieces for the can top and the bottom end. The can’s body comprises a single rectangular piece of tinplate, which is rolled over into a cylindrical shape, with the two overlapping edges welded or lock-seamed together to make a cylinder. If a rectangular can is required, it goes through an additional process known as an “expanding” process to convert the cylindrical body into a rectangular one.

Aik Joo Can Factory Sdn Bhd (Aik Joo) is involved in the manufacture of “three-piece” cans.

### MARKET DRIVERS

Market drivers are factors that are stimulating growth in the market, increase sales and revenues for tin cans. The market drivers for the Malaysian tin can market for the year 2004 to 2009 are as follows:

- Robust palm oil industry stimulates demand;
- Increasing importance of Malaysia as an exporter of halal packaged food;
- Rising production of canned fish creates demand;
- Relative high consumption of dairy products spurs demand;
- Increasing production of paints and coatings encourages demand; and

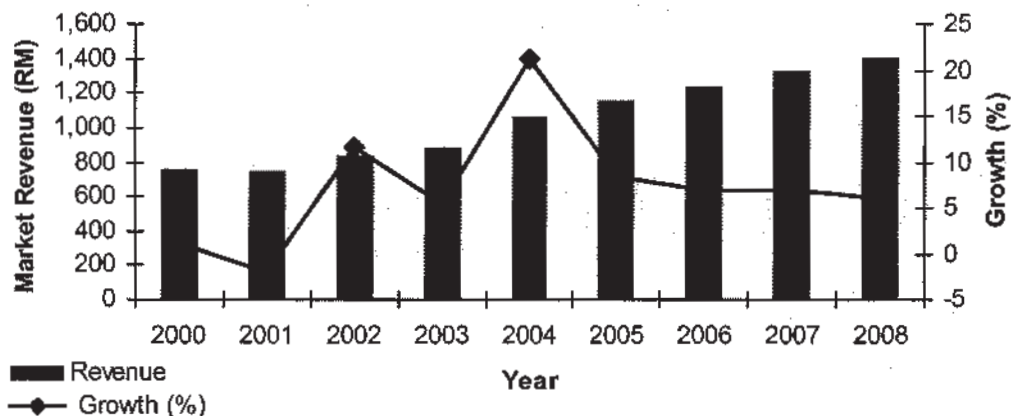
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- Stable production levels of biscuits create steady demand.

#### REVENUE FORECASTS

Chart I-1 presents the past trends and revenue forecasts for tin cans in Malaysia during 2000-2008.

CHART I-1: TIN CANS (AND METAL BOXES) MARKET: PAST TRENDS AND REVENUE FORECASTS (MALAYSIA), 2000-2008



Note: All figures are rounded; the base year is 2003.

Source: Frost & Sullivan, \*Department of Statistics

The revenue for this market reflects the domestic manufacturers' sales of tin cans for the food and industrial production and packaging industry in the country. Revenues increased marginally by 1.1 percent in 2000 and recorded a small decline of 2.1 percent in 2001 as the country was hit by the slowdown on the external front. In 2004, the industry experienced a huge growth as general worldwide economies improved. The Compounded Annual Growth Rate ("CAGR") is anticipated at 9.8 percent during the forecast period, with revenues increasing from RM1.07 billion in 2004 to attain RM1.4 billion in 2008. Greater demand for edible oils for export markets as well as domestic demand for dry and processed foods is expected as worldwide economy improves. This in return, is projected to spur the demand for tin cans that is used as the main packaging material in these industries.

#### COMPETITIVE STRUCTURE

The competition in the tin cans manufacturing industry can be placed in 3 main categories:

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*Large, Diversified:* This refers to manufacturers that produce on a large scale in terms of quantity (with yearly consumption of tinplates in the range of thousands of tonnes). Due to economies of scale achieved by these manufacturers, they also tend to produce a diversified range of products, i.e. tin cans that vary in size, shape and application. These manufacturers will usually have their own printing lines as the scale of production justifies this investment. Examples would be Kian Joo Can Factory Group, Aik Joo Can Factory Sdn Bhd and Johore Tin Group.

*Medium, Specialised:* This refers to manufacturers that produce on a medium scale in terms of quantity (with yearly consumption of tinplates in the range of the hundreds of tonnes). These manufacturers also tend to specialise in terms of shape, size, and application. This allows them to focus their efforts, allowing them to compete more effectively with larger players. Some of these manufacturers will have their own printing lines in order to supply lithographed and lacquered tins, while some supply their tin cans plain. An example would be Eng Leong Tin Can Manufacturing Sdn Bhd.

*Backyard Industries:* This refers to small manufacturers of general tin can who supply backyard industries and generally produce tin cans in small batch sizes through a more labour oriented production process. The tin cans supplied are plain and as such, these manufacturers do not have any printing lines.

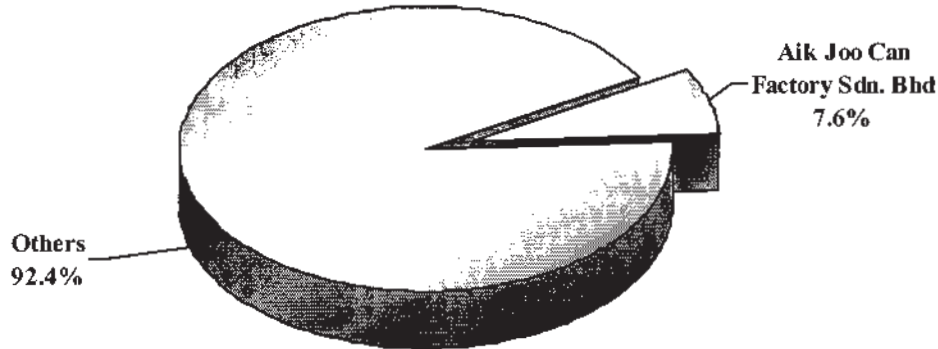
There are very few new players entering this market due to the relatively high barrier to entry in the industry. The high barrier to entry exists due to its capital-intensive nature and the mature state of the industry. A factory set up would require investments in can assembly lines, printing lines, factory space and raw materials. This in itself would run into the millions of Ringgit. The mature state of the industry also poses a barrier to entry as the existing players have strong client bases that they are familiar with and have been dealing with for many years, thus establishing dependability

As with most industries, price and quality are important competitive factor in the tin cans industry. However, due to the mature state of the industry, most of the major players are competitive in terms of pricing and quality of their tin cans. Additional key success factors in this industry include turnaround time (responsiveness), service and reliability. The capital-intensive nature of the industry and its mature state creates a relatively high barrier to entry.

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#### MARKET SHARE BY SALES REVENUES

Chart 1- 2: Tin Cans Market: Market Share by Sales Value (Malaysia), 2004



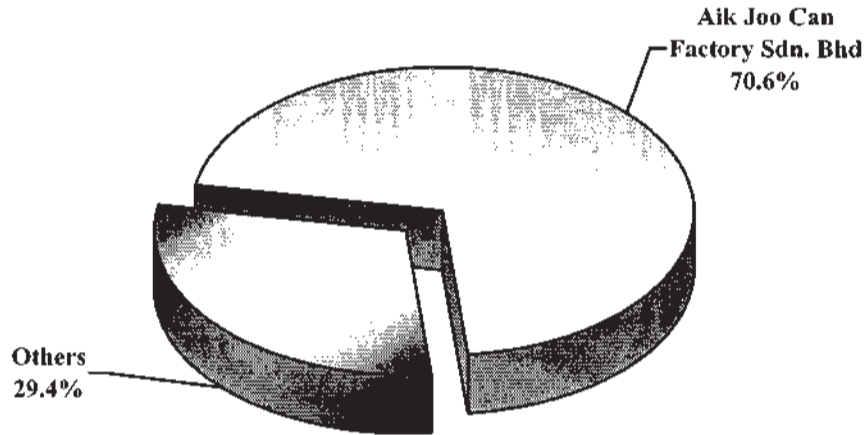
Source: Frost & Sullivan \*Company Audited Accounts \*\*Department of Statistics

The market size for tin cans in Malaysia was estimated at RM1.07 billion in 2004. It is projected to expand to about RM1.4 billion in 2008, yielding a CAGR of 9.8 percent during the forecast period. There are approximately 25 to 30 players in the Malaysian tin cans manufacturing industry in 2004, with the three largest players collectively sharing approximately 44 percent of the revenues from this market. In 2003, Aik Joo is the third largest player in the Malaysian tin cans manufacturing market with sales revenue of approximately RM75 million, commanding a market share of 8.5 percent. However, in 2004, Aik Joo becomes the second largest player in this market with sales revenue of approximately RM106 million, commanding a market share of 7.6 percent.

