

**11. VALUATION CERTIFICATE**

*(Prepared for inclusion in the Prospectus)*

## **HASB Consultants Sdn Bhd**



(Co.171138-T) (Reg. No. VE(1)0121)

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Chartered Valuation Surveyors, Registered Valuers & Estate Agents, Property Consultants

23 September 2004

The Board of Directors  
Classic Scenic Berhad  
Lot 12, Jalan RP3,  
Taman Rawang Perdana  
48000 Rawang  
Selangor Darul Ehsan

Dear Sirs

### **VALUATION OF PROPERTIES**

This letter has been prepared for inclusion in the Prospectus of Classic Scenic Berhad to be dated 30 September 2004 in conjunction with its listing on the Second Board of the Bursa Malaysia Securities Berhad.

We are pleased to confirm that we have assessed the Market Value of the subject properties vide our Valuation Reports under reference as set out herein for submission to the Securities Commission for public listing purposes.

The inspection of the subject properties was carried out on 2 & 3 January 2004 and the material date of valuation is taken as at 12 January 2004. We have also verified the land titles on 2 January 2004 at the Registry of Titles, Land Office, Shah Alam, Selangor Darul Ehsan.

The basis of valuation for the subject properties is the Market Value. The term 'Market Value' is defined in the Malaysian Valuation Standards (MVS) 1 as 'the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.'

The valuation has been carried out based on the Securities Commission's Guidelines on Asset Valuations and Malaysian Valuation Standards prescribed by the Board of Valuers, Appraisers & Estate Agents, Malaysia.

The summary of the subject properties are as follows :-

## 11. VALUATION CERTIFICATE (cont'd)

No	Ref. No.	Registered Proprietor	1) Title Particulars 2) Land Area 3) Tenure 4) Category of Land Use 5) Restriction in Interest 6) Encumbrances 7) Caveat	Description / Location of Property 1) Location 2) Buildings issued with Certificate of Fitness & Temporary Building Permit 3) Total Gross Floor Area 4) Age of Buildings	1) Method of Valuation 2) Date of Inspection 3) Date of Valuation 4) Sources of Information 5) Property Interest	Market Value																																
1	HASB/041570/CSB/R P-Lot 9	Lim Ket Leng Realty Sdn Bhd	1) HSD 28279 PT 10351, Mukim of Rawang District Gombak, Selangor Darul Ehsan 2) 7,080 sq. metres (76,209 sq. ft.) 3) Freehold 4) Industrial 5) Nil 6) Leased of part of land containing 375 sq. ft. to Tenaga Nasional Berhad for 30 years from 27 June 1998 to 26 June 2008. 7) Nil	1) A detached factory complex and office premises identified as Lot 9, Jalan RP3, Taman Rawang Perdana, 48000 Rawang, Selangor Darul Ehsan 2) Comprises the following :- <table border="1" data-bbox="705 631 1067 960"> <thead> <tr> <th>No</th> <th>Particulars</th> <th>Sq. Ft.</th> <th>Year Built</th> </tr> </thead> <tbody> <tr> <td>(a)</td> <td>Factory</td> <td>39,895</td> <td>1994</td> </tr> <tr> <td>(b)</td> <td>Office (3 Storey)</td> <td>10,203</td> <td>1994</td> </tr> <tr> <td>(c)</td> <td>TNB Sub-Station</td> <td>820</td> <td>1994</td> </tr> <tr> <td>(d)</td> <td>Refuse Chamber</td> <td>66</td> <td>1994</td> </tr> <tr> <td>(e)</td> <td>Guard House</td> <td>47</td> <td>1994</td> </tr> <tr> <td>(f)</td> <td>Extended Area</td> <td>18,337</td> <td>2001</td> </tr> </tbody> </table> 3) 6,445 sq. metres (69,369 sq. ft.) 4) 3 - 10 years	No	Particulars	Sq. Ft.	Year Built	(a)	Factory	39,895	1994	(b)	Office (3 Storey)	10,203	1994	(c)	TNB Sub-Station	820	1994	(d)	Refuse Chamber	66	1994	(e)	Guard House	47	1994	(f)	Extended Area	18,337	2001	1) Cost and Comparative Method of Valuation 2) 2 January 2004 3) 12 January 2004 4) The Valuation & Property Services Department 5) Valuation of the freehold interest.	RM5,764,000.00				
No	Particulars	Sq. Ft.	Year Built																																			
(a)	Factory	39,895	1994																																			
(b)	Office (3 Storey)	10,203	1994																																			
(c)	TNB Sub-Station	820	1994																																			
(d)	Refuse Chamber	66	1994																																			
(e)	Guard House	47	1994																																			
(f)	Extended Area	18,337	2001																																			
2	HASB/041571/CSB/R P-Lot 10	Lim Ket Leng Realty Sdn Bhd	1) HSD 28280 PT 10352, Mukim of Rawang, District of Gombak, Selangor Darul Ehsan 2) 7,066 sq. metres (76,058 sq. ft.) 3) Freehold 4) Industrial 5) Nil 6) Nil 7) Nil	1) A detached factory complex and office premises identified as Lot 10, Jalan RP3, Taman Rawang Perdana, 48000 Rawang, Selangor Darul Ehsan 2) Comprises the following :- <table border="1" data-bbox="705 1180 1067 1585"> <thead> <tr> <th>No</th> <th>Particulars</th> <th>Sq. Ft.</th> <th>Year Built</th> </tr> </thead> <tbody> <tr> <td>(a)</td> <td>Factory</td> <td>41,703</td> <td>1997</td> </tr> <tr> <td>(b)</td> <td>Office (2 Storey)</td> <td>4,400</td> <td>1997</td> </tr> <tr> <td>(c)</td> <td>Switch Room</td> <td>100</td> <td>1997</td> </tr> <tr> <td>(d)</td> <td>Refuse Chamber</td> <td>48</td> <td>1997</td> </tr> <tr> <td>(e)</td> <td>Guard House</td> <td>48</td> <td>1997</td> </tr> <tr> <td>(f)</td> <td>Extended Area</td> <td>19,083</td> <td>2001</td> </tr> <tr> <td>(g)</td> <td>Kiln Drying Chamber</td> <td></td> <td>1997</td> </tr> </tbody> </table> 3) 6,074 sq. metres (65,383 sq. ft.) 4) 3 - 7 Years	No	Particulars	Sq. Ft.	Year Built	(a)	Factory	41,703	1997	(b)	Office (2 Storey)	4,400	1997	(c)	Switch Room	100	1997	(d)	Refuse Chamber	48	1997	(e)	Guard House	48	1997	(f)	Extended Area	19,083	2001	(g)	Kiln Drying Chamber		1997	1) Cost and Comparative Method of Valuation 2) 2 January 2004 3) 12 January 2004 4) The Valuation & Property Services Department 5) Valuation of the freehold interest.	RM6,035,000.00
No	Particulars	Sq. Ft.	Year Built																																			
(a)	Factory	41,703	1997																																			
(b)	Office (2 Storey)	4,400	1997																																			
(c)	Switch Room	100	1997																																			
(d)	Refuse Chamber	48	1997																																			
(e)	Guard House	48	1997																																			
(f)	Extended Area	19,083	2001																																			
(g)	Kiln Drying Chamber		1997																																			
3	HASB/041572/CSB/R P-Lot 11	Lim Ket Leng Realty Sdn Bhd	1) HSD 28281 PT 10353, Mukim of Rawang District of Gombak, Selangor Darul Ehsan 2) 8,772 sq. metres (94,422 sq. ft.) 3) Freehold 4) Industrial 5) Nil 6) Nil 7) Nil	1) A vacant industrial land identified as Lot 11, Jalan RP3, Taman Rawang Perdana, 48000 Rawang, Selangor Darul Ehsan 2) Not Applicable 3) Not Applicable 4) Not Applicable	1) Comparative Method of Valuation 2) 2 January 2004 3) 12 January 2004 4) The Valuation & Property Services Department 5) Valuation of the freehold interest.	RM3,116,000.00																																

