

12. VALUATION CERTIFICATE

(Prepared for inclusion in this Prospectus)

C H Williams Talhar & Wong



C H Williams Talhar & Wong Sdn Bhd (16149-U)

Juruukur Berkanun Perunding Harta Antarabangsa
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Our Ref : 5146/05/LSH
5142/05/HWP
5254/05/HWP
5255/05/HWP

Date : 2 June 2006

The Board of Directors
Tomei Consolidated Berhad
No. 8-1, Jalan 2/131A
Project Jaya Industrial Estate
Batu 6, Jalan Kelang Lama
58200 Kuala Lumpur

Mohd Talhar A Rahman
FRICS, FISM, MCSI, APEPS
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B.Sc., FRICS, FISM, APEPS
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B.Sc., FRICS, MISM, APEPS
Chong Pah Aung SMP
A.Sc., FRICS, FISM, APEPS
Taw You Kian
B.Surv., MISM, APEPS
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B.Surv., FISM, MMIM, APEPS
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Dip in Val., Dip in Est. Mgt., MISM, APEPS
Danny Yeo Soon Kee
Dip in Val., MISM, APEPS
Foo Gee Jen
B.Surv., MISM, APEPS
Tony Lee Eng Kow
B.Sc., MISM, APEPS
Ku Fuziah Ku Hamzah
B.Sc., MISM, APEPS
Aziah Mohd Yusoff
MBA, BLE, MRICS, MISM, APEPS
Heng Kiang Hai
MBA, B.Surv., MISM, APEPS

Dear Sirs

VALUATION CERTIFICATE FOR SIX (6) PROPERTIES FOR THE LISTING OF TOMEI CONSOLIDATED BERHAD ("TCB") ON THE SECOND BOARD OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES")

Consultant
Abdul Halim Othman
B.Sc., FRICS, FISM, APEPS

This certificate has been prepared for inclusion in the Prospectus to be dated
23 June 2006 in relation to the following :

- public issue of 14,608,000 new ordinary shares of RM0.50 each in TCB at an issue price of RM0.95 per new ordinary share;
- offer for sale of 37,800,000 ordinary shares of RM0.50 each in TCB at an offer price of RM0.95 per ordinary share; and
- listing and quotation of the entire issued and fully paid up share capital of TCB comprising 126,000,000 ordinary shares of RM0.50 each on the Second Board of Bursa Securities.

We received an instruction from TCB to value the above mentioned properties for the purpose of submission to the Securities Commission, Malaysia.

We have inspected the properties on the date as stated in the schedule below and the respective date of inspection is taken as the respective date of valuation.

The basis of the valuation is the market value of the subject property. The market value is 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 prepared in accordance with the requirements as set out in the Guidelines on Asset Valuations issued by the Securities Commission, Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.



12. VALUATION CERTIFICATE (Cont'd)

C H Williams Talhar & Wong



C H Williams Talhar & Wong Sdn Bhd (18149-U)

Brief description of the subject properties are as follows: -

Property Identification (Title Details, Address)	General Description of Property	Market Value (Method of Valuation)								
Our Ref No. 5146/05/LSH/wk [Date of Inspection : 9th September 2005]										
<p><u>Lot No. :</u> Ground, Second and Third Floors Erected on part of Lot No. 1000 Section 67, Town of Kuala Lumpur, District of Kuala Lumpur, Federal Territory of Kuala Lumpur</p> <p><u>Title No.:</u> Geran 5571</p> <p><u>Address :</u> Nos. 30, 30B & 30C, Jalan Walter Grenier, Off Jalan Imbi, 55100 Kuala Lumpur</p> <p><u>Land Area :</u> 200.199 square metres</p> <p><u>Registered Owners:</u> SOK GEOK LAN – ¼ share TOMEI GOLD & JEWELLERY CORP SDN BHD – ¼ share TOMEI GOLD & JEWELLERY CORP SDN BHD – ¼ share TOMEI GOLD & JEWELLERY CORP SDN BHD – ¼ share</p> <p><u>Beneficial Owners:</u></p>	<p>The subject properties are the ground, second and third floors of an intermediate four storey flat.</p> <p>The valuation is on the basis that the floor area of the subject properties as per our site measurements are taken to be as follows:-</p> <p>i) Unit No. 30 – 163.50 square metres ii) Unit No. 30B – 134.01 square metres iii) Unit No. 30C – 134.01 square metres</p> <p><u>Site</u></p> <p>The site is rectangular in shape and has a surveyed land area of 200.199 square metres.</p> <p>The site has a frontage of 6.71 metres onto Jalan Walter Grenier.</p> <p>The site is generally flat and lies below the level of the existing frontage road.</p> <p><u>Building</u></p> <p>The four-storey building, within which the subject properties are located, is constructed of reinforced concrete framework with plastered walls and timber framed pitched roof covered with interlocking tiles.</p> <p>Internal finishes include timber strips for the shop space on the ground floor and ceramic tiles for the bedrooms, living area, dining area, kitchen, balcony and bathrooms/wcs.</p>	<p>Unit No. 30 – RM500,000/- Unit No. 30B – RM205,000/- Unit No. 30C – RM195,000/-</p> <p>(Comparison Method and Investment Method as a check)</p>								
<table border="1"> <thead> <tr> <th data-bbox="183 1798 279 1854">Unit Nos.</th> <th data-bbox="279 1798 539 1854">Beneficial Owners</th> </tr> </thead> <tbody> <tr> <td data-bbox="183 1854 279 1933">30*</td> <td data-bbox="279 1854 539 1933">TOMEI JEWELLERY SDN. BHD.</td> </tr> <tr> <td data-bbox="183 1933 279 2011">30B**</td> <td data-bbox="279 1933 539 2011">TOMEI GOLD & JEWELLERY SDN BHD</td> </tr> <tr> <td data-bbox="183 2011 279 2092">30C***</td> <td data-bbox="279 2011 539 2092">TOMEI GOLD & JEWELLERY CORP. SDN BHD</td> </tr> </tbody> </table>	Unit Nos.	Beneficial Owners	30*	TOMEI JEWELLERY SDN. BHD.	30B**	TOMEI GOLD & JEWELLERY SDN BHD	30C***	TOMEI GOLD & JEWELLERY CORP. SDN BHD	<p>Ceilings are generally of fairface concrete for the ground floor and the second floor and flat sheets for the third floor.</p> <p>The main doors on the ground floor are of solid timber panels. Other doors are generally of flush timber.</p>	
Unit Nos.	Beneficial Owners									
30*	TOMEI JEWELLERY SDN. BHD.									
30B**	TOMEI GOLD & JEWELLERY SDN BHD									
30C***	TOMEI GOLD & JEWELLERY CORP. SDN BHD									