The total output capacity in terms of the 17kg tin cans for edible oils end user market is estimated to be approximately 16 million per annum in 2003. The largest player for this application is Aik Joo as this is its main market. The Johore Tin Group and the Kian Joo Group also have significant output capacities for these applications but are generally considered to be bigger players in the dry foods (biscuits, cereals, milk powder, etc.) end user market.

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Chart 1-3: 17kg Tin Cans for Edible Oils End User Market Share by Output Capacity (Malaysia), 2003



Source: Frost &

Sullivan

#### DEPENDENCE ON OTHER INDUSTRIES

The market for tin cans is highly dependent on the production level of its key-end users, namely edible oils, processed foods (pineapples, canned fish, sweetened condensed milk), dry foods (milk powder, cereals, biscuits), beverages, and industrial products (paints and coatings, motor oils and lubricants). *Ceteris paribus*, the higher the demand for the products of its key-end users, the greater the general demand for tin cans. In some instances, the increase in the demands of the products of key-end users may not necessarily lead to corresponding increases in demand for tin cans as the industry has started shifting to alternative packaging materials, for example, motor oils and lubricants. Demand for tinplate for the production of tin cans for this industry has been steadily dropping in previous years, reflecting a negative CAGR of 33.3 percent for the period between 1998 and 2001. Contrasting this, the demand for tinplate for the production of tin cans for processed foods registered a CAGR of 17.0 percent in the same period.



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#### **SUBSTITUTE PRODUCTS**

Tin cans are a type of packaging material and tin can manufacturing is basically a component of the packaging industry. There are many other forms and types of packaging, including aluminium cans, glass jars and containers, plastic bags and containers, polyethylene plastic bottles (PET), and paper, board packaging or corrugated paper. The main factor that determines the choice of packaging material is its performance properties like no reaction with stored food item, keeping contents free from bacterial and other external contamination, corrosion resistance, better at handling internal pressure, etc. followed by price. To a lesser extent, the aesthetic appeal of the packaging product and the recyclables of the product also play a role in the choice of packaging material, although the latter is less of a consideration in the developing and underdeveloped nations.

#### **INDUSTRY RELIANCE AND VULNERABILITY TO IMPORTS**

Almost all the packaging for Malaysian manufactured goods is sourced from domestic producers, within Malaysia. There is not much of a reliance on imports for packaging goods from other countries due to the transportation costs that will have to be incurred to bring the tin cans from overseas as well as the imposition of a 5 percent tax on tin cans imported from the ASEAN region. There was a healthy trade of an estimated RM1.07 billion in 2004 in the tin cans market by Malaysian producers. The export of tin cans grew from RM4.57million in 1993 to RM15.8million in 2002, yielding a CAGR of 13.21 percent during the period.

#### **RELEVANT LAWS AND REGULATIONS**

In Malaysia, the regulation for manufacturing activities, including tin cans and jerry cans manufacturing, is governed by the Ministry of International Trade and Industry (MITI), such as the requirements of a manufacturing license to operate, under the Industrial Coordination Act, 1975. The objective of the Act is to ensure orderly development and growth in the manufacturing sector.

#### **INDUSTRY OUTLOOK – TIN CANS**

As a non-ferrous metal, tin cans have a wide range of food related packaging as well as industrial applications. In many instances, tin cans are still the packaging material of choice due to its competitive price and inherent properties as mentioned above – notably the non-reaction with most food items as well as keeping contents free from bacterial and other external contamination – that make it suitable for packaging food. Also, its durability and recyclables make it an obvious choice when it comes to packaging, in particular food products.

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The tin cans market remains competitive and the closure of two major manufacturing factories in recent years, including Hock Joo Tin Factory and Industrial Packaging Sdn Bhd in 2003, has left a vacuum in the industry which would be filled by the existing players in the market. Some of the possible reasons for the closure include the need for high working capital – both operational as well as for inventory, capacity constraints for targeting a higher number of customers or large orders as well as need for continuous improvements in production methodologies.

The positive outlook for various end-user products will be contributing to the growth of the tin cans industry, in particular, growth in the edible oils, processed foods and liquid milk industry which collectively is estimated to consume approximately 50 percent of the market for tin cans in 2002 (based on weight).

The growth of the edible oil production industry in Malaysia is attributable to the growing acceptance of palm-based products due to the awareness created by the Malaysian Palm Oil Promotion Council (MPOPC) as well as industry leaders. Additionally, Malaysian producers have made greater inroads and have gained market share for their palm oil based edible oils in various traditionally European markets as they present a more cost effective alternative due to both the lower cost of the oil itself as well as the general appreciation of the Euro in recent times.

The increasing demand for dairy products, the increasing level of production of processed food such as canned fish and industrial products such as paints and coatings, as well as the steady levels of production of biscuits will also augur well for the tin cans industry.

#### INDUSTRY OUTLOOK – JERRY CANS

The jerry cans manufacturing market in Malaysia is dominated by a few major players, namely Ralco Plastic Sdn Bhd, Mapo Industries Sdn Bhd and United Plastics Sdn Bhd, and more recently, Aik Joo Can. The rest of the market is made up of smaller players.

A mitigating factor, which allows players like Aik Joo to enter this market, is the availability of an existing customer base that is either:

- (1) Expanding their market share or size into areas where jerry cans are a preferred means of packaging;  
or
- (2) Complementing the use of tin cans with jerry cans in markets with a preference for the latter.

The market for jerry cans for the edible oils industry is expected to grow over the next few years as greater demand for edible oils is anticipated from destinations such as the Middle East, South and West Africa, and the Far East. This projected growth is attributed to a few key factors including the

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appreciating value of the Euro, general increases in the standard of living, and peaceful conditions in some previously warring nations.

Efforts by industry players (in the edible palm oil sector) and the Malaysian Palm Oil Promotion Council to increase awareness of the nutritional value of palm oil based products and dispel negative perceptions about the product is expected to lead to greater acceptance of the product in the near future. All these factors bode well for the overall jerry cans market.