## 11. VALUATION CERTIFICATE (cont'd)

No	Ref. No.	Registered Proprietor	1) Title Particulars 2) Land Area 3) Tenure 4) Category of Land Use 5) Restriction in Interest 6) Encumbrances 7) Caveat	Description / Location of Property 1) Location 2) Buildings issued with Certificate of Fitness & Temporary Building Permit 3) Total Gross Floor Area 4) Age of Buildings	1) Method of Valuation 2) Date of Inspection 3) Date of Valuation 4) Sources of Information 5) Property Interest	Market Value																																
4	HASB/041573 /CSB/R P-Lot 12	Lim Ket Leng Realty Sdn Bhd	1) HSD 28282 PT 10354, Mukim of Rawang, District of Gombak, Selangor Darul Ehsan 2) 9,163 sq. metres (98,631 sq. ft.) 3) Freehold 4) Industrial 5) Nil 6) Nil 7) Nil	1) A detached factory complex and office premises identified as Lot 12, Jalan RP3, Taman Rawang Perdana, 48000 Rawang, Selangor Darul Ehsan 2) Comprises the following :- <table border="1" data-bbox="703 633 1066 1010"> <thead> <tr> <th>No</th> <th>Particulars</th> <th>Sq. Ft.</th> <th>Year Built</th> </tr> </thead> <tbody> <tr> <td>(a)</td> <td>Factory</td> <td>9,136</td> <td>2001</td> </tr> <tr> <td>(b)</td> <td>Office (3 Storey)</td> <td>21,492</td> <td>2001</td> </tr> <tr> <td>(c)</td> <td>TNB Sub-Station</td> <td>931</td> <td>2001</td> </tr> <tr> <td>(d)</td> <td>Refuse Chamber</td> <td>47</td> <td>2001</td> </tr> <tr> <td>(e)</td> <td>Guard House</td> <td>59</td> <td>2001</td> </tr> <tr> <td>(f)</td> <td>Extended Area</td> <td>25,028</td> <td>2001</td> </tr> <tr> <td>(g)</td> <td>Spray Room</td> <td></td> <td>2002</td> </tr> </tbody> </table> 3) 9,912 sq. metres (106,692 sq. ft.) 4) 2 - 3 Years	No	Particulars	Sq. Ft.	Year Built	(a)	Factory	9,136	2001	(b)	Office (3 Storey)	21,492	2001	(c)	TNB Sub-Station	931	2001	(d)	Refuse Chamber	47	2001	(e)	Guard House	59	2001	(f)	Extended Area	25,028	2001	(g)	Spray Room		2002	1) Cost and Comparative Method of Valuation 2) 2 January 2004 3) 12 January 2004 4) The Valuation & Property Services Department 5) Valuation of the freehold interest.	RM9,619,000.00
No	Particulars	Sq. Ft.	Year Built																																			
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(f)	Extended Area	25,028	2001																																			
(g)	Spray Room		2002																																			
5	HASB/041574 /CSB/R P-Lot 13	Lim Ket Leng Realty Sdn Bhd	1) HSD 28283 PT 10355, Mukim of Rawang, District of Gombak, Selangor Darul Ehsan 2) 7,105 sq. metres (76,478 sq. ft.) 3) Freehold 4) Industrial 5) Nil 6) Leased of part of land containing 55.74 sq. metres to Tenaga Nasional Berhad for 30 years from 15 March 2001 to 14 March 2031. 7) Nil	1) A detached factory complex and office premises identified as Lot 13, Jalan RP3, Taman Rawang Perdana, 48000 Rawang, Selangor Darul Ehsan 2) Comprises the following :- <table border="1" data-bbox="703 1234 1066 1610"> <thead> <tr> <th>No</th> <th>Particulars</th> <th>Sq. Ft.</th> <th>Year Built</th> </tr> </thead> <tbody> <tr> <td>(a)</td> <td>Factory</td> <td>38,861</td> <td>2000</td> </tr> <tr> <td>(b)</td> <td>Surau/ Toilet</td> <td>962</td> <td>2000</td> </tr> <tr> <td>(c)</td> <td>TNB Sub-Station</td> <td>588</td> <td>2000</td> </tr> <tr> <td>(d)</td> <td>Storage Area</td> <td>2,017</td> <td>2000</td> </tr> <tr> <td>(e)</td> <td>Refuse Chamber</td> <td>47</td> <td>2000</td> </tr> <tr> <td>(f)</td> <td>Guard House</td> <td>58</td> <td>2000</td> </tr> <tr> <td>(g)</td> <td>Extended Area</td> <td>15,250</td> <td>2001</td> </tr> </tbody> </table> 3) 5,368 sq. metres (57,783 sq. ft.) 4) 3 - 4 Years	No	Particulars	Sq. Ft.	Year Built	(a)	Factory	38,861	2000	(b)	Surau/ Toilet	962	2000	(c)	TNB Sub-Station	588	2000	(d)	Storage Area	2,017	2000	(e)	Refuse Chamber	47	2000	(f)	Guard House	58	2000	(g)	Extended Area	15,250	2001	1) Cost and Comparative Method of Valuation 2) 2 January 2004 3) 12 January 2004 4) The Valuation & Property Services Department 5) Valuation of the freehold interest.	RM5,789,000.00
No	Particulars	Sq. Ft.	Year Built																																			
(a)	Factory	38,861	2000																																			
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6	HASB/ 041575 /CSB/S RI DAMA NSAR A	Classic Frame Moulding (M) Sdn Bhd	1) HSD 41588 PT 9185, Mukim of Sungai Buluh, District of Petaling, Selangor Darul Ehsan 2) 1,951.6432 sq. metres (21,008 sq. ft.) 3) Freehold 4) Building 5) Nil 6) Nil 7) Nil	1) A vacant commercial land identified as Lot 9185, Persiaran Dagang, Bandar Sri Damansara, 53000 Petaling Jaya, Selangor Darul Ehsan 2) Not Applicable 3) Not Applicable 4) Not Applicable	1) Comparative Method of Valuation 2) 3 January 2004 3) 12 January 2004 4) The Valuation & Property Services Department 5) Valuation of the Freehold interest in the land only	RM3,151,000.00
7	HASB/ 041576 /CSB/B KT BERU NTUN G	Lim Ket Leng Realty Sdn Bhd	1) HSD 9361 PT 8515, Mukim of Serendah, District of Ulu Selangor, Selangor Darul Ehsan 2) 7,319.39 sq. metres (78,786 sq. ft.) 3) Freehold 4) Industrial 5) Nil 6) Nil 7) Nil	1) A vacant industrial land identified as No. 13, Jalan Kemunting 2A, Section BB 6, Bandar Bukit Beruntung, 48300 Rawang, Selangor Darul Ehsan 2) Not Applicable 3) Not Applicable 4) Not Applicable	1) Comparative Method of Valuation 2) 3 January 2004 3) 12 January 2004 4) The Valuation & Property Services Department 5) Valuation of the Freehold interest.	RM788,000.00

Thank you

Yours faithfully

**HASB CONSULTANTS SDN BHD**


**MOHAMAD BASRI RAHMAT**  
BSc(Hons) MSc MRICS MISM  
Chartered Valuation Surveyor  
Registered Valuer (V-364)

**12. INDEPENDENT MARKET RESEARCH REPORT**

*(Prepared for inclusion in the Prospectus)*



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18 September 2004

The Board of Directors  
Classic Scenic Berhad  
Lot 12 Jalan RP3  
Taman Rawang Perdana  
48000 Rawang  
Selangor, Malaysia

**Vital Factor Consulting Sdn Bhd**

(Company No.: 266797-T)

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Damansara Jaya  
47400 Petaling Jaya  
Selangor Darul Ehsan, Malaysia

Tel: (603) 7728-0248

Fax: (603) 7728-7248

Email: info@vitalfactor.com

Website: www.vitalfactor.com

Dear Sirs/Madam

**Assessment of the Wood Moulding Industry Focusing on Picture Frame Moulding**

The following is a summary of the Assessment of the Wood Moulding Industry focusing on Picture Frame Moulding in Malaysia prepared by Vital Factor Consulting Sdn Bhd for inclusion in the Prospectus of **Classic Scenic Berhad** dated 30 September 2004 (herein together with all its subsidiaries will be referred as Classic Scenic Group) in relation to its proposed listing on the Second Board of the Bursa Malaysia Securities Berhad.

**1. BACKGROUND**

- The Classic Scenic Group is primarily a manufacturer of quality Wooden Picture Frame Moulding for the export market. Approximately 94% of the total Classic Scenic Group revenue for the financial year ended 31 December 2003 is derived from exports to countries including the United States, Australia, Japan, Norway, China, Canada, Singapore, Hong Kong and others.
- A small proportion of its business is in the manufacture of Wooden Pallets and Stillages for the local market. For the financial year ended 31 December 2003, Classic Scenic Group's revenue amounted to approximately RM41.6 million.



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### 2. INDUSTRY OVERVIEW

- The structure of the Wood Moulding Industry is as follows:

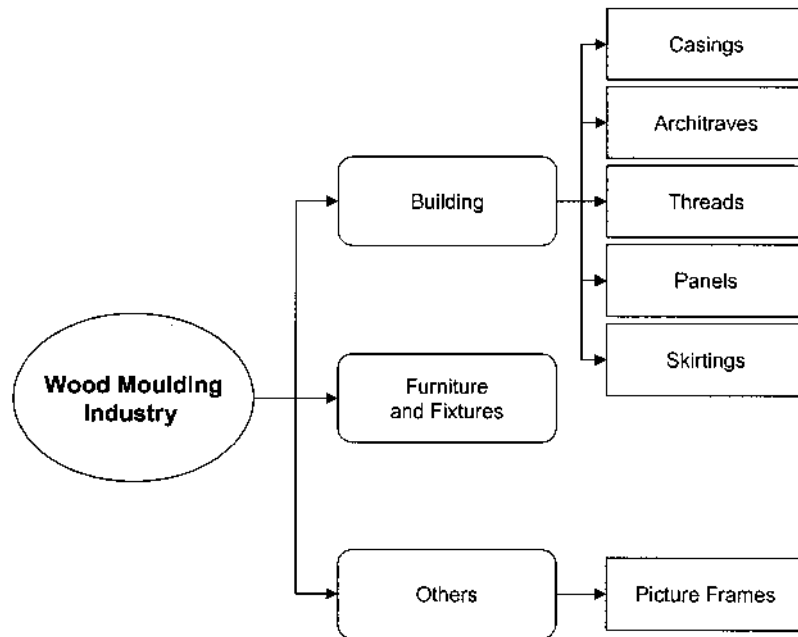


Figure 1. Industry Segmentation

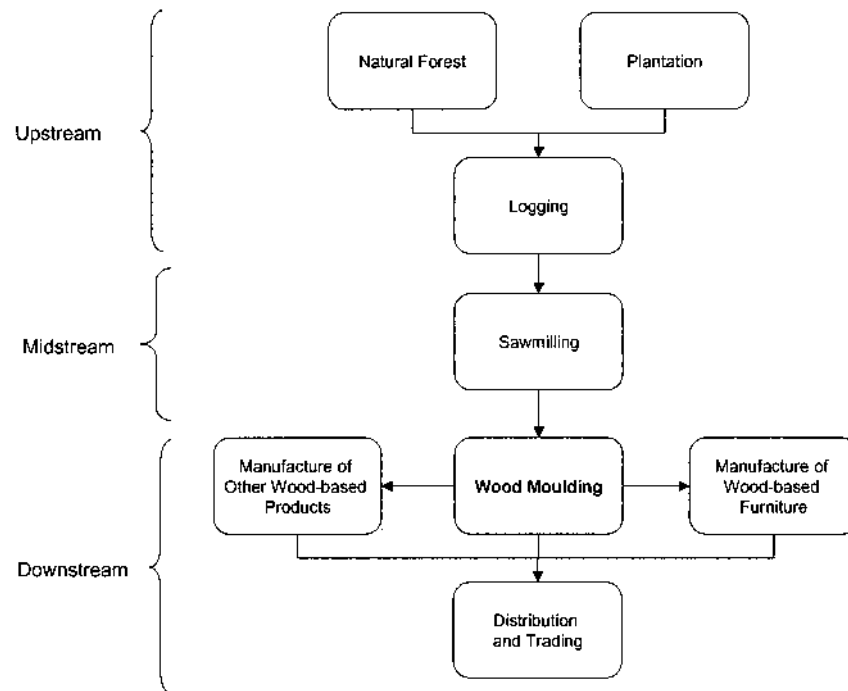
- Wood Moulding Industry is segmented into the following types of products:
  - wood moulding products for the building industry;
  - wood moulding products for the furniture and fixtures industry;
  - others.
- Wooden Picture Frame Moulding is part of the other types of Wood Moulding.
- Classic Scenic Group is mainly involved in the manufacture of Wooden Picture Frame Moulding.



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### 3. VERTICAL STRUCTURE OF THE WOOD MOULDING INDUSTRY



**Figure 2. Vertical Structure of the Wood Moulding Industry**

- The activities within the Wood Moulding Industry can be segmented into the following categories:
  - Upstream;
  - Midstream;
  - Downstream.

#### Upstream

- The upstream activities for Wood Moulding Industry include timber plantation and management, forestry and logging.
- Logs are the primary raw materials used in all timber-based manufacturing activities, including the manufacture of Wood Moulding.

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**Midstream**

- Sawmilling of logs is the main midstream activity. Sawmilling is the largest and oldest wood processing industry in Malaysia. While sawntimber is mainly produced for the export market, the industry is also a major source of sawntimber for the domestic market especially the Construction Industry as well as downstream processing industries such as Wood Moulding and Furniture Industries.
- According to the Ministry of Primary Industries, there were approximately 1,088 sawmills in Malaysia in 2003.