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Property Identification (Title Details, Address)	General Description of Property	Market Value (Method of Valuation)																								
Our Ref No. 5146/05/LSH/wk (Cont'd) [Date of Inspection : 9th September 2005]																										
<u>Beneficial Owners</u> (Cont'd): * As per the Sale and Purchase Agreement dated 7 th August 1990 ** As per the Sale and Purchase Agreement dated 23 rd August 1995 *** As per the Sale and Purchase Agreement dated 28 th September 1995 <u>Category of Land Use :</u> Building <u>Tenure :</u> Term in Perpetuity <u>Encumbrances :</u> Charged to RHB Bank Berhad <u>Express Condition :</u> Nil <u>Restriction In Interest :</u> Nil	<u>Building (Cont'd)</u> Vertical access between floors is via a reinforced concrete staircase located at the front of the building. Based on our site measurements, the subject properties have the following gross floor areas:- i) Unit No. 30 – 163.50 square metres ii) Unit No. 30B – 134.01 square metres iii) Unit No. 30C – 134.01 square metres <u>Note:</u> We noted that the approved renovation plan bearing Ref No. 2867/TPCII12.5.03/14JIII provided to us revealed discrepancies in the depth of the building as compared to with site measurements. For the purpose of this valuation, we have adopted the above floor areas as per our site measurements. <u>Occupation:</u> At the time of inspection, the subject properties were tenanted as follows:- <table border="1" data-bbox="555 1496 1134 1693"> <tr><td>Unit No.</td><td>30</td></tr> <tr><td>Monthly Rental</td><td>RM3,000/-</td></tr> <tr><td>Tenancy Details</td><td>2 years commencing 1st January 2004 and expiring on 31st December 2005</td></tr> <tr><td>Remarks</td><td>Used as a restaurant</td></tr> </table> <table border="1" data-bbox="555 1727 1134 1899"> <tr><td>Unit No.</td><td>30B</td></tr> <tr><td>Monthly Rental</td><td>RM1,500/-</td></tr> <tr><td>Tenancy Details</td><td>2 years commencing 1st July 2005 and expiring on 30th June 2007</td></tr> <tr><td>Remarks</td><td>Residential</td></tr> </table> <table border="1" data-bbox="555 1933 1134 2089"> <tr><td>Unit No.</td><td>30C</td></tr> <tr><td>Monthly Rental</td><td>RM1,500/-</td></tr> <tr><td>Tenancy Details</td><td>2 years commencing 1st July 2005 and expiring on 30th June 2007</td></tr> <tr><td>Remarks</td><td>Residential</td></tr> </table>	Unit No.	30	Monthly Rental	RM3,000/-	Tenancy Details	2 years commencing 1 st January 2004 and expiring on 31 st December 2005	Remarks	Used as a restaurant	Unit No.	30B	Monthly Rental	RM1,500/-	Tenancy Details	2 years commencing 1 st July 2005 and expiring on 30 th June 2007	Remarks	Residential	Unit No.	30C	Monthly Rental	RM1,500/-	Tenancy Details	2 years commencing 1 st July 2005 and expiring on 30 th June 2007	Remarks	Residential	
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Property Identification (Title Details, Address)	General Description of Property	Market Value (Method of Valuation)
Our Ref No. 5146/05/LSH/wk (Cont'd) [Date of Inspection : 9 th September 2005]		
	<p data-bbox="555 663 807 694"><u>Planning Provisions</u></p> <p data-bbox="555 725 1150 891">On the Federal Capital, Kuala Lumpur Comprehensive Development Plan Nos. 1041 (Land Use Zoning) and 1040 (Density Zoning) the land in which the subject flat is erected is zoned for residential use.</p> <p data-bbox="555 927 1142 1093">However, we noted that the annual rent is at a commercial rate of RM4.00 per square metre. The category of land use is Building with no express conditions or restrictions in interest on the land use.</p> <p data-bbox="555 1128 1142 1496">We were verbally informed by the client that a certificate of fitness for occupation (CFO) has been issued earlier, however, a copy of the CFO is not available. The client has made a formal application to Dewan Bandaraya Kuala Lumpur (DBKL) to request for a copy of the said CFO. The authorities vide their letter dated 17th June 2005 replied that they are in the midst of checking the document and will revert to the client as soon as it is available.</p>	