Frost & Sullivan has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the limitations of among others, secondary statistics and primary research. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and / or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Yours Sincerely,



Sanjay Singh  
Director - Industrial Technologies  
Frost & Sullivan Malaysia Sdn Bhd

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(Prepared for the inclusion of this Prospectus)



24 JUN 2005

The Board of Directors  
CAN-ONE BERHAD  
Lot 2244, Jalan Rajawali, Batu 9  
Kampung Kebun Baru  
42500 Telok Panglima Garang  
Kuala Langat, Selangor Darul Ehsan

Dear Sirs,

#### VALUATION CERTIFICATE OF

1. Lot 2244, Jalan Rajawali, Batu 9, Kampung Kebun Baru 42500 Teluk Panglima Garang, Kuala Langat, Selangor Darul Ehsan located on Lot No. 2244, Mukim of Teluk Panglima Garang, District of Kuala Langat, State of Selangor Darul Ehsan. [30V030780]
2. No. PLO 324, Jalan Suasa, Kawasan Perindustrian Pasir Gudang, 81700 Pasir Gudang, Johor Darul Takzim located on Lot No. PTD 71057, Mukim of Plentong, District of Johor Bahru, State of Johor Darul Takzim. [70V2003418]

This valuation certificate has been prepared for inclusion in the Prospectus of Can-One Berhad (Can-One) to be dated on 30 June 2005 in connection with the following:-

- i) Public issue of 22,000,000 new ordinary shares of RM0.50 each at an issue price of RM1.00 per ordinary share;
- ii) Offer for sale of 33,528,000 ordinary shares of RM0.50 each at an offer price of RM1.00 per ordinary share;
- iii) Offer of Employees' Share Option Scheme Options in Can-One Berhad to the Non-Executive Directors of Can-One Berhad and its subsidiaries; and
- iv) Admission and listing of and quotation for the entire enlarged issued and paid up share capital of Can-One of RM76,200,000 comprising 152,400,000 ordinary shares of RM0.50 each in Can-One on the official list of the Main Board of Bursa Malaysia Securities Berhad.

In accordance with your instructions, we have valued the above-mentioned properties (hereinafter referred to as 'the subject property'), vide our valuation reports bearing reference Nos. 30V030780 and 70V2003418 dated 14<sup>th</sup> May 2004 and 28<sup>th</sup> April 2004 respectively.


We have prepared the Valuation Reports in accordance with the "Guidelines on Asset Valuations" issued by the Securities Commission, Malaysia; the "Manual of Malaysian Valuation Standards" issued by the Board of Valuers, Appraisers and Estate Agents and also with the necessary professional responsibility and due diligence.

The basis of the valuation is to ascertain the Market Value of the subject property on an 'as is' basis as at 28<sup>th</sup> April 2004. We have applied the Comparison and Investment Methods of Valuation in arriving at the Market Value of the subject property. We have also relied upon the information provided to us by the client such as the building plans, copy of the document of titles and financial reports. Copies of these documents are attached as appendices in the valuation reports.

We have valued the property listed below with the title free from all encumbrances. The subject property is held for own occupation. Our opinion of the Market Value of the subject property and other information are set out in the following pages.

Yours faithfully,

**RAHIM & CO CHARTERED SURVEYORS SDN BHD (69137-W) (VE(1)0065)**

  
**CHEE KOK THIM, FISM**  
Senior General Manager  
Registered Valuer (V-325)

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USA

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website: www.rahim-co.com

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Sungai Petani - Temerloh

Board Reg. No. VE(1)0065



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Title No.	Geran Mukim 1499	H.S.(D) 125022
Lot No.	2244	PTD 71057
Mukim	Teluk Panglima Garang	Plentong
District	Kuala Langat	Johor Bahru
State	Selangor Darul Ehsan	Johor Darul Takzim
Location/Address of Property	Lot 2244, Jalan Rajawali, Batu 9, Kampung Kebun Baru 42500 Teluk Panglima Garang, Kuala Langat, Selangor Darul Ehsan	PLO 324, Jalan Suasas, Kawasan Perindustrian Pasir Gudang, 81700 Pasir Gudang, Johor Darul Ta'zim
Land Tenure	Freehold interest	Leasehold for 60 years expiring on 30 <sup>th</sup> September 2045
Category of Land Use	Industrial	Industrial
Land Area	174,240 sq. ft.	87,120 sq. ft.
Registered Owner	Aik Joo Can Factory Sdn Bhd	Clever Trade Sdn Bhd (now known as Ajcan Sdn Bhd)
Encumbrances / Caveat	<p>Not stated/</p> <p>(i) Private Caveat entered by Aik Joo Can Factory Sdn Bhd vide Presn. No. 1055/2000 Vol. 43, Fol. 11 registered on 30<sup>th</sup> October 2000</p> <p>(ii) Private Caveat entered by Bumiputra-Commerce Bank Berhad vide Presn. No. 52/2001 Vol. 43, Fol. 72 registered on 26<sup>th</sup> January 2001</p> <p>(iii) Lien Holder's Caveat entered by Bumiputra-Commerce Bank Berhad vide Presn. No. 496/2003 registered on 26<sup>th</sup> May 2003</p>	Nil
Express Condition	"Perusahaan"	<ol style="list-style-type: none"> <li>"Tanah ini hendaklah digunakan sebagai kawasan industri untuk tujuan perusahaan Kilang Perabot dan kegunaan lain yang berkaitan dengannya, dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan."</li> <li>"Segala kekotoran dan pencemaran akibat daripada aktiviti ini hendaklah disalurkan / dibuang ke tempat-tempat yang telah ditentukan oleh Pihak Berkuasa Berkenaan."</li> <li>Segala dasar dan syarat yang ditetapkan dan dikuatkuasakan dari semasa ke semasa oleh Pihak Berkuasa Berkenaan hendaklah dipatuhi".</li> </ol>

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		<p>It is pertinent to note that our valuation is on the basis that the present express condition, "Furniture Manufacturing" (Kilang Perabot) had been changed to 'can manufacturing and related industry' together with all the relevant fees fully paid.</p> <p>We understand that Ajcan Sdn Bhd had on 27<sup>th</sup> May 2004 applied to the Pentadbir Tanah Johor Bahru for the change of the express condition from "Furniture Manufacturing" (Kilang Perabot) to 'Can Manufacturing and Related Industry'. The application is pending approval from the aforesaid authority.</p>
Restriction-In-Interest	Nil	"Tanah yang terkandung di dalam hakmilik ini apabila sahaja bertukar miliknya kepada seorang Bumiputra, maka tidak boleh terkemudian daripada itu dijual, dipajak atau dipindahmilik dengan apa cara sekalipun kepada orang yang bukan Bumiputra tanpa persetujuan Pihak Berkuasa Negeri"
Description of Buildings	<p>a) <u>Office Building No. 1 Construction</u> A 3-storey building constructed of reinforced concrete framework with plastered and painted brick in-fill walls supporting a reinforced concrete flat roof. <u>Existing Use</u> Office area, reception area, male and female toilet, tea room and a lift duct. Gross floor area : 16,584 sq. ft.</p> <p>b) <u>Factory Building No. 1</u> A single-storey building constructed of steel structure with partly plastered and painted brick walls and partly metal deck sheets walls supporting a steel portal frame roof covered with metal deck sheets. <u>Existing Use</u> Factory area, TNB substation and male and female toilet. Gross floor area : 50,596 sq. ft.</p>	<p><u>Single-storey factory Construction</u> Production areas – steel structure Office areas – reinforced concrete framework with colourbond metal wall cladding and plastered brick walls supporting a mild steel portal frame and purlins overlaid with metal roofing sheets incorporating insulation material on wire mesh. <u>Existing Use</u> General office, director room, conference room, praying room, male and female toilets, terrace, production area, platform and canopy areas. Gross floor area : 70,364 sq. ft.</p> <p><u>Guard house</u> Gross floor area : 90 sq. ft.</p> <p><u>TNB Substation</u> Gross floor area : 376 sq. ft.</p>