**Downstream**

- The downstream activities include:
  - Manufacturing of Wood Moulding;
  - Manufacturing of Wood-based furniture and components;
  - Manufacturing of Other Wood-based products;
  - Sales and distribution.
- The Wood Moulding Industry in Malaysia is still at the development stages. However, the industry has gained prominence through the concerted efforts of the government and the policy shift from export-oriented focus for sawntimber towards downstream processing activities for higher value-added and export-oriented finished wood products.
- Wood Moulding comes in various sizes and profiles and includes, casings, architraves, skirting (base) boards, doorframes, flat jambs and bevel jambs.
- Joinery products range from balcony rails, table legs, aprons, dowels and wall panelling.
- In 2003, it is estimated that there were 157 Moulding plants in Malaysia (*Source: Ministry of Primary Industries*). Of this, it is estimated that there are approximately 40 manufacturers in the Wooden Picture Frame Moulding. Most of the Wooden Picture Frame manufacturers are predominantly smaller sized operators (*Source: Primary Market Research undertaken by Vital Factor Consulting Sdn Bhd*).
- Wood Moulding also has linkages to the Wood-based Furniture Industry and other Wood-based products whereby it is regarded as a significant supporting industry.




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**4. GOVERNMENT LEGISLATION, POLICIES AND INCENTIVES**

- There are no material government laws, regulations and policies apart from the normal manufacturing licence and wood-based industry licences that may impede the performance and growth of the Classic Scenic Group.
- According to the Industrial Coordination Act, 1975 which mandates all companies with shareholders' funds of RM2.5 million or above, or engaging 75 or more full-time employees to attain a manufacturing licence (*Source: Malaysian Industrial Development Authority*).

**Licensing of Wood-based Industry**

- The main governing bodies within the Wood-based Industry are the Malaysian Timber Industry Board and the Forestry Departments in the respective states.
- As a federal matter, the Malaysian Timber Industry Board is the authority responsible for the issuance of licences for wood-based activities (*Source: Ministry of Primary Industries*).
- At the state level, the main governing body is the Forestry Department of the respective states.
- The Wood-based Industries Enactment 1973 and Wood-based Industries Rules 1990 requires the following occupations to be registered with the Malaysian Timber Industry Board:
  - Exports of timber or business as exporters;
  - Jetty operators;
  - Timber grading;
  - Suppliers or timber processors, for purpose of export trade.
- Wood-based manufacturers are required to have a licence to site, construct, erect, establish, operate or maintain wood-based operations, such as:
  - Sawmills, plywood mills, veneer mills and blockboard mills;
  - Woodworking mills, furniture mills and wood moulding mills;
  - Fibreboard mills, chipboard mills and pulp mills;
  - Mobile sawmills;
  - Charcoal kilns.
- According to Malaysian Timber Industry Board, the export of Wooden Picture Frame Moulding does not require a licence as it is categorised as a finished product. However the export of Wooden Picture Frame Moulding have to be registered with the Malaysian Timber Industry Board.
- According to Malaysian Timber Industry Board, cess rates are not applicable for Wooden Picture Frame Moulding that has a finish or coating on the Moulding, which is categorised under finished products.



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### Government Incentives

- In Malaysia, tax incentives, both direct and indirect, are provided for in the Promotion of Investments Act 1986, Income Tax Act 1967, Customs Act 1967, Sales Tax Act 1972 and Excise Act 1976 and Free Zone Act 1990. These Acts cover investments in the manufacturing, agriculture, tourism and approved services sectors as well as Research and Development, training and environmental protection activities.
- The direct incentives grant partial or full relief from income tax for a specified period, while indirect incentives come in the form of exemptions from import duty, sales tax and excise duty.
- The major incentives for companies investing in the manufacturing sector are:
  - Pioneer Status;
  - Investment Tax Allowance;
  - Reinvestment Allowance.
 (Source: *Malaysian Industrial Development Authority*)
- Eligibility for the Pioneer Status or Investment Tax Allowance is based on certain priorities, including levels of value-added, technology employed and industrial linkages. Such eligible projects are termed as "promoted activities" or "promoted products".
- Timber Mouldings is listed as a promoted product or activity for small- scale industries (Source: *Malaysian Industrial Development Authority*).
- All manufacturing companies that have been in operation for at least 12 months and incur qualifying capital expenditure to expand production capacity, modernise and upgrade production facilities, diversify into related products, and automate production facilities can obtain a Reinvestment Allowance (Source: *Malaysian Industrial Development Authority*).
- All Malaysian-owned manufacturing companies are also eligible for tax exemptions on statutory income provided they achieve a significant increases in exports, succeed in penetrating new markets or achieve the highest increase in exports in its category.
- Manufacturing companies are also entitled to a range tariff related incentives:
  - Exemptions from Sales Tax on Acquisition of Imported or Local Raw Materials/ Components;
  - Exemptions from Import Duty on Raw Materials/Components;
  - Exemptions from Income Tax on Value Increased Exports;
  - Drawback of Import Duty and Sales Tax on Parts, Raw Materials or Packaging Materials consumed within a year in the manufacture of goods for exports;
  - Double Deduction for Promotion of Exports;
  - Double Deduction of Insurance Premium for Export Credit Facilities.
- Other available incentives include incentives for Human Resource Development and Research and Development activities.


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**5. SUPPLY AND SUPPLY DEPENDENCIES**
**Local Production**

- In 2003, sales value of the manufacture of Moulding and Joinery Products increased by 11.6% to reach RM1.0 billion. However between 1999 and 2002, the sales value of these products declined at an average annual rate of 3.4% (Source: *Malaysia International Trade and Industry Report 2000 and 2002, Ministry of International Trade and Industry Malaysia*).
- Between 1999 and 2003, production volume of the manufacture of Moulding also declined at an average annual rate of 11.7%. However it is expected that production volume will increase by 1.5% to reach 386,411 cubic metres in 2003 (Source: *Ministry of Primary Industries, Malaysia*).
- Between 1996 and 2000, the sales value of the manufacture of Wooden Picture Frames grew at an average annual rate of 21.4%. In 2000, sales value of Wooden Picture Frames grew by 35.5% to reach RM110.6 million (Source: *Department of Statistics*).
- Between 1996 and 2000, the production volume of Wooden Picture Frames grew at an average annual rate of 15.0%. In 2000, sales value of Wooden Picture Frames grew by 102.0% to reach 30.5 million units (Source: *Department of Statistics*).
- Between 1997 and 2000, the sales value of the manufacture of Wooden Mirror Frames grew at an average annual rate of 0.5%. In 2000, sales value of Wooden Mirror Frames grew by 549.5% to reach RM16.4 million (Source: *Department of Statistics*).
- Between 1997 and 2000, production quantity of Wooden Mirror Frames grew at an average annual rate of 90.2%. In 2000, production of Wooden Mirror Frames reached 1.3 million units (Source: *Department of Statistics*).

**Imports**

- Import value of Wooden Frames for Paintings, Photographs, Mirrors or Similar Objects grew at an average annual rate of 53.2% between 1999 and 2003. In 2003, import value of such products increased by 152.3% to reach RM9.1 million (Source: *Department of Statistics*).
- Import quantity Wooden Frames for Paintings, Photographs, Mirrors or Similar Objects grew at an average annual rate of 79.8% between 1999 and 2003. In 2003, import quantity of such products increased by 70.3% to reach 1,328 tonnes (Source: *Department of Statistics*).



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### Supply Dependencies

- The major raw materials used by Classic Scenic Group in the manufacture of Wooden Picture Frame Moulding include:
  - Hardwood sawntimber;
  - Varnish and Thinners.
- Sawntimber is predominantly the major raw material used in the production of Wooden Picture Frame Moulding. Malaysia is a local producer and exporter of sawntimber. There are approximately 1,088 sawmills in Malaysia in 2003 (*Source: Ministry of Primary Industries*).
- The production of saw logs decline at an average annual rate of 2.4% between 1999 and 2003. In 2003, the production of saw logs declined by 2.9% to reach 20.1 million cubic metres (*Source: Ministry of Primary Industries*).
- In 2003, the estimated production of sawntimber in Malaysia reached approximately 4.7 million cubic metres, an increase of 2.7% over the previous year. Between 1999 and 2003, the production of sawntimber in Malaysia declined at an average annual rate of 2.4% (*Source: Ministry of Primary Industries, Malaysia*).
- In Malaysia, there are approximately 38 operators who are formulators of paint and paint products including varnishes in 2001 (*Source: Malaysian Industrial Development Authority*).
- Between 1999 and 2003 sales value of the manufacture of Paints, Varnishes and Lacquers grew at an average annual rate of 9.0% per annum. In 2003, sales value of the manufacture of Paints, Varnishes and Lacquers increased by 8.9% to reach RM1.4 billion.

## 6. DEMAND AND DEMAND DEPENDENCIES

### Exports

- Between 1999 and 2003, export value of Moulding declined at an average rate of 9.0% per annum. In 2003, it is expected that export value of Moulding will reach RM566.7 million, after a decline of 13.3% (*Source: Ministry of Primary Industries*).
- Between 1999 and 2003, export value of Wooden Picture Frames for Paintings, Photographs, Mirrors or Similar Objects grew at an average rate of 1.7% per annum. In 2003, export value of such products grew by 10.1% to reach approximately RM104.0 million (*Source: Department of Statistics*).
- Between 1999 and 2003, export quantity of Wooden Picture Frames for Paintings, Photographs, Mirrors or Similar Objects grew at an average rate of 2.2% per annum. In 2003, export quantity of such products decreased by 15.5% to reach 7,618 tonnes (*Source: Department of Statistics*).



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**Demand Dependencies**

- Wooden Picture Frame Moulding is used for all types of framing applications and not necessarily restricted to pictures. Some of the framing applications include certificates, mirrors, awards, portraits or painting, maps, antiques, photos, prints, collectors' items and many others.
- Generally, most households would use some form of Wooden Picture Frame Moulding for decorative purposes. Some of the sectors that would constitute user-industries also include:
  - hospitality industry such as hotels/motels and restaurants;
  - museums and art galleries;
  - foyers of buildings;
  - offices.
- As such, Wooden Picture Frame Moulding has applications in both consumer as well as other industry sectors.
- Some of the demand and demand dependencies of Wooden Picture Frames Moulding are as follows:

**Population Growth**

- The population of Malaysia grew at an average rate of 2.6% per annum between 1998 and 2002. For 2003 and 2004, the population is expected to reach 25.0 million and 25.6 million respectively (Source: *Economic Reports 1999/2000 and 2003/2004, Ministry of Finance Malaysia*).

**Growth in Household Expenditure**

- Between 1993/94 and 1998/99, the average monthly expenditure per household increased at an average annual rate of 7.0% amounting to RM1,631 per household.
- In 1998/99, average monthly household expenditure on sculptures, paintings and other art objects amounting to RM0.44 per month in Malaysia (Source: *Report on Household Expenditure Survey 1998/99, Department of Statistics*);

**Growth in Affluence**

- Between 1999 and 2003, per capita income increased at an average annual rate of 4.4%. In 2003, per capita income increased by 6.6% (Source: *Annual Reports, various years, Bank Negara Malaysia*);
- Per capita income is forecasted to grow by 5.4% in 2004 (Source: *Annual Report 2003, Bank Negara Malaysia*);



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- Between 1999 and 2003, private consumption expenditure increased at an average annual rate of 6.2% (Source: Annual Report 2003, Bank Negara Malaysia);
- In 2003, private consumption expenditure experienced a growth of 5.1% to reach RM107.1 billion (Source: Annual Report 2003, Bank Negara Malaysia);
- A further growth of 8.1% in private consumption expenditure has been forecasted for 2004 (Source: Annual Report 2003, Bank Negara Malaysia);
- Mean monthly household income in Malaysia grew by 6.8% between 1999 and 2002. In 2002, the mean monthly household income reached RM3,011 (Source: Mid-Term Review of the Eighth Malaysia Plan 2001-2005, Economic Planning Unit, Prime Minister's Department).