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Property Identification (Title Details, Address)	General Description of Property	Market Value (Method of Valuation)
Our Ref No. 5254/05/HWP/wk [Date of Inspection : 9th September 2005]		
<p><u>Lot No. :</u> Developer's Parcel No. G049, Ground Floor On The Podium, Sungei Wang Plaza, erected on Parent Lot 1197 Section 67, Bandar Kuala Lumpur, District of Kuala Lumpur, Federal Territory of Kuala Lumpur</p> <p><u>Title No. :</u> Geran 11043</p> <p><u>Address :</u> Lot G 049, Ground Floor, Sungei Wang Plaza, Jalan Bukit Bintang, 55100 Kuala Lumpur</p> <p><u>Floor Area :</u> 83.33 square metres (897 square feet)</p> <p><u>Registered Owner of Parent Title :</u> SUNGEI WANG PLAZA SDN BHD</p> <p><u>Beneficial Owner (As per the Sale and Purchase Agreement dated 1st August 1980) :</u> SOON HIN ENTERPRISE SDN BHD</p> <p><u>Category of Land Use :</u> Building</p> <p><u>Tenure :</u> Term in Perpetuity</p> <p><u>Encumbrances (as per Parent Title search):</u> Charged to Mayban Trustees Berhad</p>	<p>The subject property is a corner unit shophot located on the ground floor of Sungei Wang Plaza, Jalan Bukit Bintang, 55100 Kuala Lumpur.</p> <p><u>Subject Building</u></p> <p>Sungei Wang Plaza comprises retail shophots and an entertainment centre on the concourse floor, lower ground floor to the 3rd floor, 6th floor and car park bays on Basement 1 and 2, 4th and 5th floors.</p> <p>It is constructed of reinforced concrete framework with plastered brick walls, reinforced concrete floors and a reinforced concrete flat roof. Vertical access within the subject building is by means of escalators, lifts and reinforced concrete staircases.</p> <p><u>Subject Unit</u></p> <p>A brief description of the subject property is as follows:-</p> <p>Doors are generally of metal roller shutters. The ceiling is generally of suspended acoustic boards with recessed lightings.</p> <p>At the time of our inspection, we noted that the subject property has been partitioned to provide for two (2) separate shop areas each with a display/storage area. The floor finishes are generally of timber strips.</p> <p>As per the Supplementary Agreement dated 18th January 1978, the approximate floor area of the subject property is about 897 square feet.</p>	<p>RM3,200,000/-</p> <p>(Comparison Method and as a check, the Investment Method)</p>

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Property Identification (Title Details, Address)	General Description of Property	Market Value (Method of Valuation)
<p>Our Ref No. 5254/05/HWP/wk (Cont'd) [Date of Inspection : 9th September 2005]</p>		
<p><u>Endorsements :</u></p> <p>i. Pajakan Sebahagian Tanah kepada Lembaga Letrik Negara Tanah Melayu bagi tempoh masa selama 30 tahun mulai 11 Januari 1976 dan berakhir pada 10 Januari 2006</p> <p>ii. Permohonan Pecah Bahagian Bangunan didaftarkan pada 26 Disember 1989</p> <p>iii. Pajakan Sebahagian Tanah kepada Tenaga Nasional Berhad bagi tempoh masa selama 30 tahun mulai 15 Mac 1993 dan berakhir pada 14 Mac 2023</p> <p>iv. Permohonan Pecah Bahagian Bangunan didaftarkan pada 20 Oktober 1997</p> <p>v. No Pers 15174/2001 Pemberian Ismen Hakmilik menguasai Bandar Kuala Lumpur GRN 11043 Lot 1197 Hakmilik menanggung Bandar Kuala Lumpur GRN 5645 Lot 1198 bagi tempoh selamalamanya didaftarkan pada 22 Ogos 2001 Suratkuasa Wakil 170/2000, 68/2000 Surat Kebenaran 3352/2001</p>	<p><u>Occupation</u></p> <p>At the time of our inspection, the subject property was tenanted to Sunglass & Visionworld Sdn Bhd and part of the subject property was occupied by Butik A/T. We were given to understand by Tomei Gold & Jewellery Corporation Sdn Bhd that Sunglass & Visionworld Sdn Bhd and Butik A/T are husband and wife team.</p> <p>Vide a Tenancy Agreement dated 15th June 2002, the subject property was tenanted for a period of two (2) years commencing on the 15th June 2002 for a monthly rental of RM17,000/- with an option to renew the tenancy for a further term of two (2) years.</p> <p>Vide a letter dated 15th April 2004, we noted that the Tenant, Sunglass & Visionworld Sdn Bhd has renewed the tenancy for a further three (3) year term from 15th June 2004 to 14th June 2007 at a monthly rental of RM22,000/-</p> <p>Plaza Sungei Wang has been issued with a Certificate of Fitness For Occupation by Dewan Bandaraya Kuala Lumpur vide Certificate No. 10245 under Reference No. BP 776/72 dated 29th December 1981.</p> <p><u>Planning Provisions</u></p> <p>The subject property is designated for commercial use as per the Express Condition in the document of parent title.</p>	

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Property Identification (Title Details, Address)	General Description of Property	Market Value (Method of Valuation)
<p>Our Ref No. 5254/05/HWP/wk (Cont'd) [Date of Inspection : 9th September 2005]</p>		
<p>vi.No. Pers 15175/2001 Pemberian Ismen Hakmilik menanggung Bandar Kuala Lumpur GRN 11043 Lot 1197 Hakmilik menguasai Bandar Kuala Lumpur GRN 5645 Lot 1198 bagi tempoh selama- lamanya didaftarkan pada 22 Ogos 2001 Suratkuasa Wakil 170/2000, 269/2000, 68/2000 Surat Kebenaran 3352/2001</p> <p>vii. Permohonan Pecah Bahagian Bangunan didaftarkan pada 2 Ogos 2004</p> <p><u>Express Conditions:</u></p> <p>i. Tanah ini hendaklah digunakan hanya untuk tapak bangunan perdagangan sahaja</p> <p>ii. Pembangunan diatas tanah ini hendaklah mematuhi Perintah Pembangunan yang dikeluarkan oleh Datuk Bandar, Kuala Lumpur</p> <p><u>Restriction In Interest :</u> Not Stated</p>		