## 13. VALUATION CERTIFICATES



	<p>c) <u>Office Building No. 2 Construction</u> A 3-storey building constructed of reinforced concrete framework with plastered and painted brick in-fill walls supporting a reinforced concrete flat roof. <u>Existing Use</u> Office area, reception area, male and female toilet, tea room and a lift duct. Gross floor area : 10,772 sq. ft.</p> <p>d) <u>Factory Building No. 2</u> A single-storey building constructed of steel structure with partly plastered and painted brick walls and partly metal deck sheets walls supporting a steel portal frame roof covered with metal deck sheets. <u>Existing Use</u> Factory area, TNB substation and male and female toilet. Gross floor area : 42,238 sq. ft.</p> <p>e) <u>2 guard houses</u> Single-storey building constructed of reinforced concrete framework with plastered and painted brick walls supporting a timber trussed pitched roof covered with interlocking tiles. <u>Existing Use</u> Guard house Total Gross floor area : 280 sq. ft.</p>	
Date of Certificate of Fitness	Office blocks with factory 29 <sup>th</sup> June 1996	7 <sup>th</sup> October 1992 and 3 <sup>rd</sup> March 2004 (For extension of factory)
Age of Building	7 years	Office block and factory : 12 years Factory 2 : 9 years Factory 3 : 1 year
Method of Valuation	Comparison and Investment Method	Comparison and Investment Method
Date of Valuation	28 <sup>th</sup> April 2004	28 <sup>th</sup> April 2004
Market Value	RM10,800,000	RM4,700,000

### 13. VALUATION CERTIFICATES



24 JUN 2005

The Board of Directors  
CAN-ONE BERHAD  
Lot 2244, Jalan Rajawali, Batu 9  
Kampung Kebun Baru  
42500 Telok Panglima Garang  
Kuala Langat, Selangor Darul Ehsan

Dear Sirs,

#### VALUATION CERTIFICATE OF

**Premises No. 4829, Tingkat Mak Mandin Lima(5), Mak Mandin Industrial Estate, 13400 Butterworth, Pulau Pinang erected on Lot No. 1429, Mak Mandin Industrial Estate, Section 3, Town of Butterworth, Seberang Perai Utara, Pulau Pinang. [40SC2003/209]**

This Valuation Certificate has been prepared for inclusion in the Prospectus of Can-One Berhad (Can-One) to be dated on 30 June 2005 in connection with the followings:-

- i) Public issue of 22,000,000 new ordinary shares of RM0.50 each at an issue price of RM1.00 per ordinary share;
- ii) Offer for sale of 33,528,000 ordinary shares of RM0.50 each at an offer price of RM1.00 per ordinary share;
- iii) Offer of Employees' Share Option Scheme Options in Can-One Berhad to the Non-Executive Directors of Can-One Berhad and its subsidiaries; and
- iv) Admission and listing of and quotation for the entire enlarged issued and paid up share capital of Can-One of 76,200,000 comprising 152,400,000 ordinary shares of RM0.50 each in Can-One on the official list of the Main Board of Bursa Malaysia Securities Berhad.

In accordance with your instructions, we have valued the above-mentioned property (hereinafter referred to as 'the subject property'), vide our valuation report bearing reference No.40SC2003/209 dated 12<sup>th</sup> May 2004 (Valuation Report).


We have prepared the Valuation Report in accordance with the "Guidelines on Asset Valuations" issued by the Securities Commission, Malaysia; the "Manual of Malaysian Valuation Standards" issued by the Board of Valuers, Appraisers and Estate Agents and also with the necessary professional responsibility and due diligence.

The basis of the valuation is to ascertain the Market Value of the subject property on 'as is' basis as at 12<sup>th</sup> May 2004. We have applied the Cost Replacement Method, in arriving at the Market Value of the subject property. We have also relied upon the information provided to us by the client such as the building plans, copy of the document of title and financial reports

We have valued the subject property with the title free from all encumbrances. The subject property is held for own occupation. Our opinion of the Market Value of the subject property and other information are set out in the following pages.

Yours faithfully,

**RAHIM & CO CHARTERED SURVEYORS (PENANG) SDN BHD(119499-A) (VE(1)0065/1)**



**TAY LAI HEE**  
MRICS, IRRV, FISM  
Registered Valuer (V-171)  
CHC/hk

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**Rahim & Co Chartered Surveyors**  
**(Penang) Sdn. Bhd. (119499-A)**

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Kota Kinabalu - Kuala Terengganu - Kuantan - Kuching -  
Malacca - Petaling Jaya - Seremban - Sungai Petani - Temerloh

Board Reg. No. VE10065/1



## 13. VALUATION CERTIFICATES



Title No.	H.S. (D) 13610
Lot Nos.	1429
Town Section	3
Town	Butterworth
District	Seberang Perai Utara
State	Pulau Pinang
Location/Address of Property	Factory Premises No.4829, Tingkat Mak Mandin Lima(5), Mak Mandin Industrial Estate, 13400 Butterworth, Pulau Pinang
Land Tenure	Leasehold for 99 years expiring on 23 <sup>rd</sup> September, 2070
Category of Land Use	Industrial
Land Area	69,678 sq.ft.
Register Owner	Aik Joo Can Factory Sdn Bhd
Encumbrances	Charged to Bumiputra-Commerce Bank Berhad
Express Condition	<p>i) The proprietor shall within two years from the date of alienation or within such further term as may be approved by the State Authority erect or cause to be erected a factory building or buildings on the land hereby leased in accordance with the plan approved by the local authority and shall maintain the building or buildings so erected to the satisfaction of the Collector of Land Revenue, Butterworth;</p> <p>ii) The proprietor shall treat and dispose of, or cause to be treated and disposed of, trade effluents in a manner to the satisfaction of the Collector of Land Revenue, Butterworth;</p> <p>iii) The proprietor shall pay and discharge all taxes, rates, assessment and charges whatsoever which may be payable for the time being in respect of the land hereby alienated or any part thereof, whether levied by the District Council, North, Province Wellesley or any other authority; and</p> <p>iv) The proprietor shall ensure that 25% of the employees engaged in the business for which the land is hereby alienated shall be Malays and the rest Federal citizens.</p>
Restriction-In-Interest	<p>i) The land hereby alienated shall not be transferred, charged, leased or sub-leased or otherwise in any manner dealt with or disposed of without the written sanction of the State Authority.</p> <p>ii) The land hereby alienated shall not be subdivided.</p>
Other Endorsement	A portion of the land had been leased to Lembaga Letrik Negara Tanah Melayu for a period of 30 years commencing from 15 <sup>th</sup> January 1988 and expiring on 14 <sup>th</sup> January 2018 vide Perserahan No.13933/1988 Jilid No.6 Folio No.23 Registered on 31 <sup>st</sup> December 1988
Description of Buildings	<p>a) <u>Single-Storey Factory With An Integral Double-Storey Administrative Office (Building A)</u>  <u>Construction</u>  Concrete encased steel stanchions and framework supporting Steel trusses and purlins covered with corrugated asbestos Roofing sheets. Plastered brickworks and concrete floor  <u>Existing Use</u>  i) <u>Factory Section</u>  Production Area, Finished Products Storage Area, General Store, Male and Female Lavatories  ii) <u>Administration Office Section</u>  Ground Floor : Reception Area, General Office,  Managing Director's Room and Visitor's Room  First Floor : Office (Account Department), Conference Room  And Two(2) Rooms  Gross Built-Up Area : 10,676 sq.ft.</p> <p>b) <u>Single-Storey Factory With A Mezzanine Floor (Building B)</u>  <u>Construction</u>  Concrete encased steel portal frames supporting steel trusses and Purlins covered with longrun corrugated metal roofing sheets. Plastered brickworks and concrete floors  <u>Existing Use</u>  Ground Floor : Production Area  Main Floor : Store  Gross Built-Up Area : 20,750 sq.ft.</p>