### Export Market Demand

- In 2003, United States was the largest export market representing around 63% of total exports of Wooden Frames for Paintings, Photographs, Mirrors or Similar Objects. This is followed by Australia at 11%. The remainder of the export countries include Japan, Singapore, Philippines, United Kingdom, Thailand and others. (Source: Department of Statistics).
- Therefore the growth in export market demand will be dependent on the economic performances of these countries, which will inadvertently impact on the consumer confidence and household expenditure on Wooden Picture Frame Moulding.

### Usage from the Business Sector

- Businesses that have a need to display printed content for example among others, manufacturing licences, awards and certificates will also create demand for Wooden Picture Frame Moulding.

## 7. COMPETITIVE NATURE AND INTENSITY

- All manufacturers in the Wood Picture Frame Moulding operate under **normal** competitive conditions.
- Competition exists in both the local and global markets. On the local level, the manufacturers with the other Malaysian manufacturers as well as imports from abroad.
- On the global level, Malaysian manufacturers compete against foreign manufacturers as well as other Malaysian exporters-oriented manufacturers.

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**Competitive Intensity**

- Competition among manufacturers within the Wooden Picture Frame Moulding is **intense** and this is based on the following observations:
  - In 2003, there were approximately 157 Wood Moulding manufacturers (*Source: Ministry of Primary Industries, Malaysia*). Of these approximately 40 are Wooden Picture Frame manufacturers in Malaysia. Most of the Wooden Picture Frame manufacturers are predominantly smaller sized operators (*Source: Primary Market Research undertaken by Vital Factor Consulting and Malaysian Wood Moulding and Joinery Work Council*).
  - Competition from overseas countries such as China particularly in the low-end Wooden Picture Frame Moulding exerts further competitive pressure in the local and global market.
  - The non-existence of branding on Wooden Picture Frame Moulding makes it difficult for consumers to discern one manufacturer from another. The lack of distinction between different Wooden Picture Frame Moulding particularly at the basic and low-end, with the exception of aesthetics and appearance further contributes to the intensity of competition.
  - However manufacturers that focus on more complex finishing processes, for example high gloss lacquer, distressed or aged appearance at the standards of quality that meets the needs of export based customers, are able to moderate the intensity of competition by moving away from the basic low-end types of Wooden Picture Frames.
  - Manufacturers that are predominantly export-oriented are also in a stronger position to reduce the intensity of competition due to the fact that they are servicing the global market.



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### 8. KEY PLAYERS IN THE INDUSTRY

- Some of the manufacturers of Wooden Picture Frame Moulding include:
  - Classic Scenic Berhad (through subsidiary, Scenic Moulding (M) Sdn Bhd;
  - Intan Suria Sdn Bhd;
  - Evergreen Frame Moulding Sdn Bhd;
  - VE Surpass Frame (M) Sdn Bhd;
  - SL Framewood (M) Sdn Bhd;
  - Hiroshima Wood Frame Sdn Bhd;
  - PU Picture Frame Moulding Sdn Bhd;
  - Tai Ye Framewoods (Malaysia) Sdn Bhd;
  - Woodgraf Industri Sdn Bhd;
  - Windle Wood Products Sdn Bhd.
  - SQ Wooden Picture Frame Moulding Sdn Bhd;
  - Syarikat Look Kee Sdn Bhd;
  - Creative Frame Manufacturers Sdn Bhd;
  - Asian Esteem Industrial Sdn Bhd;
  - Quality Image Sdn Bhd.

*(Source: Primary Market Research undertaken by Vital Factor Consulting Sdn Bhd)*

### 9. BARRIERS TO ENTRY

- Barriers to entry into the Wood Moulding Industry are **low to moderate**.
- This is mainly substantiated by the large number of Wood Moulding manufacturers in the industry. It is estimated that there were 157 Moulding plants in Malaysia in 2003 *(Source: Ministry of Primary Industries)*. The industry comprises predominantly smaller operators.
- The main barriers to entry to the industry are:
  - Government policies;
  - Capital and set-up costs;
  - Technical skills.

#### Government Regulations and Policies

- Apart from the normal manufacturing licence and other wood-based industry licences, there are no specific Government regulations or policies governing the entry of manufacturers into the Wood Moulding Industry or the Wooden Picture Frame sector.
- A manufacturing licence is only required by manufacturers with 75 or more employees or companies with a share capital of RM2.5 million or more.





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### Capital and Set-up Costs

- The barriers to entry into the manufacture of Wooden Picture Frame Moulding based on capital requirements (excluding land and building) are **low**.
- The capital cost of setting up a small-sized Wooden Picture Frame Moulding plant would be approximately RM1.5 million. With this size of establishment, the maximum volume of output is estimated at approximately 150,000 feet per month (*Source: Classic Scenic Group*).
- At this entry level, the capital investment will include the following machinery and equipment:
  - 1 gilding machine;
  - 1 spray painting machine;
  - 1 foil cutter;
  - 1 embosser;
  - 1 driller;
  - 1 splitter;
  - 1 moulding machine;
  - 1 grinder;
  - 1 sanding machine;
  - 2 extruders;
  - 2 arm saws;
  - 1 multi-rip.
- This entry level investment would be highly manual and exclude facilities such as kiln-drying.
- Capital costs would start to escalate for larger operations to enable greater economies of scale. Larger operations are necessary to meet the demands of export countries.
- Smaller operators would also find it difficult to compete with larger manufacturers that have the benefits of economies of scale.

### Technical Skills

- The level of technical expertise required for the manufacture of Wooden Picture Frame Moulding is **moderate**.

The main technical skills and knowledge are required in the following areas:

- research and development;
- finishing processes.

**12. INDEPENDENT MARKET RESEARCH REPORT (cont'd)****VITAL FACTOR CONSULTING**

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- Manufacturers that continually conduct research and development on existing products as well as new products are in a stronger position to address opportunities and compete effectively in the global market. Some examples of research and development is in the following:
  - continuous improvements in quality to achieve the aesthetics, appearance and the finishing that meets the specifications and requirements of customers;
  - develop new range of designs of Wooden Picture Frame Moulding by keeping abreast of new trends and developments overseas;
  - explore the use of alternative materials such as plantation wood or reconstituted wood-based panel board to provide customers with a comprehensive range of choices of Wooden Picture Frame Moulding.
- Other areas of technical skills and knowledge are in the production processes and this includes the formulation of coatings to achieve the consistency and quality required in the finishing of Wooden Picture Frame Moulding.
- Manufacturers that have the technical skills and expertise are more likely to achieve the following:
  - reduce their cost of production;
  - attain higher product quality;
  - attain higher productivity;
  - better able to meet customers' specifications and requirements;
  - provide a wider range of products to help customers address areas of growth and opportunities.
- As such, barriers to entry may be moderate at its most basic, but the ability to sustain the business would require a higher level of skills and expertise.

**Track Record**

- Track record also forms one of the barriers to entry for new entrants. It is unlikely that a new entrant without any track record will be able to compete effectively in the global market for Wooden Picture Frame Moulding Industry.
- It will take some time for a new entrant to be established in the market before customers are willing to take them on as a supplier.
- As such, track record would pose barriers to entry for new entrants, which would find it difficult to gain immediate access into the market.

**10. BARRIERS TO EXIT**

- Barriers to exit the Wood Moulding Industry are low as most machinery and equipment can be sold to other 157 other Moulding plants in the Moulding Industry.


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**11. INDUSTRY PROSPECTS AND OUTLOOK**

- The outlook of Wooden Picture Frame Moulding Industry is dependent on the following factors:

**Local Production**

- Between 1996 and 2000, the sales value of the manufacture of Wooden Picture Frames grew at an average annual rate of 21.4%. In 2000, sales value of Wooden Picture Frames grew by 35.5% to reach RM110.6 million (*Source: Department of Statistics*).
- Between 1996 and 2000, the production volume of Wooden Picture Frames grew at an average annual rate of 15.0%. In 2000, sales value of Wooden Picture Frames grew by 102.0% to reach 30.5 million units (*Source: Department of Statistics*).
- Between 1997 and 2000, the sales value of the manufacture of Wooden Mirror Frames grew at an average annual rate of 0.5%. In 2000, sales value of Wooden Mirror Frames grew by 549.5% to reach RM16.4 million (*Source: Department of Statistics*).
- Between 1997 and 2000, production quantity of Wooden Mirror Frames grew at an average annual rate of 90.2%. In 2000, production of Wooden Mirror Frames reached 1.3 million units (*Source: Department of Statistics*).

**Exports**

- Between 1999 and 2003, export value of Wooden Picture Frames for Paintings, Photographs, Mirrors or Similar Objects grew at an average rate of 1.7% per annum. In 2003, export value of such products grew by 10.1% to reach approximately RM104.0 million (*Source: Department of Statistics*).
- Between 1999 and 2003, export quantity of Wooden Picture Frames for Paintings, Photographs, Mirrors or Similar Objects grew at an average rate of 2.2% per annum. In 2003, export quantity of such products decreased by 15.5% to reach 7,618 tonnes (*Source: Department of Statistics*).

**Imports**

- Import value of Wooden Frames for Paintings, Photographs, Mirrors or Similar Objects grew at an average annual rate of 53.2% between 1999 and 2003. In 2003, import value of such products increased by 152.3% to reach RM9.1 million (*Source: Department of Statistics*).
- Import quantity Wooden Frames for Paintings, Photographs, Mirrors or Similar Objects grew at an average annual rate of 79.8% between 1999 and 2003. In 2003, import quantity of such products increased by 70.3% to reach 1,328 tonnes (*Source: Department of Statistics*).


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**12. DRIVERS OF GROWTH**

- Some of the drivers of growth for Wooden Picture Frame Moulding are:
  - Demographic changes such as population growth and urbanisation will continue to influence and stimulate demand for consumer based products such as Wooden Picture Frame Moulding;
  - Rising consumer affluence, as reflected in the increase in Gross Domestic Product per capita, household expenditure and disposable income will generate demand for consumer based products including Wooden Picture Frame Moulding;
  - Growth in the economies of export markets including United States, Australia and others will continue to generate demand for Malaysian manufactured Wooden Picture Frame Moulding;
  - The Malaysian Government has been encouraging the growth of the Wood Moulding sector through the provision of incentives on promoted activities or products under the Promotion of Investments Act 1986. The Government's efforts in nurturing the growth of value-added downstream activities such as Wood Moulding will fuel further developments in this sector.