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Property Identification (Title Details, Address)	General Description of Property	Market Value (Method of Valuation)
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Property Identification (Title Details, Address)	General Description of Property	Market Value (Method of Valuation)
<p>Our Ref No. 5142/05/HWP/wk (Cont'd) [Date of Inspection: 9th September 2005]</p>		
<p><u>Endorsements :</u></p> <p>i. Pajakan Sebahagian Tanah kepada Lembaga Letrik Negara Tanah Melayu bagi tempoh masa selama 30 tahun mulai 11 Januari 1976 dan berakhir pada 10 Januari 2006</p> <p>ii. Permohonan Pecah Bahagian Bangunan didaftarkan pada 26 Disember 1989</p> <p>iii. Pajakan Sebahagian Tanah kepada Tenaga Nasional Berhad bagi tempoh masa selama 30 tahun mulai 15 Mac 1993 dan berakhir pada 14 Mac 2023</p> <p>iv. Permohonan Pecah Bahagian Bangunan didaftarkan pada 20 Oktober 1997</p> <p>v. No. Pers 15174/2001 Pemberian Ismen Hakmilik menguasai Bandar Kuala Lumpur GRN 11043 Lot 1197 Hakmilik menanggung Bandar Kuala Lumpur GRN 5645 Lot 1198 bagi tempoh selamalamanya didaftarkan pada 22 Ogos 2001. Suratkuasa Wakil 170/2000, 68/2000 Surat Kebenaran 3352/2001</p>	<p>The subject property apart from being a corner lot possesses a long frontage onto the main atrium /escalator.</p> <p>As per the Supplementary Agreement dated 8th September 1977, the approximate floor area of the subject property is about 83.33 square metres.</p> <p><u>Occupation</u></p> <p>At the time of our inspection, the subject property was tenanted to Tomei Gold & Jewellery Holdings (M) Sdn Bhd, Soong Yew Fatt and Soong Yoon Kong t/a MYEYES OPTICAL and Ho Fee Yong.</p> <p>Vide a Tenancy Agreement dated 19th August 2005, part of the subject property measuring 485 square feet was tenanted to Tomei Gold & Jewellery Holdings (M) Sdn Bhd for a period of one and a half (1½) years commencing on the 1st July 2005 for a monthly rental of RM5,000/- with an option to renew the tenancy for a further term of two (2) years, subject to the prevailing market rental.</p> <p>Vide a Tenancy Agreement dated 19th August 2005, part of the subject property measuring 267 square feet was tenanted to Soong Yew Fatt and Soong Yoon Kong t/a MYEYES OPTICAL for a period of two (2) years commencing on the 1st July 2005 for a monthly rental of RM15,000/- with an option to renew the tenancy for a further term of two (2) years, subject to the prevailing market rental.</p> <p>Vide a Tenancy Agreement dated 19th August 2005, part of the subject property measuring 144 square feet was tenanted to Ho Fee Yong for a period of two (2) years commencing on the 1st September 2005 for a monthly rental of RM17,000/- with an option to renew the tenancy for a further term of two (2) years, subject to the prevailing market rental.</p>	

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Property Identification (Title Details, Address)	General Description of Property	Market Value (Method of Valuation)
<p>Our Ref No. 5255/05/HWP/wk [Date of Inspection : 9th September 2005]</p>		
<p><u>Lot No. :</u> Developer's Parcel No. G051, Ground Floor On The Podium, Sungei Wang Plaza, erected on Parent Lot 1197 Section 67, Bandar Kuala Lumpur, District of Kuala Lumpur, Federal Territory of Kuala Lumpur</p> <p><u>Title No. :</u> Geran 11043</p> <p><u>Address :</u> Lot G 051, Ground Floor, Sungei Wang Plaza, Jalan Bukit Bintang, 55100 Kuala Lumpur</p> <p><u>Floor Area :</u> 53.93 square metres (580.5 square feet)</p> <p><u>Registered Owner of Parent Title :</u> SUNGEI WANG PLAZA SDN BHD</p> <p><u>Beneficial Owner (As per the Sale and Purchase Agreement dated 28th March 1984) :</u> WAIHING INDUSTRIES (RAWANG) SDN BHD (now known as TOMEI GOLD & JEWELLERY CORP. (K.L) SDN. BHD.)</p> <p><u>Category of Land Use :</u> Building</p> <p><u>Tenure :</u> Term in Perpetuity</p>	<p>The subject property is an intermediate unit shoplot located on the ground floor of Sungei Wang Plaza, Jalan Bukit Bintang, 55100 Kuala Lumpur.</p> <p><u>Subject Building</u></p> <p>Sungei Wang Plaza comprises retail shoplots and an entertainment centre on the concourse floor, lower ground floor to the 3rd floor, 6th floor and car park bays on Basement 1 and 2, 4th and 5th floors.</p> <p>It is constructed of reinforced concrete framework with plastered brick walls, reinforced concrete floors and a reinforced concrete flat roof. Vertical access within the subject building is by means of escalators, lifts and reinforced concrete staircases.</p> <p><u>Subject Unit</u></p> <p>A brief description of the subject property is as follows:-</p> <p>Doors are generally of metal roller shutters. The ceiling is generally of suspended acoustic boards with recessed lightings.</p> <p>At the time of our inspection, we noted that part of the partition wall between Premises Nos. G 050 and G 051 has been removed to provide for a larger premises.</p> <p>The subject property accommodates a shop area and a store room. The floor finishes is generally of marble slabs.</p> <p>As per the Principal Agreement dated 3rd September 1973, the approximate floor area of the subject property is about 580.5 square feet.</p>	<p>RM3,000,000/-</p> <p>(Comparison Method and as a check, the Investment Method)</p>

12. VALUATION CERTIFICATE (Cont'd)

C H Williams Talhar & Wong



C H Williams Talhar & Wong Sdn Bhd (18149-U)