## 13. VALUATION CERTIFICATES



Description of Buildings	<p>It was noted during our inspection that the following renovations or extensions had to be regularised :-</p> <ul style="list-style-type: none"> <li>i) Extension to double-storey administrative office- Structure M</li> <li>ii) Single-storey store extension – Structure N</li> <li>iii) Passageway between Building A and Building B - Structure Q</li> <li>iv) Open sided stores - Structure T</li> <li>v) Mezzanine floor in Building B/Production Office - Structure W</li> <li>vi) To regularise boundaries between Lot No.1429 and Lot 1669 as well as the boundary between Lot No.1429 and Lot No.1430 which have been enclosed by steel plate hoardings with louvers windows – Structure X</li> </ul> <p>Since then the above renovations and extensions had been regularised as 'Permits' vide three(3) approved 'as built' Building Plan namely :-</p> <ul style="list-style-type: none"> <li>i) Bil(1A) dlm MPSP/40/50-123/1 approved on 26/5/2004</li> <li>ii) Bil(1A) dlm MPSP/40/40-23/33 approved on 27/7/2004 and</li> <li>lii) Bil(1A) dlm MPSP/40/40-23/39 approved on 26/1/2005</li> </ul>
Date of Certificate of Fitness	<p>Building A : 4/7/1967 Building B : 3/1/1989</p>
Age of Building	<p>Building A : about 38 years old Building B : about 16 years old</p>
Method of Valuation	Cost Replacement Method
Date of Valuation	12/5/2004
Market Value	RM4,020,000.00

## 14. DRAFT ESOS BYE-LAWS

### 1. Definitions

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

Act	Companies Act, 1965, as amended from time to time and any re-enactment thereof
Associates	Has the same meaning as given in the Act
Board	The Board of Directors of Can-One for the time being
Bursa Depository Account	A Bursa Depository System account established by Bursa Malaysia Depository Sdn Bhd (formerly known as the Malaysian Central Depository Sdn Bhd) (165570-W) for the recording of dealing in securities by a depositor
Eligible Employee	An employee, Executive Director, Non-Executive Director or Independent Director of the Group who meets the criteria of eligibility for participation in the Scheme as set out in Clause 4 hereof
ESOS	Employees' Share Option Scheme
ESOS Bye-Laws	The bye-laws stated herein presently regulating the ESOS for Can-One, as may be amended from time to time
Director	A Director (both Executive and Non-Executive Director) of Can-One or any of its subsidiaries (other than a subsidiary which is dormant)
Bursa Securities	Bursa Malaysia Securities Berhad (635998-W) ( <i>formerly known as Malaysia Securities Exchange Berhad</i> )
Can-One or the Company	Can-One Berhad (638899-K)
Can-One Group or Group	Can-One and its subsidiaries as defined in Section 5 of the Act (save for any company which is dormant)
Can-One Shares or Shares	Ordinary shares of RM0.50 each in the Company
Market Day	Any day between Monday and Friday (inclusive) which is not a public holiday and on which Bursa Securities is open for trading of securities
Maximum Allowable Allotment	The maximum number of new Can-One Shares that can be offered and allotted in accordance with Clause 6 of the ESOS Bye-Laws to an Eligible Employee to participate in the Scheme
Offer	An offer made in writing by the Options Committee to an Eligible Employee to subscribe for new Can-One Shares in the manner indicated in Clause 5 hereof
Offer Date	The date on which an Offer (including any subsequent Offer) is made by the Options Committee to an Eligible Employee to participate in the Scheme
Option	The right of an Option Holder to subscribe for new Can-One Shares pursuant to a contract constituted by the acceptance in the manner indicated in Clause 8 of the ESOS Bye-Laws of any Offer made in accordance with the terms of the Scheme and where the context so requires means any part of the Option as shall remain unexercised

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## 14. DRAFT ESOS BYE-LAWS

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Options Committee	The committee duly appointed and authorised by the Board to administer the Scheme in accordance with Clause 17 of the ESOS Bye-Laws
Option Holder	An Eligible Employee who has accepted an Offer or any part thereof in the manner indicated in Clause 8 hereof
Option Period	The period commencing on the Offer Date and expiring at the end of the period provided for in Clause 19 hereof or in event of a termination of the Scheme, the date of termination of the Scheme
SC	Securities Commission
Scheme	The scheme for the grant of Options to Eligible Employees to subscribe for new Can-One Shares on the terms as set out herein
Subscription Price	The price at which an Option Holder shall be entitled to subscribe for new Can-One Shares as set out in Clause 7 hereof

### 1.2 In this ESOS Bye-Laws

- (i) any reference to a statutory provision shall include any subordinate legislation made from time to time under the provision and any listing requirements of Bursa Securities, whether or not having the force of law but, if not having the force of law, the compliance with which is in accordance with the reasonable commercial practice of persons to whom such requirements are addressed to by Bursa Securities;
- (ii) any reference to a statutory provision shall include that provision as from time to time modified or re-enacted whether before or after the date of this ESOS Bye-Laws so far as such modification or re-enactment applies or is capable of applying to any Option offered and accepted within the duration of the Scheme as stated in Clause 19 hereof and shall also include any past statutory provision (as from time to time modified or re-enacted) which such provision has directly or indirectly replaced; and
- (iii) words denoting the singular shall include the plural and references to gender shall include both genders and the neuter.

## 2. Name of the Scheme

This Scheme will be called the "Can-One Employees' Share Option Scheme".

## 3. Total Number of Can-One Shares

3.1 The total number of new Can-One Shares which may be made available under the Scheme shall not exceed fifteen percent (15%) (or such other higher percentage as may be permitted by the relevant regulatory authorities) of the total issued and paid-up share capital of the Company at any time during the existence of the Scheme as referred to in Clause 19 hereof.

3.2 The total number of Can-One Shares to be made available under the Scheme cannot be altered to the advantage of Option Holder without the prior approval of the shareholders in a general meeting.

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## 14. DRAFT ESOS BYE-LAWS

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### 4. Eligibility and Allocation Criteria

- 4.1 The Options Committee has the discretion to determine the allocation criteria of the new Can-One Shares to any employee (including the Directors) of the Group in respect of their participation in the Scheme.
- 4.2 Any employee (including Directors) of the Can-One Group shall be eligible to participate in the Scheme, if as at the Offer Date, the employee:
- (a) has attained the age of eighteen (18) years;
  - (b) is employed full time by and on the payroll of a company within the Can-One Group; and
  - (c) must be under such categories and of such criteria that the Board and/or the Options Committee may from time to time decide.

No Options will be granted to any Director unless the shareholders of the Company in a general meeting shall have previously approved the specific granting of Options to that Director.

- 4.3 Eligibility, however, does not confer on an Eligible Employee a claim or right to participate in the Scheme unless an Offer has been made in writing by the Options Committee to the Eligible Employee in the manner as set out in Clause 5 hereof.
- 4.4 In the event that any Eligible Employee holds more than one position within the Group, and by reason of the holding of such position is an Eligible Employee in more than one category, the Options Committee shall be entitled at its absolute discretion to determine the applicable category.
- 4.5 In the event that an Eligible Employee is promoted, the Maximum Allowable Allotment applicable to such employee shall be the Maximum Allowable Allotment corresponding to the category of employee of which he then is a party, subject always to the maximum number of Shares available as stipulated under Clause 3 of the ESOS Bye-Laws.

### 5. Offer

- 5.1 The Options Committee shall, within the duration of the Scheme as set out in Clause 19 hereof, make Offers to any Eligible Employees whom the Options Committee may in its discretion select to subscribe for new Can-One Shares.
- 5.2 At the time the Offer is made in accordance with Clause 5.1 of the ESOS Bye-Laws, the Options Committee shall set out the basis of allotment, identifying the category or grade of the Eligible Employee and the Maximum Allowable Allotment for the Eligible Employee.
- 5.3 The Options Committee shall in its offer letter (Offer Letter) to an Eligible Employee state, inter alia, the number of Can-One Shares that can be subscribed under the Offer, the Subscription Price determined in accordance with the provisions of Clause 7 of the ESOS Bye-Laws, the closing date for acceptance of the Offer and the manner of exercise of the Options.
- 5.4 The actual number of Can-One Shares which may be offered to an Eligible Employee under an Option shall be at the discretion of the Options Committee and, subject to any adjustments that may be made under Clause 15 hereof, shall not be less than one hundred (100) Can-One Shares and shall always be in multiples of one hundred (100) Can-One Shares.