**13. THREATS AND RISK ANALYSIS**
**Availability of Raw Materials**

- Malaysia is currently facing a situation whereby log supplies from natural forests have been declining. In 2003, the production of sawlogs is estimated at 20.1 million cubic metres (compared to 1999 whereby production of sawlogs reached 21.8 million cubic metres). It is expected that log supply will continue to decline further as state governments adhere to the National Forest Policy and implement the annual coupe for logging from the Permanent Forest Estate and state land forests (*Source: Monthly Statistical Bulletin, June 2004, Bank Negara Malaysia*).
- Malaysia is currently facing a situation whereby log supplies from natural forests have been declining. In 2003, the production of sawlogs is estimated at 21.4 million cubic metres (compared to 1996 whereby production of sawlogs reached 30.1 million cubic metres). It is expected that log supply will continue to decline further as state governments adhere to the National Forest Policy and implement the annual coupe for logging from the Permanent Forest Estate and state land forests (*Source: Monthly Statistical Bulletin, June 2004, Bank Negara Malaysia*).
- In addition to declining log supplies, forests have to compete with agriculture and other land uses for achieving optimum land utilisation in the form of high yield plantations.

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- These phenomena are not only limiting the availability of wood resource from natural forests. These are the cause factors of frequent fluctuations in prices of timber products.
- Malaysia may lose its comparative advantage to other countries with lower production cost and stable wood supply, and may gradually lose its ground as a net exporter of tropical wood and wood products.

**Mitigating Factors**

- Manufacturers of Wooden Picture Frame Moulding that can use alternative raw materials such as plantation wood or reconstituted wood-based panel board for example MDF is in stronger position to reduce the dependency on timber supply.
- In ensuring long-term and stable supply of wood and wood products, forest plantations have been established and are likely to increase in the future. However, slow wood recovery rate from forest plantations will be a constraint for short-term wood supply.

**Foreign Exchange Risk**

- Fluctuations in foreign exchange rates will have an impact on the prices of imported raw materials as well as export earnings.

**Mitigating Factor**

- With the current Ringgit pegged to the USD, manufacturers can plan with a higher degree of certainty.

**Increase in Competition from Low-Cost Producing Countries**

- The emergence of low-cost producing countries presents new levels of challenges to the manufacturers of Wooden Picture Frame Moulding.
- In view of the price competition from low-cost producing countries such as China, manufacturers may be forced to settle for narrower profit margins to counter the competition.

**Mitigating Factors**

- Manufacturers that are provides significant value-adding to Wooden Picture Frame Moulding will be in stronger position to counter the competition from low-cost producing countries.
- In addition, manufacturers that focus on the production of quality Wooden Picture Frame Moulding with complex finishing processes are somewhat insulated from the intense competition associated with producers of low-cost basic Wooden Picture Frame Moulding.



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**Implementation of Asean Free Trade Area (AFTA)**

- The reduction of import duties to 0% to 5% with the implementation of AFTA through Common Effective Preferential Tariff (CEPT) would make imports very competitive against locally manufactured products Wooden Picture Frames.
- CEPT is the mechanism by which tariffs on goods traded within the Asean region, which meet a 40% Asean content requirement has been subjected to a reduction of the above-mentioned range of tariff since 2003 (2006 for Vietnam, 2008 for Laos and Myanmar).
- AFTA will have an impact on manufacturers of Wooden Picture Frames as imports compete at the same level with zero or minimal import duties.

**Mitigating Factors**

- The following mitigating factors apply to manufacturers that focus primarily on the local market.
- New entrants into the Malaysian market upon the implementation of AFTA need to invest significant effort and time to develop and market their products to gain acceptance from local consumers. This provides some advantages to existing local players at least in the short to medium term.
- Local players with a strong market reputation, established track record, product development capabilities, large and diverse customer base and consistent product quality are in a better position to face the increased competitive pressure from the potential new players in the market.

**Timber Certification**

- Certification of timber products is becoming increasingly important in Europe and North America. It may be possible that wood-based producing markets that do not provide a credible certification system may face bans on export of timber products into Europe and North American markets in the future. This situation will have a direct impact on Wooden Picture Frame manufacturers that export its products to the markets concerned.

**Mitigating Factors**

- Malaysia and other tropical timber countries will need to implement their own viable certification systems in line with the International Tropical Timber Organisation Criteria and Indicators to provide a credible alternative to the Forest Stewardship Council system and to counter the effects of the system in Europe and North America.
- There are a number of Malaysian wood-based manufacturers that have the necessary certification. However, the overall numbers are low.



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- Malaysia itself has come up with its own certification. The Timber Certification Council Malaysia was incorporated in October 1998 for the development and implementation of a timber certification scheme in Malaysia.

### Global Economic Slowdown

- In 2003, the war in Iraq and the outbreak of the Severe Acute Respiratory Syndrome (SARS) have aggravated the global economic situation. The economy of the world and in particular, the United States has been increasingly volatile.
- The volatile global economy will tend to weaken the overall demand for consumer products, including Wooden Picture Frame Moulding.

### Mitigating Factors

- Manufacturers that have a diversified geographical coverage are in a stronger position to counter a global economic slowdown.
- However as United States is the major country of exports of Wooden Picture Frame Moulding for Malaysia, it is reasonable to expect that most manufacturers would focus on addressing opportunities in this market. In 2003, exports of Wooden Frames for Paintings, Photographs, Mirrors or Similar Objects accounted for approximately 63% of total exports under this category (*Source: Department of Statistics*).
- In Malaysia, the Government's pro-active policies in mitigating the negative impact of a global economic downturn through stimulus packages have been successful in countering a slowdown in the local economy.

## 14. AREAS OF GROWTH AND OPPORTUNITIES

### Alternative Wood-based Raw Materials

- There are opportunities for manufacturers to explore the use of other alternative wood-based materials for the production of Picture Frame Moulding.
- Some of these materials include:
  - plantation wood such as radiata pine which is ecologically sound and also a renewable resource;
  - reconstituted wood-based panel board such as MDF which is made from recycled wood waste. The qualities of MDF include uniformity in texture, density and appearance makes it an ideal base for Picture Frame Moulding. In addition, MDF does not have the knots or imperfections usually found in natural timber.
- The use of alternative raw materials will enable manufacturers to provide customers with a wider range of options in Picture Frames.



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**New Markets Outside the United States**

- Countries that are outside the dominant export market of United States for example Australia, Japan, United Kingdom, Thailand, Philippines, and Singapore present export opportunities for Wooden Picture Frame manufacturers in Malaysia. All the above countries excluding United States accounted for approximately 37% (including countries in the 'others' category) of total exports of Wooden Frames for Paintings, Photographs, Mirrors or Similar Objects from Malaysia in 2003 (*Source: Department of Statistics*).
- Manufacturers that are already export-oriented will be in a stronger position to expand into these other export markets.

**15. MARKET RANKING, SIZING AND SHARE**

- In 2003, the market size for the Wooden Picture Frame Moulding Industry in Malaysia was estimated at **RM150 million**.
- Using a turnover of RM39.9 million for Wooden Picture Frame Moulding for the financial year ended 31 December 2003, the market share of Classic Scenic Berhad in the Wooden Picture Frame Moulding segment in Malaysia is estimated at approximately **27%** in 2003.
- Based on turnover, Classic Scenic Group ranked **first** among operators within the Wooden Picture Frame Moulding Industry in Malaysia in 2003.

Vital Factor Consulting Sdn Bhd has prepared this report in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, secondary statistics and information, and primary market research. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibilities for the decisions or actions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the shares of any company.

Yours sincerely

Wong Wai Ling  
Director  
Vital Factor Consulting Sdn Bhd



**13. DIRECTORS' REPORT**

*(Prepared for inclusion in the Prospectus)*



**CLASSIC SCENIC BERHAD** (633887-M)

Date : **24 SEP 2004**

**Registered Office:**  
Tingkat 4.100,  
4<sup>th</sup> Floor Wisma Central  
Jalan Ampang  
50450 Kuala Lumpur

The Shareholders of  
**CLASSIC SCENIC BERHAD ("CSB")**

Dear Sir/Madam,

On behalf of the Board of Directors, I wish to report after due enquiry that between the period from 30 June 2004 (being the date to which the last audited accounts of the Company and its subsidiaries ("Group") has been made up) to date hereof (being a date not earlier than 14 days before the issuance of this Prospectus), that: -

- (a) the business of the Group has, in opinion of the Directors, been satisfactorily maintained;
- (b) in opinion of the Directors, no circumstances have arisen since to the last audited accounts of the Group which have adversely affected the trading or the value of the assets of the Group;
- (c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) save as disclosed in Section 9.4 of this Prospectus, no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Group;
- (e) in the opinion of the Directors, they are not aware of since the last audited accounts of the Group where, any 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; and
- (f) save as disclosed in the "Proforma Consolidated Balance Sheets" and the "Accountants' Report" of this Prospectus, since the last audited accounts of the Group there have been no material changes in the published reserves or any unusual factors affecting the profits of the Group.

Yours faithfully,  
For and on behalf of the Board of Directors  
**CLASSIC SCENIC BERHAD**



Lim Chee Keong  
Executive Chairman

**14. BYE-LAWS OF THE ESOS****1. NAME OF SCHEME**

This Scheme shall be called the "Classic Scenic Berhad's Employees' Share Option Scheme".

**2. OBJECTIVES OF THE SCHEME**

- 2.1 To reward the employees of CSB Group in recognition of their contributions and whose services are considered to be vital to the operations and continued growth of CSB Group;
- 2.2 To give the employees of CSB Group a sense of ownership and belonging so that they are further motivated towards better performance through greater productivity and loyalty;
- 2.3 To provide an opportunity for the employees of CSB Group to participate directly in the equity of the Company and, upon becoming shareholders, to participate in CSB Group's prospects and future growth; and
- 2.4 To provide an incentive for the employees of CSB Group to participate actively in the operations of the Group and encourage them to contribute to the well-being of CSB Group.

**3. DEFINITIONS AND INTERPRETATION**

- 3.1 In these Bye-Laws, the following terms shall, unless the context otherwise requires, have the following meanings :-

CSB or the Company	:	Classic Scenic Berhad (Company No: 633887-M)
CSB Group or the Group	:	CSB and its subsidiary companies which are not dormant
Board	:	The Board of Directors of the Company for the time being
Bursa Depository	:	Bursa Malaysia Depository Sdn. Bhd. ( <i>formerly known as Malaysia Central Depository Sdn Bhd</i> ) (165570-W)
Bursa Securities	:	Bursa Malaysia Securities Berhad ( <i>formerly known as Malaysia Securities Exchange Berhad</i> ) (635998-W)
Bye-Laws	:	The terms and conditions of the Scheme
CDS	:	Central Depository System
CDS Account	:	A securities account opened with Bursa Depository
Date of Offer	:	The date when an Offer (including subsequent offers) is made in writing to any Selected Employee to participate in the Scheme
Date of Expiry	:	The date indicating the last day when the Options granted pursuant to the Scheme may be exercised

**14. BYE-LAWS OF THE ESOS (cont'd)**

Eligible Employee(s)	:	The Eligible Employee(s) of the Scheme shall be as provided for in Bye-Law 5.1 hereof
Executive Director	:	A natural person who holds a directorship in a full-time executive capacity in CSB and is involved in the day-to-day management and on the payroll of CSB
Grantee	:	Any Selected Employee of the Group, including any Executive Director whose allocation of Shares under the Scheme is specially approved by the Company in a general meeting, who has accepted the Offer by the Company of an Option in accordance with the terms of the Scheme
Listing Requirements	:	The listing requirements of Bursa Securities
Market Day	:	Any day between Monday and Friday (inclusive) which is not a public holiday and when the Bursa Securities is opened for trading of securities
Maximum Entitlement	:	The maximum number of options that can be offered by and allotted to an Eligible Employee
Offer	:	A written offer from the Options Committee to any Selected Employee or Executive Director to participate in the Scheme in the manner as set out in Bye-Law 7 hereof
Option(s)	:	The contract constituted by acceptance in the manner indicated in Bye-Law 8 hereof of any Offer made in accordance with the terms of the Scheme
Options Committee	:	The committee appointed by the Board to administer the Scheme
Option Holder	:	Any Grantee holding an Option
Option Period	:	The period commencing on the Date of Offer and expiring five (5) years therefrom or upon the date of expiry of the Scheme as provided in Bye-Laws 20.1 and 20.3, whichever is earlier. In the event the Duration of the Scheme is extended, the date of expiry of the Scheme shall be the date of expiry as so extended
Option Price	:	The price at which the Grantee shall be entitled to subscribe for each Share as set out in Bye-Law 9 hereof
Selected Employee(s)	:	An employee who has been selected and to whom an Offer has been made by the Board in accordance with the terms of the Scheme
Scheme	:	The Scheme for the granting of Options to Selected Employees to subscribe for new Shares in the capital of the Company in accordance with the terms as set out herein and such Scheme to be known as "CSB Group's Employees' Share Option Scheme"

**14. BYE-LAWS OF THE ESOS (cont'd)**

Shares : Ordinary shares of RM0.50 each or the par value of the shares in existence at that point in time in the Company

3.2 Words denoting the singular shall include the plural and words denoting the masculine gender shall include the feminine gender and vice-versa.