Property Identification (Title Details, Address)	General Description of Property	Market Value (Method of Valuation)
Our Ref No. 5255/05/HWP/wk (Cont'd) [Date of Inspection : 9th September 2005]		
<p><u>Encumbrances (as per Parent Title search):</u> Charged to Mayban Trustees Berhad</p> <p><u>Endorsements :</u></p> <p>i. Pajakan Sebahagian Tanah kepada Lembaga Letrik Negara Tanah Melayu bagi tempoh masa selama 30 tahun mulai 11 Januari 1976 dan berakhir pada 10 Januari 2006</p> <p>ii. Permohonan Pecah Bahagian Bangunan didaftarkan pada 26 Disember 1989</p> <p>iii. Pajakan Sebahagian Tanah kepada Tenaga Nasional Berhad bagi tempoh masa selama 30 tahun mulai 15 Mac 1993 dan berakhir pada 14 Mac 2023</p> <p>iv. Permohonan Pecah Bahagian Bangunan didaftarkan pada 20 Oktober 1997</p> <p>v. No. Pers 15174/2001 Pemberian Ismen Hakmilik menguasai Bandar Kuala Lumpur GRN 11043 Lot 1197 Hakmilik menanggung Bandar Kuala Lumpur GRN 5645 Lot 1198 bagi tempoh selamanya didaftarkan pada 22 Ogos 2001 Suratkuasa Wakil 170/2000, 68/2000 Surat Kebenaran 3352/2001</p>	<p><u>Occupation</u></p> <p>At the time of our inspection, the subject property was tenanted to Tomei Gold & Jewellery Holdings (M) Sdn Bhd.</p> <p>Vide a Tenancy Agreement dated 19th August 2005, the subject property was tenanted to Tomei Gold & Jewellery Holdings (M) Sdn Bhd for a period of one and a half (1½) years commencing on the 1st July 2005 for a monthly rental of RM10,000/- with an option to renew the tenancy for a further term of two (2) years, subject to the prevailing market value.</p> <p>Plaza Sungei Wang has been issued with a Certificate of Fitness For Occupation by Dewan Bandaraya Kuala Lumpur vide Certificate No. 10245 under Reference No. BP 776/72 dated 29th December 1981.</p> <p><u>Planning Provisions</u></p> <p>The subject property is designated for commercial use as per the Express Condition in the document of parent title.</p>	

12. VALUATION CERTIFICATE (Cont'd)

C H Williams Talhar & Wong



C H Williams Talhar & Wong Sdn Bhd (18149-U)

Property Identification (Title Details, Address)	General Description of Property	Market Value (Method of Valuation)
Our Ref No. 5255/05/HWP/wk (Cont'd) [Date of Inspection : 9th September 2005]		
<p><u>Endorsements :</u></p> <p>vi. No. Pers 15175/2001 Pemberian Ismen Hakmilik menanggung Bandar Kuala Lumpur GRN 11043 Lot 1197 Hakmilik menguasai Bandar Kuala Lumpur GRN 5645 Lot 1198 bagi tempoh selama- lamanya didaftarkan pada 22 Ogos 2001 Suratkuasa Wakil 170/2000, 269/2000, 68/2000, Surat Kebenaran 3352/2001,</p> <p>vii. Permohonan Pecah Bahagian Bangunan didaftarkan pada 2 Ogos 2004</p> <p><u>Express Conditions:</u></p> <p>i. Tanah ini hendaklah digunakan hanya untuk tapak bangunan perdagangan sahaja</p> <p>ii. Pembangunan diatas tanah ini hendaklah mematuhi Perintah Pembangunan yang dikeluarkan oleh Datuk Bandar, Kuala Lumpur</p> <p><u>Restriction In Interest :</u> Not Stated</p>		

12. VALUATION CERTIFICATE (Cont'd)

C H Williams Talhar & Wong



C H Williams Talhar & Wong Sdn Bhd (18149-U)

We have valued the subject properties by the Methods of Valuation as stated in the schedule above vide our Valuation Reports under Reference Nos. as listed above dated 9th November 2005.

In our opinion, the market value of the subject properties as at 9th September 2005 free from all encumbrances is RM12,900,000/- (Ringgit Malaysia : Twelve Million And Nine Hundred Thousand Only).

Yours faithfully
for and on behalf of
C H Williams Talhar & Wong Sdn Bhd

P'NG SOO THENG
BSc FRICS MISM
Registered Valuer (V-140)

13. **INDEPENDENT BUSINESS AND MARKET RESEARCH CONSULTANTS' REPORT**

(Prepared for inclusion in this Prospectus)



VITAL FACTOR CONSULTING
Creating Winning Business Solutions

Vital Factor Consulting Sdn Bhd
(Company No.: 266797-T)

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Tel: (603) 7728-0248
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Email: info@vitalfactor.com
Website: www.vitalfactor.com

31 May 2006

The Board of Directors
Tomei Consolidated Berhad
Suite 13A-2, Menara Uni.Asia
50250 Kuala Lumpur
Malaysia

Dear Sirs/Madam

Assessment of the Jewellery Industry

The following is a summary of the Independent Assessment of the Jewellery Industry in Malaysia prepared by Vital Factor Consulting Sdn Bhd for inclusion in the Prospectus of **Tomei Consolidated Berhad** (herein together with all its subsidiaries will be referred as Tomei Group or the Group) in relation to its listing on the Second Board of the Bursa Malaysia Securities Berhad.

1. BACKGROUND

- Tomei Group is principally involved in the business of Design, Manufacturing and Retailing of Jewellery, and Refining of Gold and Silver.
- For the financial year ended 31 December 2005, the total revenue of Tomei Group amounted to RM161.7 million.
- The term Jewellery in this report refers to finished Jewellery made from precious metals, and/or precious or semi-precious stones. It excludes imitation Jewellery and raw materials, unless indicated otherwise.

2. INDUSTRY OVERVIEW

- The Jewellery Industry plays an important role in the Malaysian economy. This industry is a major foreign exchange earner with exports valued at RM3.5 billion in 2005. Between 2001 and 2005, the export of Jewellery increased at an average annual rate of 19.1%.
- The Jewellery Industry is also a major generator of employment in Malaysia. In 2005, the industry employed approximately 16,000 people in the workforce.
- Jewellery production in Malaysia started as a small-scale business, which were mostly family-owned. Production concentrated mainly on Jewellery items of Gold and Silver for local market consumption. Today, the industry has grown into one of the major exporters of Jewellery in the Asian region.

(Source: Department of Statistics and Malaysian Industrial Development Authority)



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- Tomei Consolidated Berhad is an integrated manufacturer and retailer of Jewellery including Precious Metals such as Gold, Silver and Platinum. Other types of Jewellery manufactured by Tomei Group include Gemstone Jewellery, which are Jewellery set with Precious Stones such as diamonds, sapphires, rubies, emeralds and others.
- The importance of the Jewellery Industry is also reflected by the fact that it is regarded as a promoted activity under Miscellaneous Products/Activities. This indicates the Malaysian Government's interest in nurturing the growth and development of this industry.