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## 14. DRAFT ESOS BYE-LAWS

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- 5.5 Subject always to Clause 3 hereof, nothing herein shall prevent the Options Committee from making more than one Offer to any Eligible Employee provided always that the total aggregate number of Can-One Shares to be so offered to any Eligible Employees (inclusive of Can-One Shares previously offered under the Scheme, if any) shall not exceed the Maximum Allowable Allotment of the Eligible Employees as set out in Clause 6 hereof.
- 5.6 The Offer shall automatically lapse and be null and void in the event of the death of the Eligible Employee or the Eligible Employee ceasing to be employed by the Can-One Group for any reason whatsoever prior to the acceptance of the Offer by the Eligible Employee in the manner set out in Clause 8 hereof.
- 5.7 Each Offer shall be made in writing and is personal to the Eligible Employee and is non-assignable and non-transferable.
- 5.8 The Company shall keep and maintain at its expense a register of Option Holders and shall record in that register the names and addresses of the Option Holders, the Maximum Allowable Allotment, the number of Options offered, the number of Options exercised, the Offer Date and the Subscription Price.

### 6. Maximum Allowable Allotment

Subject to any adjustments which may be made under Clause 15 hereof, the aggregate number of new Can-One Shares comprised in the Option that may be offered to an Eligible Employee shall be determined at the sole discretion of the Options Committee after taking into consideration the performance, seniority and length of service of the Eligible Employees, subject to the following:

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

### 7. Subscription Price

The Subscription Price shall be calculated in the following manner:

- (a) where the Option is granted prior to Can-One being listed on Bursa Securities, then the price at which the Option Holder is entitled to subscribe for the Can-One Shares shall not be less than the price of the Shares set for the public issue and/or offer for sale of the Shares in relation to the listing of and quotation for Can-One Shares on Bursa Securities; and
- (b) where the Option is granted on or after Can-One is listed on Bursa Securities, the price at which the Option Holder is entitled to subscribe for the Can-One Shares shall be at a price to be determined by the Board upon the recommendation of the Options Committee which is at a discount of not more than ten percent (10%) from the five (5)-day weighted average market price of Can-One Shares as at the Offer Date subject to such adjustments in accordance with Clause 15 hereof, provided that the Subscription Price shall in no event be less than the par value of the Can-One Shares.

## **14. DRAFT ESOS BYE-LAWS**

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### **8. Acceptance of the Offer**

- 8.1 The Offer to participate in the Scheme shall be valid for thirty (30) calendar days from the Offer Date or such longer period as may be determined by the Options Committee on a case-to-case basis at its discretion. The acceptance of an Offer shall be made by way of a written notice from the Eligible Employee to whom the Offer is made to the Options Committee in the form prescribed by the Options Committee. In the event that the Eligible Employee fails to accept the Offer within the prescribed period, the Offer shall be deemed rejected by the Eligible Employee and shall be null and void, and of no effect, and the Can-One Shares comprised in such Offer may, at the discretion of the Options Committee, be re-offered to other Eligible Employees subject to Clause 6 of the ESOS Bye-Laws.
- 8.2 Acceptance of the Offer by an Eligible Employee shall be accompanied by the payment of Ringgit Malaysia One (RM1.00) only or such other amount as may be determined at the discretion of the Options Committee as non-refundable consideration for the Option.
- 8.3 Within thirty (30) calendar days after the due acceptance of the Offer in accordance with the provisions of this Clause, the Options Committee shall issue to the Option Holder a certificate of Option in such form as may be determined by the Options Committee.

### **9. Exercise of Options**

- 9.1 Subject to Sub-Clause 9.2 hereof, an Option can be exercised at such time and working day(s) as stipulated in the Offer Letter by the Option Holder by notice in writing (Notice of Exercise) to the Company during the Option Period in respect of all or any part of the Can-One Shares comprised in the Option, such part being in multiples of one hundred (100) Can-One Shares. Such partial exercise of an Option shall not preclude the Option Holder from exercising the Option in respect of the balance of the Can-One Shares comprised in the said Option within the Option Period.
- 9.2 Subject to Clause 15 hereof, the Options Committee may, at any time and from time to time, before or after an Option is granted, limit the exercise of the Option to a maximum number of Shares and/or such percentage of the total Can-One Shares comprised in the Option during the Option Period and impose any other terms and/or conditions deemed appropriate by the Options Committee in its discretion including amending/varying any terms and conditions imposed earlier.
- 9.3 Every Notice of Exercise referred to in Sub-Clause 9.1 hereof must be in the form prescribed by the Options Committee from time to time and accompanied by a remittance (calculated in accordance with the provisions of Clause 7 hereof) for the full amount of the subscription monies for the new Can-One Shares in respect of which the Offer Letter is given. Within twenty (20) Market Days or within such number of days as may be required by the relevant authorities from time to time after the receipt by the Company of the aforesaid notice and remittance from the Option Holder, the Company shall endeavour to allot such Can-One Shares, despatch such notices of allotment to the Option Holder accordingly, subject to the provisions in the Articles of Association of the Company and make an application for the quotation for the new Can-One Shares pursuant to Clause 16 herein.
- 9.4 An Option Holder who exercises his Option shall provide the Options Committee with his Bursa Depository Account number in the Notice of Exercise. The new Can-One Shares to be issued pursuant to the exercise of an Option will be credited directly into the Bursa Depository account of the Option Holder and no physical certificate will be issued.

## **14. DRAFT ESOS BYE-LAWS**

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- 9.5 Any failure to comply with the foregoing provisions and/or to state the Bursa Depository Account number in the Notice of Exercise or inaccuracy in the Bursa Depository Account number shall result in the Notice of Exercise being rejected. The Options Committee shall inform the Option Holder of the rejection of the Notice of Exercise by notice in writing within fourteen (14) calendar days from the date of rejection and the Option Holder shall then be deemed not to have exercised his Options.
- 9.6 All Options to the extent unexercised on the expiry of the Option Period applicable thereto shall lapse.
- 9.7 The Company will undertake to keep available sufficient unissued Can-One Shares in its authorised share capital to satisfy all outstanding Options, which may be exercisable from time to time during the existence of the Scheme.
- 9.8 In the event that an Option Holder is subject to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service) the Options Committee shall have the right, at its discretion, to suspend the Option pending the outcome of such disciplinary proceedings. The Options Committee may impose such terms and conditions as the Options Committee shall deem appropriate having regard to the nature of the charges made or brought against the Option Holder PROVIDED ALWAYS THAT in the event that such Option Holder shall subsequently be found to be not guilty of the charges which gave rise to such disciplinary proceedings, the Options Committee shall reinstate the rights of such Option Holder to exercise his Option. In the event such Option Holder is found guilty resulting in the dismissal or termination of service of such Option Holder, the Option shall immediately cease without notice, upon pronouncement of the dismissal or termination of service of such Option Holder and in the event such Option Holder is found guilty but not dismissed or his service is not terminated, the Options Committee shall have the right to determine at its discretion whether or not the said Option Holder may continue to exercise his Option and if so, to impose such terms and conditions as it deems appropriate, on such exercise.
- 9.9 The Options Committee, Board and Company shall not, under any circumstances be held liable for any costs, expenses, charges and damages whatsoever and howsoever arising in any event relating to the delay on the part of Can-One in allotting and issuing the new Can-One Shares or in procuring the approval of Bursa Securities to list the new Can-One Shares.