**4. TOTAL NUMBER OF OPTIONS AVAILABLE UNDER THE SCHEME**

4.1 Subject to Bye-Law 4.2, the total number of new Shares which may be made available under the Scheme shall not exceed fifteen percent (15%) (or any maximum percentage permitted by the relevant authorities) of the total issued and paid-up share capital comprising ordinary shares of the Company at any one time.

4.2 Notwithstanding the provision of Bye-Law 4.1 above or any other provisions contained herein, in the event the maximum number of new Shares comprised in the Options granted under the Scheme exceeds the aggregate of fifteen percent (15%) (or any maximum percentage permitted by the relevant authorities) of the issued and paid-up share capital of CSB as a result of CSB:-

(i) purchasing its own shares, whereby the shares so purchased in treasury will not be taken into account in calculating the number of its issued and paid-up capital; or

(ii) cancelling any Shares purchased by CSB or reducing its share capital and thereby diminishing its issued and paid-up capital,

then such Options granted prior to the adjustment of the issued and paid-up capital of CSB shall remain valid and exercisable in accordance with the provisions of this Scheme. However, CSB shall then ensure that no further options will be granted under the ESOS.

4.3 The Company will keep available sufficient unissued Shares in its authorised share capital to satisfy all outstanding Options throughout the duration of the Scheme.

**5. ELIGIBILITY TO PARTICIPATE**

5.1 The following are eligible to participate in the Scheme: -

i) a Malaysian who at the Date of Offer has attained the age of eighteen (18) years, is a confirmed employee, works full-time and is on the payroll of the Group with at least twelve (12) months of continuous service in the Group;

ii) a Malaysian having attained the age of fifty-five (55) who at the Date of Offer is employed full-time, on the payroll under a contract of service and who was prior to being so employed, permanently employed with at least twelve (12) months of continuous service in the Group; or

**14. BYE-LAWS OF THE ESOS (cont'd)**

- (iii) any Executive Director of the Company who holds office in a full-time capacity, is on the payroll of the Group and whose entitlement to the Scheme is specifically approved by the Company in a general meeting.
- 5.2 However, the selection for participation in the Scheme shall be at the absolute discretion of the Board whose decision shall be final and binding. No Selected Employee(s) of the Group can participate in more than one (1) ESOS implemented by any company within the Group, provided always that the participation by a Selected Employee in any previous ESOS by the Company which has lapsed prior to the implementation of this Scheme shall be disregarded.
- 5.3 Executive Directors who represent the Government or Government institutions, agencies and Government employees who are serving in the public service scheme as defined under Article 132 of the Federal Constitution are not eligible to participate in the Scheme.
- 5.4 Employees of dormant companies in the Group are not eligible to participate in the Scheme.
- 5.5 An Eligible Employee(s) who is in any type of no pay leave for a continuous period of ninety (90) days or more (excluding prolonged illness leave) may not be made an Offer until such time as the Eligible Employee returns to full time service with the Group.

**6. ENTITLEMENT**

- 6.1 The Selected Employee(s) of the Group who are entitled to participate in the Scheme shall be those who fall within any of the categories listed hereunder. The Options Committee shall have the discretion in the determination of the categories of all employees of the Group. The criteria of allotment to be applied by the Options Committee shall be based on the category of Eligible Employees and years of service and may be based on factors such as the contribution, dedication and loyalty of the Eligible Employee to the Group and the potential worth of the Eligible Employee in terms of further contribution to the success of the Group. The decision of the Option Committee shall be final and binding.

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**14. BYE-LAWS OF THE ESOS (cont'd)**

<b>Category of employees</b>	<b>Classification of employees</b>	<b>Maximum Entitlement (No. of Shares) ('000)</b>
Executive Directors	A1	1,500
Senior Managers	B1	500
Managers, Assistant Managers and Supervisors	B2	300
Senior Executives, Executives, Officers and Assistant Supervisors	B3	120
Assistant Officers, Coordinators and Lorry Drivers	C1	50
Junior Supervisors and Clerks	C2	30
General Workers and Guards	C3	20

- 6.2 In the event that the years of service of a Selected Employee exceed one (1) band of the years of service in Bye-Law 6.1 above and consequently fall within the next band of the years of service, the Options Committee may consider allotting additional Options to that employee so as to elevate his entitlement to the next band. These additional lots will be subject to a new letter of offer and a new Option Price will therefore be set for these additional Options in accordance with Bye-Law 9.
- 6.3 In the event that the Grantee is promoted, the entitlement of the Grantee shall be increased to the maximum under the respective new classification of employees.
- 6.4 In the event that the Grantee is moved to a lower category, the following provisions shall apply:-
- (i) his Maximum Entitlement shall be reduced in accordance with the scale provided in Bye-Law 6.1;
  - (ii) in the event that the total number of Options which has been accepted by him up to the date he is moved to the lower category is greater than his Maximum Entitlement under such lower category, he shall be entitled to continue to hold and to exercise all unexercised Options held by him on such date but he shall not be entitled to be offered any further Options unless and until he is subsequently moved to a higher category so that his Maximum Entitlement is increased to an amount greater than the total number of Options which has been accepted by him; and
  - (iii) in the event that the total number of Options which has been accepted by him up to the date he is moved to the lower category is less than his Maximum Entitlement under such lower category, he shall be entitled to continue to hold and to exercise all unexercised Options held by him on such date and, subject to Bye-Law 6.1, to be offered further Options up to his Maximum Entitlement under such lower category.

**14. BYE-LAWS OF THE ESOS (cont'd)**

- 6.5 In the event that an Eligible Employee's role and title changes but his grade remains the same, his Maximum Entitlement shall also remain the same in accordance with the scale provided above.
- 6.6 For purposes of computing the continuous service of any Selected Employee in the Group for Maximum Entitlement under the Scheme, there shall be taken into account the period served by the Selected Employee with the Group.
- 6.7 The maximum number of Shares allocated to Executive Directors and Senior Management (as defined under Bye-Law 6.1) in aggregate shall not exceed fifty percent (50%) of the Shares available under the Scheme.
- 6.8 The maximum number of Shares allocated to any individual Executive Director or Selected Employee who, either singly or collectively through persons connected ("person connected" shall have the same meaning given in relation to person connected with a director or major shareholder as defined in Paragraph 1.01 of the Listing Requirements) with the Selected Employee, holds twenty percent (20%) or more of the issued and paid-up capital of the Company, shall not exceed ten percent (10%) of the Shares available under the Scheme.
- 6.9 An Eligible Employee who holds more than one position within the Group and by virtue of such positions as an Eligible Employee in more than one (1) category, shall only be entitled to the Maximum Entitlement of any one (1) category. The Options Committee shall be entitled at its discretion to determine the applicable category.

**7. OFFER**

- 7.1 Upon implementation of the Scheme, the Options Committee may at its discretion at any time and from time to time within the Duration of the Scheme as it shall deem fit make a written Offer to any Selected Employee based on the entitlement set out in Bye-Law 6 above.
- 7.2 The allotment of Shares as provided above shall be determined at the absolute discretion of the Options Committee. Nothing herein shall prevent the Options Committee from making more than one (1) offer to each Option Holder provided always that the total number of Shares to be so offered to each Option Holder (inclusive of Shares offered under preceding Offers, if any) shall not be less than one hundred (100) Shares and shall not be more than the Maximum Entitlement of the Option Holder as set out in Bye-Law 6.1 above.
- 7.3 Unless otherwise approved in writing by the Options Committee in its absolute discretion, any 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 CSB Group for any reason whatsoever prior to the acceptance of the Offer by the Eligible Employee in the manner set out in Bye-Law 8 hereof.
- 7.4 The Options Committee shall make the respective Offers to the Selected Employee in or substantially in the prescribed form, subject to modification by the Options Committee from time to time.

**14. BYE-LAWS OF THE ESOS (cont'd)**

- 7.5 The Options Committee shall state the following particulars in the letter of Offer:-
- (a) the number of Options that are being offered to the Employee;
  - (b) the number of new Shares which the Employee shall be entitled to subscribe for upon the exercise of the Options being offered;
  - (c) the Option Period;
  - (d) the Option Price; and
  - (e) the closing date for acceptance of the Offer.
- 7.6 The Options Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and however arising in any event relating to the delay on the part of the Company in issuing and allotting Shares or in procuring the approval of the Bursa Securities to list the Shares for which the Grantee is entitled to subscribe.
- 7.7 All unexercised or partially exercised Options shall become null and void upon the expiry of the Option Period applicable thereto.
- 7.8 No Options will be granted to Executive Directors unless such Options shall have previously been approved by the shareholders of the Company in a general meeting.
- 7.9 An Offer shall be personal to the Selected Employee to whom it is made and cannot be assigned, transferred and disposed under any circumstances.

**8. ACCEPTANCE**

- 8.1 The Offer to participate in the Scheme shall be valid for a period of thirty (30) calendar days from the Offer Date or such longer period as may be determined or extended by the Options Committee on a case to case basis at its discretion.
- 8.2 Any Selected Employee who accepts the Offer pursuant to Bye-Law 7 must return to the Options Committee, on or before the closing date stated in the Offer, the Acceptance Form (in the prescribed form), subject to modification by the Options Committee from time to time) duly completed as required therein together with a non-refundable sum of Ringgit Malaysia One (RM1.00) only as consideration for the Offer. The date of receipt by the Options Committee of such written notice shall constitute the date of acceptance.
- 8.3 In the event that the Selected Employee fails to accept the Offer and pay the acceptance consideration within the prescribed period and prescribed manner, the Offer shall be deemed rejected by the Selected Employee and shall be null and void, and of no effect, and the new Shares comprised in such Options may, at the discretion of the Options Committee, be re-offered to other Eligible Employees.