3. INDUSTRY STRUCTURE

- The structure of the Jewellery Industry is fragmented with many players in each category.

Structure of Jewellery Industry

- Following are the different categories within the Jewellery Industry:

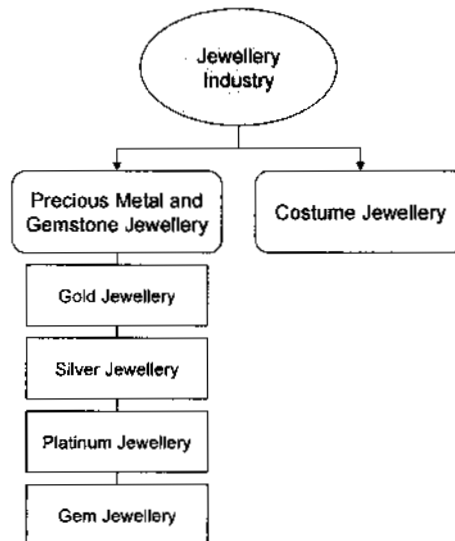


Figure 1 Overall Jewellery Industry Structure

- Jewellery is essentially divided into two segments:
 - Precious Metal and Gemstone Jewellery;
 - Costume/imitation Jewellery.
- Precious Metal and Gemstone Jewellery comprised mainly Jewellery that is exclusively made from Precious Metals including Gold, Silver and Platinum. Jewellery with Gemstones includes any of the Precious Metals set with diamonds, sapphires, rubies, emeralds and others. This also includes semi-precious stones such as opal, quartz, topaz, amethyst, jade and many others.



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- The segment of Precious Metals and Gemstone Jewellery is usually priced higher and the main distinction can be found in its established tradition of high-quality Jewellery making, which involves highly skilled artisans and specialists. Precious Metals and Gemstone Jewellery are typically available in specialised Jewellery stores with the exception of Silver Jewellery, which are also available in non-specialised retail outlets.
- In contrast, Costume Jewellery is made from many different types of materials including plastic, glass, metals and many others. This also includes imitation Jewellery of other materials. This segment of Jewellery is highly influenced by fashion trends and is mostly found in a wide variety of outlets including departmental and fashion stores to street markets. Generally, the price range of Costume Jewellery is significantly lower compared to Precious Metal and Gemstone Jewellery.
- As Tomei Group is an integrated manufacturer and retailer of Jewellery, it operates within the Precious Metal and Gemstone Jewellery sector.
- Generally, the Precious Metal and Gem Jewellery can be further segmented into the following sub-sectors:

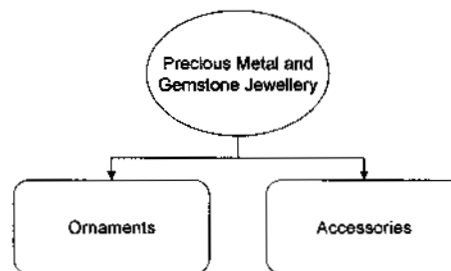


Figure 2 Segmentation of Precious Metals and Gemstone Jewellery

- Ornaments mainly refer to Jewellery for personal adornment, worn mainly on the body. Some of the more common ornaments include:
 - necklaces;
 - rings;
 - bangles/bracelets;
 - earrings.
- Accessories mainly refer to Jewellery worn on clothing including:
 - tie-pins;
 - brooches;
 - belts.



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- Precious Metal and Gemstone Jewellery sector can also be further segmented by the different types of materials used and these include the following:

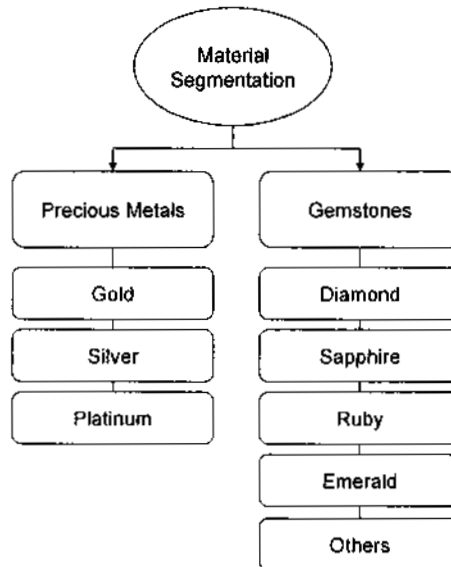


Figure 3 Material Segmentation within Precious Metal and Gemstone Jewellery

- Precious Metals:** Precious Metals refer to Gold, Silver or Platinum. Platinum also includes iridium, osmium, palladium, rhodium and ruthenium. Typically this category of Jewellery also combines a small proportion of other types of metals for example, copper, nickel, zinc, silicon, cobalt, chromium and titanium.
- Gemstones:** Gemstones are also commonly referred as gems, or precious or semi-precious stones. Predominantly, Jewellery with Gemstones would incorporate some form of Precious Metals. The common precious gems used within the Jewellery Industry include diamonds, rubies, sapphires and emeralds. Semi-precious stones include opal, topaz, amethyst and jade. Within the industry, Pearls are also included as Gemstones, although it is not a geological material.

4. Industry Life-Cycle

- The life-cycle of the Jewellery Industry is relatively **matured** but continues to experience **growth** particularly in consumption, imports and exports.
- The relative maturity of the Jewellery Industry can be attributed to its beginning from as far back as 4,000 years ago. However, today, the industry has moved from individually hand-made Jewellery, relying on craft skills and simple hand tools, to incorporate mass production methods using sophisticated equipment and machineries.
- Although manufacturing processes and technology have developed significantly, some of the manufacturing processes, for example wax casting, continue to be based on traditional methods.