## **10. Rights Attaching to the New Can-One Shares**

- 10.1 The new Can-One Shares to be allotted upon any exercise of the Options shall, upon allotment and issue, rank pari passu in all respects with the existing issued and fully paid-up ordinary shares of RM0.50 each of the Company and subject to all the provisions in the Articles of Association of the Company save and except that the new Can-One Shares shall not be entitled to any dividends, any rights, including those arising on a liquidation of the Company or the subsidiaries which are not dormant, allotments and/or other distributions declared or paid to shareholders prior to the date of allotment of the new Can-One Shares. For the purpose hereof, entitlement date means the date at the close of business on which shareholders must be registered in order to be entitled to any dividends, rights, allotments and/or other distributions.
- 10.2 Clause 10.1 hereof cannot be altered to the advantage of Option Holder without the prior approval of the shareholders at a general meeting.



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## 14. DRAFT ESOS BYE-LAWS

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### 11. Termination of the Option

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

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

such Option shall remain exercisable during the Option Period.

11.2 An Option shall lapse forthwith upon the resignation of the Option Holder for reasons other than the reasons set out in Clause 11.1 hereof from his employment with the Can-One Group and the Can-One Shares comprised in such Option or the balance thereof not subscribed for may, at the discretion of the Options Committee, be re-offered to other Eligible Employees.

11.3 In the event of the liquidation of the Company, all unexercised or partially exercised Options shall lapse.

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

11.5 Where an Option Holder dies (except in the case of suicide) before the expiry of the Option Period, the Options Committee may, at its sole discretion, allow the legal representatives of such Option Holder, to exercise the whole or any part of an Option held by the Option Holder that is unexercised PROVIDED ALWAYS THAT no Option shall be exercised after the expiry of the Option Period.

### 12. Takeover

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

12.1 a takeover offer being made for the Company through a general offer to acquire the whole of the issued ordinary share capital of the Company (or such part thereof not at the time held by the person making the general offer (Offeror) or any persons acting in concert with the Offeror) an Option Holder will be entitled within three (3) months of such general offer being made, to exercise all or any part of his Options. Any unexercised or partially exercised Options shall automatically lapse and be null and void after the expiry of the said period; and

## **14. DRAFT ESOS BYE-LAWS**

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

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

### **13. Scheme of Arrangement, Amalgamation, Reconstruction, etc.**

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

### **14. Retention Period**

An Option Holder may deal with the new Can-One Shares allotted and issued to him in any way he pleases without any retention period or restriction of transfer. However, Option Holders are encouraged to hold the new Can-One Shares as investments rather than to realise immediate gain from their disposal.

### **15. Alteration of Share Capital during the Option Period**

- 15.1 In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of capitalisation of profit or reserves, rights issues, reduction, subdivisions or consolidations of capital or otherwise howsoever taking place:

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

may be adjusted at the discretion of the Board in accordance with the ESOS guidelines issued by Bursa Securities. Any adjustments pursuant to the alteration in the capital structure of the Company during the Option Period may be made PROVIDED ALWAYS THAT:

- (a) no adjustment to the Subscription Price shall be made which would result in the Can-One Shares to be issued on the exercise of the Option at a discount to the par value, and if such an adjustment would but for this provision have so resulted, the Subscription Price payable shall be the par value of the Can-One Shares;

## 14. DRAFT ESOS BYE-LAWS

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- (b) upon any adjustment being made pursuant to this Clause, the Options Committee shall notify the Option Holder (or his legal representatives where applicable) in writing of the adjusted Subscription Price, the adjusted number of Can-One Shares comprised in the Option and/or the revised maximum number of Can-One Shares and/or percentage of the total Can-One Shares comprised in the Option that may be exercised in a particular year;
  - (c) such adjustments would ensure that the capital outlay to be incurred by an Option Holder in exercising his Options remains unaffected;
  - (d) any adjustment to the Subscription Price shall be rounded up to the nearest one (1) sen and in no event shall the Subscription Price be reduced to an amount which is below the par value of the Can-One Shares; and
  - (e) in determining an Option Holder's entitlement to subscribe for Can-One Shares, any fractional entitlements will be disregarded.
- 15.2 However, adjustments other than on bonus issue must be confirmed in writing by the external auditors of the Company.
- 15.3 The adjustment pursuant to this Clause shall be made on the day immediately following the books closure date for the event giving rise to the adjustment.
- 15.4 The provisions of this Clause shall not apply where the alterations in the capital structure of the Company arises from:
- (a) the issue of securities as consideration for an acquisition of any assets by the Company;
  - (b) a special issue of new Can-One Shares to Bumiputera parties required by any relevant authority to comply with any Government policy;
  - (c) the issue of new Can-One Shares pursuant to the exercise of warrants and conversion of convertible securities;
  - (d) a private placement/restricted issue of new Can-One Shares;
  - (e) a reduction of the share capital of the Company as a result of the Company purchasing its own shares pursuant to Section 67A of the Act; or
  - (f) the issue of new Can-One Shares pursuant to the Scheme.

In the event that the Company carries out a buy-back of its own shares pursuant to Section 67A of the Act, any unexercised or partially exercised Options shall remain valid and exercisable until the expiry of the Option Period notwithstanding that the number of new Can-One Shares to be issued pursuant to the exercise of such Options may exceed fifteen percent (15%) of the issued and paid-up share capital of the Company at the time of the exercise of the Options. The Options Committee cannot grant any further Options until the number of Options granted under the Scheme falls below fifteen percent (15%) of the issued and paid-up share capital of Can-One.

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## **14. DRAFT ESOS BYE-LAWS**

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### **16. Listing and Quotation of Can-One Shares**

The Company will use its best endeavours to obtain permission from Bursa Securities for the listing of and quotation for all the new Can-One Shares to be allotted pursuant to the Scheme unless a blanket approval for the listing of and quotation for the new Can-One Shares arising from the Scheme has been previously obtained.

### **17. Administration**

17.1 The Options Committee shall administer the Scheme in such manner as it shall in its discretion deem fit and within such powers and duties as are conferred upon it by the Board including but not limited to the powers to:

- (a) subject to the provisions of the Scheme, construe and interpret the Scheme and Options granted under it, to define the terms therein and to recommend to the Board to establish, amend and revoke rules and regulations relating to the Scheme and its administration. The Options Committee in the exercise of this power may correct any defect, supply any omission, or reconcile any inconsistency in the Scheme or in any agreement providing for an Option in a manner and to the extent it shall deem necessary to expedite and make the Scheme fully effective; and
- (b) determine all questions of policy and expediency that may arise in the administration of the Scheme and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interests of the Company.

17.2 The Board shall have power from time to time to rescind the appointment of any person in the Options Committee where the Board deems fit.

### **18. Amendment and/or Modification to the Scheme**

The Options Committee may recommend to the Board who shall have the power at any time and from time to time by resolution to amend all or any of the provisions of the Scheme provided that no such amendment shall be made which would either prejudice the rights then accrued to any Option Holder without the consent or sanction of that Option Holder as if the provisions of the variation of class rights contained in the Articles of Association of the Company for the time being were applicable mutatis mutandis to the Options Holder, or alter to the advantage of any Option Holder in respect of any provisions of the Scheme without the prior approval of the Company's shareholders in a general meeting.

### **19. Duration and Conditions of the Scheme**

19.1 The effective date for the implementation of the Scheme shall be the date of full compliance with all relevant requirements of Bursa Securities including the following:

- (i) submission of the final copy of the ESOS Bye-Laws being to Bursa Securities;
- (ii) receipt of approval-in-principle for the listing of Can-One Shares to be issued under the Scheme from Bursa Securities;
- (iii) the Can-One shareholders' approval in a general meeting for the Scheme;
- (iv) receipt of approval of any other relevant authorities, where applicable; and
- (v) fulfillment of all conditions attached to the above approvals, if any.