**14. BYE-LAWS OF THE ESOS (cont'd)****9 OPTION PRICE**

The Option Price for the shares under a share scheme for employees shall be the following:

- (a) for an applicant implementing the scheme as part of its listing proposal, not less than the initial public offer price; or
- (b) for a listed issuer, based on the 5 day weighted average market price of the underlying shares at the five (5) Market Days immediately preceding the Date of Offer, with a discount that does not exceed 10%.

**10. EXERCISE OF OPTION**

- 10.1 The Option granted to a Selected Employee is exercisable only by that Selected Employee during his lifetime and whilst he is employed by the Group except for the provisions of Bye-Law 14 hereunder.
- 10.2 The Option may be exercised by the Grantee during the Option Period on the tenth (10) day of each month before 5.00 pm. Should either of the aforementioned dates fall on a day which is not a Market Day, the Option may be exercised on the next day which is a Market Day.
- 10.3 Any exercise of the Option by the Grantee shall be made by submitting a notice in writing to the Options Committee in or substantially in the prescribed form ("**Notice of Exercise**"), subject to modification by the Options Committee from time to time. The said notice shall be accompanied by a remittance for the full amount of the Option Price by banker's draft, cashier's order or a money or postal order made out in favour of the Company.
- 10.4 The Option may be exercised in respect of such lesser number of Shares as the Grantee may decide to exercise provided that the number shall be multiples of and not less than one hundred (100) Shares. Such partial exercise of an Option shall not preclude the Grantee from exercising the Option as to the balance thereof at any time in future but within the Option Period.
- 10.5 A Grantee shall be allowed to exercise the Options granted to him subject to the following limits:-

<b>Percentage (%) of Options Exercisable in Each Year commencing from the Date of Offer</b>				
<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
20%	20%	20%	20%	* 20%

\* 20% or the remaining number of Options unexercised, as the case may be.

- 10.6 Options exercisable in a particular year but not exercised can be carried forward to the subsequent year subject to the time limit as prescribed under the Scheme.

**14. BYE-LAWS OF THE ESOS (cont'd)**

- 10.7 Every Notice of Exercise shall state the number of new Shares (within the maximum number as granted) the Selected Employee intends to subscribe for and be accompanied with the remittance for the full amount of the subscription monies payable in respect thereof.
- 10.8 The Grantee shall state his CDS Account number in the Notice of Exercise and the Company shall within ten (10) Market Days of the receipt of such Notice of Exercise and remittance of money from the Grantee, cause to credit the Grantee's CDS Account with the relevant number of Shares upon and subject to the provisions of the Articles of Association of the Company. No physical share certificates will be delivered to the Grantee.
- 10.9 Any failure to comply with the foregoing provisions and/or to state the CDS Account number in the Notice of Exercise or any inaccuracy in the CDS Account number shall result in the Notice of Exercise being rejected. The Options Committee shall inform the Grantee of the rejection of the Notice of Exercise and the Grantee shall then be deemed not to have exercised his Option and the Grantee concerned shall be entitled to exercise his Option anew on any working day during the Option Period.
- 10.10 Notwithstanding anything to the contrary herein contained in these Bye-Laws, the Options Committee shall have the right at its discretion to suspend the right of any Grantee who is the subject of disciplinary proceedings (whether or not such disciplinary proceedings may give rise to a dismissal or termination of service of such Grantee) through a notice to that effect duly served on him pending the outcome of such disciplinary proceedings. In addition to this right of suspension, the Options Committee may impose such terms and conditions as the Options Committee shall deem appropriate in its sole discretion on the right of exercise of the Options of such Grantee having regard to the nature of the charges made or brought against such Grantee, PROVIDED ALWAYS that :-
- i) in the event such Grantee is found not guilty of the charges which gave rise to such disciplinary proceedings, the Options Committee shall reinstate the right of such Grantee to exercise his Option provided that such reinstatement is within the Option Period;
  - ii) in the event such Grantee is found guilty resulting in the dismissal or termination of service of such Grantee, the Options shall immediately cease without notice, upon pronouncement of the dismissal or termination of service of such Grantee notwithstanding that such recommendation may be subsequently challenged by the Grantee in any other forum; and
  - iii) in the event such Grantee is found guilty but not dismissed or termination of service is not recommended, the Options Committee shall have the right to determine at its absolute discretion whether or not the Grantee may continue to exercise his Options and if so, to impose such terms and conditions as it deems appropriate on such exercise.

**11. RIGHTS ATTACHING TO NEW SHARES**

- 11.1 The new Shares to be issued pursuant to the exercise of Options will upon allotment and issue, rank parri passu in all respects with the then existing issued Shares except that the new Shares so issued shall not rank for any dividends, rights or other distributions declared, made or paid to shareholders prior to the date of allotment.

**14. BYE-LAWS OF THE ESOS (cont'd)**

- 11.2 The new Shares will be subject to all the provisions of the Articles of Association of the Company in relation to its transfer, transmission or otherwise.

**12. LISTING AND QUOTATION OF SHARES**

- 12.1 The new Shares referred to in Bye-Law 4 and the Shares (if any) to be allotted to the Grantee will not be listed or quoted on the Bursa Securities until the Option is exercised in accordance with Bye-Law 10 whereupon the Company will apply to the Bursa Securities for the listing of and quotation for such Shares and will use its best endeavour to obtain permission for dealing therein.

- 12.2 The Company, the Board and the Options Committee shall not under any circumstances be held liable to any person for any costs, losses, expenses, damages or liabilities howsoever arising in the event of any delay on the part of the Company in procuring the Bursa Securities to list the Shares subscribed for by a Grantee.

**13. RETENTION PERIOD**

- 13.1 The Shares to be issued to the Grantees will not be subject to any minimum retention period or restriction on transfer and the Grantees are not restricted from disposing or otherwise dealing with the Shares. However, the Grantees are encouraged to hold the Shares of the Company for as long as possible.

**14. TERMINATION OF THE OPTION**

- 14.1 In the event of termination of employment of a Grantee with the Group for whatever reason prior to the exercise of an Option or prior to full exercise of an Option, such Option shall forthwith cease, in the event of termination of employment by a Grantee, on the date of the notice of termination and, in the event of termination of employment of a Grantee by the Group, on the date of expiry of notice of termination, without any claim against the Company.

PROVIDED ALWAYS THAT, subject to the written approval of the Options Committee in its absolute discretion, where the Grantee ceases his employment with the Group by reason of:-

- (a) his retirement at or after attaining normal retirement age;
- (b) retirement before attaining the normal retirement age but with the consent of the Options Committee;
- (c) ill-health or injury or disability;
- (d) redundancy or voluntary separation scheme; or
- (e) any other circumstances acceptable to the Options Committee,

he may exercise his unexercised Option or Options within the relevant Option Period.

**14. BYE-LAWS OF THE ESOS (cont'd)**

- 14.2 Unless otherwise approved in writing by the Options Committee at its discretion, an Option shall lapse forthwith upon the resignation of the Grantee from his employment with CSB Group and the new Shares comprised in such Option or the balance thereof may, at the discretion of the Options Committee, be re-allotted to other Eligible Employees.
- 14.3 The Option shall immediately become void and of no effect upon the Grantee being adjudicated a bankrupt, The Option shall be automatically terminated on the date a receiving order is made against the Grantee by a court of competent jurisdiction.
- 14.4 In the event of death, where the Grantee dies before the expiry of the Option Period and at the date of his death held an Option, which is unexercised, such Option may be exercised by the legal representatives of the Grantee within the Option Period. Such Options shall cease immediately on the date of such death without any claim against the Company PROVIDED ALWAYS THAT, subject to the written approval of the Options Committee in its discretion, such unexercised Options may be exercised in full by the legal or personal representatives of the Grantee after the date of his death provided such exercise shall be within the Option Period and shall not be later than twelve (12) months after the date of his death.
- 14.5 If a Grantee was in the employment of a company in the Group which was subsequently wholly divested from the Group (other than a divestment referred to in Bye-Law 16 below), then such Option shall immediately become void and of no effect.

**15. TRANSFER FROM OTHER COMPANIES TO THE GROUP**

- 15.1 In the event that:-
- (i) an employee who was employed in a company which is not within CSB Group and is subsequently transferred from such company to any company within CSB Group; or
  - (ii) an employee who was in the employment of a company which subsequently becomes a member of CSB Group as result of a restructuring exercise or otherwise involving CSB and/or any company within CSB Group with any of the first mentioned company stated in (i) above; (the first mentioned company in (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 conditions under Bye-Law 5 hereof:
    - (a) be entitled to continue to exercise all such unexercised Option(s) which were granted to him under the Previous Company's ESOS in accordance with the Bye-Laws of such Previous Company's 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 Company's ESOS;
    - (b) be eligible to participate in the Scheme only for the remaining duration of the Scheme, subject to the ESOS Committee's approval;

**14. BYE-LAWS OF THE ESOS (cont'd)**

- (c) If the Affected Employee has participated in a Previous Company's ESOS, the number of Shares to be offered to such Affected Employee under the Scheme shall be :-
1. that number of Shares as shall be equivalent to the difference between the Affected Employee's total Share entitlement under the Scheme and the total number of shares which were granted to the Affected Employee under the Previous Company's ESOS if the Affected Employee has opted to exercise all such unexercised option(s) which were granted to him in the Previous Company's ESOS; or
  2. that number of Shares as shall be equivalent to the difference between the Affected Employee's total Share entitlement under the Scheme and the total number of shares which were exercised by the Affected Employee under the Previous ESOS if the Affected Employee has opted not to exercise the remaining unexercised option(s) which were granted to him in the Previous ESOS on the basis that his employment with the Previous Company has ceased. However, the number of Shares to be offered to such Affected Employee under (1) and (2) above will be subject to the sole discretion of the Options Committee.

**16. DIVESTMENT FROM THE GROUP**

- 16.1 In the event that a company within the Group shall be divested from the Group, a Grantee who is employed by such company:-
- (a) shall be entitled to continue to hold and to exercise all the Options held by him on the date of completion of such divestment within a period of one (1) month from the date of completion of such divestment or the Option Period, whichever expires first, and in accordance with the provisions of Bye-Law 10.3. In the event that the Grantee does not so exercise some or all of such Options, the unexercised Options shall be automatically terminated upon the expiry of the relevant period; and
  - (b) shall no longer be eligible to participate for further Options under the Scheme as from the date of completion of such divestment.
- 16.2 For the purposes of Bye-Law 16.1, a company shall be deemed to be divested from the Group in the event that the effective interest of the Company in such company is reduced from an equity interest of above 50% to an equity interest of 50% or below or such that such company would no longer be a subsidiary of the Company pursuant to Section 5 of the Act.