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- Most of the recent and continuing developments are focused on product design and material science in creating Gold alloys with different colours and properties.
- Despite its relative maturity, the Jewellery Industry continues to experience growth in Malaysia based on the following observations:

Household expenditure on Jewellery, Rings and Precious stones

- On average, each household spent approximately RM7.42 per month on Jewellery, rings and precious stones in 1998/99 compared to RM6.41 per month in 1993/94, representing a growth of 3.0% between the two periods.

Import value of Jewellery

- Between 2001 and 2005, the import value of Jewellery increased at an average annual rate of 20.4%. In 2005, import value of Jewellery grew by 52.3% compared to the previous year.

Local production of Jewellery and Related Articles

- In 2005, sales value of the Manufacture of Jewellery and Related Articles (based on 18 establishments with more than 20 employees) increased by 1.1% compared to the previous year.

Export value of Jewellery

- Between 2001 and 2005, the export value of Jewellery grew at an average annual rate of 19.1%. In 2005, the export value of Jewellery grew by 23.9% compared to the previous year.

(Source: Department of Statistics)

5. Government Legislation, Policies and Incentives

5.1 Government Laws and Regulations

- Apart from the normal manufacturing licence, there are no material government laws, regulations and policies that may impede on the performance and growth of the Manufacture and Retail of Gold Jewellery Industry.
- According to the Industrial Coordination Act, 1975, application of a manufacturing licence is mandatory for all companies with shareholders' funds of RM2.5 million or above, or engaging 75 or more full-time employees (*Source: Malaysian Industrial Development Authority*).
- Gemas Precious Metals Industries Sdn Bhd, a 61% owned subsidiary of Tomei Group, has a manufacturing licence to produce Jewellery.



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- Yi Xing Goldsmith Sdn Bhd and Tomei Gold & Jewellery Manufacturing Sdn Bhd, both wholly owned subsidiaries of Tomei Group, have obtained manufacturing licences for the production of Jewellery.
- Generally, there are no duties on the import of Gold and precious gems as raw materials. With the implementation of AFTA (ASEAN Free Trade Area), import tax has been reduced to 5% for ASEAN countries for imported Jewellery.
- On 17 November 2005, Tomei Gold & Jewellery Manufacturing Sdn Bhd, a wholly owned subsidiary of Tomei Group has obtained the Certification on CEPT from the Ministry of International Trade and Industry for the exports of "Finished Gold Jewellery with Precious Stones" to Brunei, Indonesia, Philippines, Singapore, Thailand, Vietnam, Laos and Myanmar.

5.2 Trade Marks Act and Regulations

- Under the Trade Marks Act 1976 and Trade Marks Regulations 1997, all trade marks have to be registered before a trade mark can be adopted in relation to any goods or services. (Source: Trade Marks Act 1976 and Regulations, and Patents Act 1983 and Regulations)
- The Registrar of Trade Marks is the authority for the registration of trade marks in Malaysia. Registration of trade marks shall be valid for a period of ten years and may be renewed from time to time.
- Tomei Group has registered the following trade marks in Malaysia as stated below:

Trade mark	Trade Mark No.	Duration of Trade Mark	Description of Goods under Trade Mark	Issuing Authority
Tomei	93002642	24 June 2000 until 20 April 2010	Stationery	Registrar of Trade Marks
My Diamond	01016380	27 December 2001 until 27 December 2011	Business management and business administration	Registrar of Trade Marks
Grazia	04001555	12 February 2004 until 12 February 2014	Chain Jewellery	Registrar of Trade Marks

Figure 4 Trade marks of Tomei Group

5.3 Trade Descriptions Act

- According to the Ministry of Domestic Trade and Consumer Affairs, under the Trade Descriptions Act 1972, (Articles Made of Precious Metals) Regulations 1994 cites that a mark be made indicating or describing the standard of fineness of all Jewellery made from precious metals.



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- According to the (Articles Made of Precious Metals) Regulations 1994, Precious Metals means Gold, Silver or Platinum in its fine form or Gold, Silver or Platinum Alloy.

5.4 Franchising Regulations

- According to the Franchise Act 1998 (Act 590) and Regulations, the Act applies to the sale of any franchise in Malaysia.
- The sales of franchise in Malaysia include the following scenarios:
 - An offer to sell or buy franchise is made in Malaysia and accepted within or outside Malaysia;
 - An offer to sell or buy franchise is made outside Malaysia and accepted within Malaysia;
 - The franchise business is operated or will be operating in Malaysia.
- Tomei Group obtained the approval as a registered Franchisor of Jewellery Retail Outlets and Jewellery under the trademark of "Tomei", "My Diamond" and "TH Jewelry" from the Ministry of Entrepreneur and Co-Operative Development. The registration is effective since 22 February 2005.
- Tomei Group was selected as a franchisor under the "Program Pembangunan Francais" by the Ministry of Entrepreneur and Co-Operative Development, for the period between 13 February 2006 and 31 March 2008.

5.5 Government Incentives

Pioneer Status

- Generally, the Malaysian Government provides incentives for companies investing in the manufacturing sector including:
 - Pioneer Status;
 - Investment Tax Allowance;
 - Reinvestment Allowance.
- The manufacture of Jewellery of Precious Metal is listed as a promoted activity/product eligible for consideration of Pioneer Status and Investment Tax Allowance under the Promotion of Investments Act 1986.
- Eligibility for incentives under Pioneer Status and Investment Tax Allowance will be determined according to the priorities termed as "promoted activities" or "promoted products". In addition, the level of value-added, technology and industrial linkages will also be taken into consideration.
- 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 its production facilities can obtain a Reinvestment Allowance.



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- Eligible manufacturers for Reinvestment Allowance are entitled to the following:
 - The Reinvestment Allowance is 60% of qualifying capital expenditure incurred by the company, and can be offset against 70% of its statutory income for the year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.
 - The Reinvestment Allowance will be given for a period of 15 consecutive years beginning from the year the first reinvestment is made. Companies can only claim upon completion of the qualifying project, for example after the building is completed or when the plant/machinery is put to operational use. Assets acquired for the reinvestment cannot be disposed during two years from the time of reinvestment.
(Source: Malaysian Industrial Development Authority)
- Gemas Precious Metal Industries Sdn Bhd, a 61% owned subsidiary of Tomei Group, is currently enjoying the Reinvestment Allowance incentive.