## **14. DRAFT ESOS BYE-LAWS**

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19.2 The Scheme shall be in force for a period of ten (10) years commencing from the date of the confirmation letter submitted by Can-One's adviser for the Scheme to Bursa Securities of full compliance pursuant to Clause 19.1 stating the effective date of implementation together with a certified true copy of the relevant resolution passed by the shareholders in the general meeting, no later than five (5) market days after the effective date of implementation of the ESOS Bye-Laws.

19.3 No further Options will be granted thereafter unless the Board resolves to approve the extension of the Scheme with or without variations.

## **20. Termination of the Scheme**

20.1 Notwithstanding Clause 19 hereof, the Scheme may be terminated at any time during its term (including any extension thereof) provided always that:

- (i) the approval of at least a majority of the shareholders of the Company present in a general meeting should vote in favour of termination; and
- (ii) the written consent of all Option Holders who have not exercised their Options (either in part or in whole) is obtained.

20.2 In the event mid-stream termination of the Scheme in accordance with Clause 20.1 of the ESOS Bye-Laws is in effect, the following provisions shall apply:

- (i) no further Offers shall be made by the Options Committee;
- (ii) all Offers which have yet to be accepted shall automatically lapse; and
- (iii) all outstanding Options shall be automatically terminated;

from the date of obtaining the approvals/consent required in Clause 20.1 of the ESOS Bye-Laws, whichever is earlier.

## **21. Non-Transferability of the Option**

The Option granted is personal to the Eligible Employee and is not transferable, chargeable and disposable in any manner whatsoever without express consent in writing obtained from the Options Committee. Any such transfer, assignment, disposition or creation of encumbrance shall result in the automatic cancellation of the Option.

## **22. Subsequent ESOS**

The Company may subject to the approval of the relevant authorities establish an ESOS after the expiry of this Scheme or upon the termination of the Scheme pursuant to Clause 20 hereof.

## **14. DRAFT ESOS BYE-LAWS**

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### **23. Disputes**

In the event of any dispute or difference between the Options Committee and an Eligible Employee or Option Holder, as to any matter or thing of any nature arising hereunder, the Options Committee shall determine such dispute or difference by a written decision (without the obligation to give any reason thereof) given to the Eligible Employee or Option Holder, as the case may be. The said decision shall be final and binding on the parties unless the Eligible Employee or Option Holder, as the case may be, shall dispute the same by written notice to the Options Committee within fourteen (14) calendar days of the receipt of the written decision, in which case such dispute shall be referred to the decision of the external auditors of the Company for the time being, acting as experts and not as arbitrators, whose decision shall be final and binding in all respects. In the event that the external auditors are unable to reach a decision in respect of a dispute or difference, it shall be referred to a court of law of competent jurisdiction in Malaysia, whose decision shall then be final and binding in all respects.

### **24. Compensation**

- 24.1 An Eligible Employee who ceases to hold office or employment shall not be entitled to any compensation for the loss of any right or benefit or prospective right or benefit under the Scheme which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office.
- 24.2 No Eligible Employee or Option Holder or legal representatives shall bring any claim, action or proceeding against the Company or the Options Committee or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension of his rights to exercise his Option or his Option ceasing to be valid pursuant to the provisions of the Clauses herein, as may be amended from time to time in accordance with Clause 18 hereof.
- 24.3 This Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Option themselves) against Can-One or any company of the Can-One Group directly or indirectly or give rise to any cause of action at law or in equity against Can-One or the Can-One Group.

### **25. Inspection of Audited Accounts**

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

### **26. Costs and Expenses**

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

### **27. Not A Term of Employment**

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

## 14. DRAFT ESOS BYE-LAWS

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### 28. Articles of Association

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

### 29. Taxes

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

### 30. Transfer from Other Companies to the Group

In the event:

- (i) an employee who was employed in a company which is related to the Company pursuant to Section 6 (c) of the Act (that is to say, a company which does not fall within the definition of the "Group") and is subsequently transferred from such company to any company within the Group; or
- (ii) an employee who was in the employment of a company which subsequently becomes a member of the Group as a result of a restructuring or divestment exercise or otherwise involving the Company and/or any company within the Group with any of the first mentioned company stated in sub-clause (i) above;

(the first mentioned company in sub-clause (i) and (ii) above are hereinafter referred to as the "Previous Company"), such an employee of the Previous Company (the Affected Employee) will, if the Affected Employee satisfies all the conditions of these ESOS Bye-Laws, be eligible to participate in the Scheme Provided That the Affected Employee:

- (a) shall be entitled to continue to exercise all such unexercised Option(s) which were granted to him under the employees' share option scheme (if any) which he was participating (the "Previous ESOS") in accordance with Clause 9 whilst the Affected Employee was in the employment of the Previous Company in accordance with the ESOS Bye-Laws of such Previous ESOS but he shall not, upon such transfer or restructuring or divestment as the case may be, be eligible to participate for further Options of such Previous ESOS;
- (b) will only be eligible to participate in the Scheme for its remaining duration thereof; and
- (c) if the Affected Employee has participated in a Previous ESOS, the number of new Can-One Shares to be offered to such Affected Employee under the Scheme shall be that number of Can-One Shares as shall be equivalent to the difference between the Affected Employee's total shares entitlement under the Scheme and the total number of Options which were offered to the Affected Employee under the Previous ESOS.

**14. DRAFT ESOS BYE-LAWS**

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**31. Restricted on Dealings**

A non-executive director must not sell, transfer or assign any of the Shares allotted and issued to him/her arising from the exercise of Options offered to him/her pursuant to a share scheme for employees within one (1) year from the Offer Date.

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## 15. DIRECTORS' REPORT

(Prepared for inclusion in this Prospectus)



### CAN-ONE BERHAD (Co. No. 638899-K)

2C-5, Level 5, Jalan SS6/6, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia.  
Tel: 603-7804.8590 Fax: 603-7880.1605 E-mail: can1@canone.com.my <http://www.canone.com.my>

#### Registered Office:

Lot 2244, Jalan Rajawali, Batu 9  
Kampung Kebun Baru  
42500 Telok Panglima Garang  
Kuala Langat, Selangor Darul Ehsan

27 JUN 2005

The Shareholders of Can-One Berhad

Dear Sir/Madam

On behalf of the Board of Directors of Can-One Berhad (Can-One), I report after due inquiry that during the period from 31 December 2004 (being the date to which the last audited financial statements of Can-One and its subsidiaries have been made up) to the date hereof (being a date not earlier than fourteen (14) days before the date of issue of this Prospectus), that:

- (a) the business of Can-One and its subsidiaries have, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen since the last audited financial statements of Can-One and its subsidiaries which have adversely affected the trading or the value of the assets of Can-One or its subsidiaries;
- (c) the current assets of Can-One and its subsidiaries appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) save as disclosed in Section 10.4.5 of this Prospectus, there are no other contingent liabilities by reason of any guarantees or indemnities given by Can-One and/or its subsidiaries;
- (e) save as disclosed in Section 10.4.2 of this Prospectus, since the last audited financial statements, there have been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which they are aware of; and
- (f) save as disclosed in the Accountants' Report and Proforma Consolidated Balance Sheets in this Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of Can-One and its subsidiaries since the last audited financial statements of Can-One and its subsidiaries. The said material changes refer to any changes exceeding RM500,000 in value.

Yours faithfully

For and on behalf of the Board of Directors

**CAN-ONE BERHAD**

**WILLIAM MAURICE SAMSON**  
Chairman