**14. BYE-LAWS OF THE ESOS (cont'd)**

**17. TAKEOVER**

17.1 In the event of an offer being made for Shares under the Malaysian Code on Take-Overs and Mergers, 1998 and such offer being declared unconditional, the following provisions shall apply:-

- (a) a Grantee shall be entitled to exercise all or any of the Options held by him as at the date of such offer being declared unconditional, within a period of six (6) months after such date and in accordance with the provisions of Bye-Law 10.3. In the event that the Grantee elects not to so exercise some or all of the Options held by him, the unexercised Options shall be automatically terminated on the expiry of the said period of six (6) months; and
- (b) if during the said period of six (6) months, the offeror becomes entitled or bound to exercise rights of compulsory acquisition in respect of the Shares under the provisions of the Act and gives notice to the Grantee that he intends to exercise such rights on a specific date ("Specified Date"), the Grantee shall be entitled to exercise all or any of the Options held by him until the expiry of the said period of six (6) months or the Market Day immediately preceding the Specified Date, whichever is the earlier, and in accordance with the provisions of Bye-Law 10.3. In the event that the Grantee elects not to so exercise some or all of the Options held by him, the unexercised Options shall be automatically terminated on the expiry of the said period of six (6) months or on the Specified Date, whichever is the earlier.

**1.8 WINDING UP**

18.1 All outstanding Options shall be automatically terminated in the event that a resolution is passed or a court order is made for the winding up of the Company.

**19. ALTERATION OF SHARE CAPITAL AND ADJUSTMENT DURING THE OPTION PERIOD**

19.1 In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of capitalization of profits or reserves, rights issues, consolidation of shares, sub-division of shares, reduction of capital or otherwise howsoever taking place, such corresponding adjustment (if any) shall be made in:-

- (a) the number of Shares (excluding Options already exercised) under the Scheme; and/or
- (b) the Option Price;

as necessary to give a Grantee the same proportion of the issued and paid-up capital of the Company as that to which he/she was entitled to prior to the event giving rise to such adjustment. In any event, such adjustment should not affect the capital outlay to be incurred by a Grantee in exercising his/her Option.

Any adjustment other than on a bonus issue must be confirmed in writing by an approved Company Auditors ("Auditor") as defined under Section 8 of the Company Act, 1965.

**14. BYE-LAWS OF THE ESOS (cont'd)**

19.2 The provisions on adjustment of the Option Price as governed by Bye-Law 19.1 shall be subject to the following:-

- (a) on any such adjustment the resultant Option price, if not an integral multiple of one sen shall be rounded up to the nearest one sen and in no event shall any adjustment (otherwise than upon the consolidation of Shares of a larger par value) involve an increase in the Option Price or reduce the number of Options that a Grantee is already entitled to; and
- (b) no adjustment shall be made in any event whereby the Option Price would be reduced to below the par value of a Share.

Upon any adjustment being made pursuant to this Bye-Law, the Options Committee shall notify the Grantee (or his legal personal representatives where applicable) in writing informing him of the Option Price thereafter in effect and the number of Shares thereafter to be issued upon the exercise of the Option within seven (7) days of such adjustment; and

19.3 The provision shall not be applicable where an alteration in the capital structure of the Company arises from any of the following: -

- (a) an issue of Shares pursuant to the exercise of Options under the Scheme; or
- (b) an issue of Shares arising from the conversion of securities with a right of conversion into Shares; or
- (c) an issue of securities as consideration for an acquisition; or
- (d) an issue of securities as a private placement; or
- (e) an issue of securities as a special issue approved by the relevant governmental authorities; or
- (f) a purchase by the Company of its own Shares and cancellation of all or a portion of such Shares purchased pursuant to Section 67A of the Act. In this event, the following provisions shall apply: -
  - (i) if the number of Options granted by the Company as at the date of cancellation of Shares so purchased is greater than fifteen percent (15%) of the issued and paid-up capital of the Company after such cancellation, the Options Committee shall not make any further Offers; and
  - (ii) if the number of Options granted by the Company as at the date of cancellation of Shares so purchased is less than fifteen percent (15%) of the issued and paid-up capital of the Company after such cancellation, the Options Committee may make further Offers only until the total number of Options granted by the Company is equivalent to 15% of the issued and paid-up capital of the Company after such cancellation.

**14. BYE-LAWS OF THE ESOS (cont'd)**

**20. DURATION OF THE SCHEME**

20.1 The effective date for the implementation and launching ("Date of Commencement") of the Scheme shall be the date of full compliance with all relevant requirements in Chapter 6 of the Listing Requirements by the Company including the following:-

- (a) submission of final copy of the Bye-Laws pursuant to paragraph 6.30F of the Listing Requirements (together with a letter of compliance pursuant to paragraph 2.11 of the Listing Requirements and checklist in compliance with Appendix 6F of the Listing Requirements);
- (b) receipt of approvals-in-principle for the listing of the shares to be issued under the Scheme from Bursa Securities;
- (c) the approval from the Company's shareholders' for the Scheme in general meeting and the approvals of any other relevant authorities; and
- (d) the fulfillment of all conditions attached to the aforesaid approvals, if any.

20.2 The adviser of the Company shall submit a confirmation letter to Bursa Securities of the full compliance pursuant to paragraph 6.30H(1) of the Listing Requirements stating the effective date of implementation of the Scheme together with certified true copy of the relevant resolution passed by shareholders of the Company in general meeting. The confirmation letter shall be submitted to the Bursa Securities no later than five (5) market days after the effective date of implementation.

20.3 The Scheme shall be in force for a period of five (5) years from the Date of Commencement ("Initial Scheme period"), provided always that on or before the expiry thereof, the Option Committee shall have the absolute discretion, without the Company's shareholders approval in general meeting, to extend in writing the duration of the Scheme (as the Option Committee may deem fit) for up to another five (5) years immediately from the expiry of the Initial Scheme Period PROVIDED THAT the scheme does not exceed a maximum period of ten (10) years in its entirety.

20.4 Offers can only be made during and not after the Duration of the Scheme.

20.5 The Company may terminate the Scheme at any time provided the following approvals/consents are obtained: -

- (a) consent of its shareholders at a General Meeting, wherein at least a majority of the shareholders present should vote in favour of the termination; and
- (b) written consent of all Grantees who have yet to exercise their Options, either in part or in whole,

**PROVIDED THAT** upon termination of the Scheme any Options unexercised or partially exercised shall be deemed to have been terminated and be null and void.



**14. BYE-LAWS OF THE ESOS (cont'd)**

20.6 In seeking to obtain the consent and approval of the shareholders and the Grantees for the termination of the Schemes as set out in Bye-Law 20.5, the Company must provide sufficient information on the following:-

- (a) rationale for the termination of the Scheme;
- (b) a statement by the Board on whether the termination of the Scheme is in the best interest of the Company or not; and
- (c) any other information that would justify the termination of the Scheme.

**21. AMENDMENT AND/OR MODIFICATION TO THE SCHEME**

21.1 Subject to Bye-Law 21.2, the Options Committee may at any time and from time to time recommend to the Board any additions or amendments to or deletions of these Bye-Laws as it shall in its discretion think fit and the Board shall have the power by resolution to add to, amend or delete all or any of these Bye-Laws upon such recommendation subject to the Company submitting a confirmation letter to the Bursa Securities each time an amendment is made, that the said amendment compliance with the provisions of the Listing Requirements pertaining to employee share option schemes and Rules of the Central Depositories Pursuant to paragraph 2.11 of the Listing Requirements.

21.2 The approval of the shareholders of the Company in general meeting shall not be required in respect of additions or amendments to or deletions of these Bye-Laws provided that no addition, amendment or deletion shall be made to these Bye-Laws which would:-

- (a) prejudice any rights which have accrued to any Grantee without his prior consent; or
- (b) increase the number of new Shares available under the Scheme beyond the maximum imposed by Bye-Law 4.1; or
- (c) provide an advantage to any Grantee or group of Grantees or all Grantees.

unless shareholders' approval is obtained at a general meeting.

21.3 For the purpose of complying with the provisions of Appendix 6F of the Listing Requirements, the provision of Bye-Laws 4, 5, 6, 8, 10, 13, 20 and this Bye-Laws 21 shall not be amended or altered in any whatsoever for the advantage of participants without the prior approval of shareholders in general meeting.

**22. ADMINISTRATION**

22.1 The Scheme shall be administered by the Options Committee appointed by the Board at its discretion with such powers and duties as are conferred upon it.

**14. BYE-LAWS OF THE ESOS (cont'd)**

- 22.2 The Options Committee shall be vested with such powers and duties as conferred upon it by the Board including the powers:-
- (i) to administer the Scheme and grant Options in accordance with these Bye-Laws;
  - (ii) to recommend to the Board to establish, amend and revoke Bye-Laws, rules and regulations to facilitate the implementation of this Scheme;
  - (iii) to construe and interpret the provisions hereof in the best interest of the Company; and
  - (iv) generally, to exercise such powers and such acts as are deemed necessary or expedient to promote the best interests of the Company.
- 22.3 The Options Committee shall call for such assistance and/or evidence and/or information as it may deem necessary for these purposes.
- 22.4 The Board shall have the power at any time and from time to time to rescind the appointment of any person appointed to the Options Committee as it shall see fit.

**23. COST AND EXPENSES**

- 23.1 Save for the taxes referred to in Bye-Laws 24.1 and the fees referred to in Bye-Law 23.2, all fees, costs and expenses incurred in relation to the Scheme including but not limited to the fees, costs and expenses relating to the issue and allotment of the Shares pursuant to the exercise of any Option shall be borne by the Company.
- 23.2 The Grantee shall be responsible for all charges of the Bursa Depository relating to or in connection with the issue and allotment of any Shares in Bursa Depository's name and crediting of the Shares to the Grantee's CDS Account.

**24. TAXES**

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

**25. COMPENSATION**

- 25.1 The Scheme shall not accord the Grantee any additional right to compensation or damages in consequence of the cessation of his employment or appointment for any reason whatsoever.
- 25.2 Any Grantee who leaves employment shall not benefit under this 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 or otherwise howsoever.

**14. BYE-LAWS OF THE ESOS (cont'd)**

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**26. DISPUTES**

26.1 In the event of any dispute of any nature arising between the Options Committee and Grantee as to any matter or thing whatsoever concerning the Scheme, such dispute or difference shall in the first instance be determined by the Options Committee by a written decision given to the Grantee. The decision of the Options Committee shall be final and binding on the Grantee.

26.2 The Options Committee and the Selected Employee or the Grantee, as the case may be, shall keep all matters relating to the Scheme in strict confidence and shall not refer to, discuss with, publicise or in any other manner reveal any particulars or details thereof to any third party.

**27. NOT A TERM OF EMPLOYMENT**

27.1 This Scheme does not form part of nor shall it in any way be construed as part of the terms and conditions of employment of an Eligible Employee. No employee, who is an Eligible Employee, shall bring any claim against the Group, the members of the Options Committee or any other party, for compensation or damages on the basis that the employee has not been made an Offer pursuant to this Scheme.

**28. RIGHTS OF A GRANTEE**

28.1 The Options shall not carry any rights to vote at any general meeting of the Company. The Grantee shall not in any event be entitled to any dividends, rights or other entitlement on his unexercised Options.

**29. AUDITED FINANCIAL STATEMENTS**

29.1 All Grantees are entitled to inspect the latest audited financial statements of the Company at the registered office of the Company during its normal business hours.

**30. ARTICLES OF ASSOCIATION**

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

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