Generalised System of Preferences (GSP)

- Generalised System of Preferences is a system whereby developed countries grant preferential treatment to eligible products that are imported from developing countries so that exports from developing countries would be competitive in developed countries. The preference-giving country is also known as the donor country and the preference-receiving country as the beneficiary country.
- The preferential treatment is in the form of Reduced Import Duty, which is granted without reciprocal obligation on the part of the developing countries.
- Under the GSP scheme, Malaysia as an exporting country can enjoy lower preferential import duties offered by the following importing countries including:

- United States	- European Union (EU)
- Australia	- Canada
- Japan	- New Zealand
- Norway	- Switzerland
- Hungary	- Bulgaria
- Belarus	- Russian Federation
- Republic of Czech and Slovak	
- Gemas Precious Metals Industries Sdn Bhd, a 61% owned subsidiary of Tomei Group has obtained approval for Generalised System of Preferences (GSP) from the Ministry of International Trade and Industry for European Union countries only. The eligible products are as follows:
 - Semi-Manufacturing Silver Chain
 - Semi-Manufacturing Gold Chain
 - Gold Precious Metal Finished Goods



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5.6 Environmental Regulations

- The disposal of wastes and sludge resulting from manufacturing processes falls under the Environmental Quality (Scheduled Wastes) Regulations 1989 (*Source: Environmental Quality Act and Regulations*).
- The manufacturing of Gold Jewellery does not generate any scheduled waste.
- However, Gold and Silver refining generates scheduled waste in the form of sludge comprising various compositions such metal sulphates, oxides and chlorides, and nitric acid.
- Tomei Group uses an alkali to neutralise the acid content in the sludge prior to the disposal process. According to management, the disposal of the treated wastes complies with the Department of Environment's standards.

6. LABOUR USAGE

- Based on Sales per Employee, the Manufacture of Jewellery and Related Articles Sector utilised approximately 2.1 times more labour resources for each Ringgit of sales generated compared with the Overall Selected Manufacturing Industries in 2005.

7. SUPPLY AND SUPPLY DEPENDENCIES

7.1 Supply

- In 2005, sales value of the Manufacture of Jewellery and Related Articles (based on 18 establishments with more than 20 employees) increased by 1.1% to reach approximately RM360.2 million. Between 2001 and 2005, sales value of the Manufacture of Jewellery and Related Articles increased at an average annual rate of 0.9%.
- In 2005, import value of Jewellery increased by 52.3% to reach approximately RM109.3 million. Between 2001 and 2005, the import value of Jewellery increased at an average annual rate of 20.4%.

(Source: Department of Statistics)

7.2 Supply Dependencies

- The major raw materials required for the Manufacturing of Jewellery are as follows:
 - Precious Metals such as Gold, Silver and Platinum;
 - Gemstones including precious and semi-precious stones such as Diamonds, Sapphires, Rubies and others.



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- In 2004, there were 11 Gold mines in Malaysia and the total production was 4.2 tonnes (Source: Minerals and Geoscience Department, Ministry of Primary Industries Malaysia).
- Generally, the major base metal raw materials and Gemstones for the manufacturing of Jewellery are mainly derived from overseas sources.
- In 2005, the import value of Gold (including Gold Plated with Platinum) Unwrought or in Semi-Manufactured Forms, or in Powder Form grew by 8.5% amounting to RM5.1 billion. Between 2001 and 2005, the import value of Gold grew at an average annual rate of 12.0%. The major sources of imports of Gold include Switzerland, Japan, Singapore, Hong Kong, United Arab Emirates and others.
- In 2005, the import value of Platinum, Unwrought or in Semi-manufactured Forms, or in Powder Form declined by 62.9% amounting to RM23.2 million. However, between 2001 and 2005, the import value of Platinum increased at an average annual rate of 37.6%. The major sources of imports of Platinum include United Kingdom, United States and others.
- In 2005, value of imports of Diamonds (whether or not worked, but not mounted or set) declined by 5.9% amounting to approximately RM250.5 million. The major sources of imports of Diamonds include India, Hong Kong, Belgium, Singapore, United States, Thailand, Russia, Indonesia and others.
- In 2005, the import value of Precious Stones (Other Than Diamonds) and Semi-Precious Stones increased by 15.1% to reach RM18.6 million. The major sources of imports of Precious Stones include Hong Kong, Indonesia, India, Thailand, United Arab Emirates, Germany and others.

(Source: Department of Statistics)

8. DEMAND AND DEMAND DEPENDENCIES

8.1 Demand

- Essentially, demand for Jewellery will come from the following:
 - Local market in terms of consumption;
 - Overseas as in export market demand.
- As demand for Jewellery from the local market is ultimately dependent on the end-consumers, the following is an analysis of the factors that will impact on the consumption of Jewellery.
 - Between 1998 and 2002, the consumer demand for Gold in Malaysia increased at an average annual rate of approximately 10.6%.
 - However in 2002, the consumer demand for Gold in Malaysia decreased by 0.9% to 23.3 tonnes.



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- In 2004, retail sales of Jewellery, Watches, Clocks, Silverware and Others increased by 17.3% to reach approximately RM3.0 billion.
- Between 2000 and 2004, retail sales of Jewellery, Watches, Clocks, Silverware and Others grew at an average annual rate of 5.0%.
- Between 1993/94 and 1998/99, the average monthly household expenditure on Jewellery, Rings and Precious Stones increased at an average annual rate of approximately 3.0%.
- Growth in monthly household expenditure will continue to provide opportunities for the Jewellery Industry.

(Source: World Gold Council and Department of Statistics Malaysia)

- Demand for Jewellery also comes from export markets. The following is an analysis of the export performance of such products:
 - In 2005, the export value of Jewellery increased by 23.9% to reach approximately RM3.5 billion. Between 2001 and 2005, the export value of Jewellery grew at an average annual rate of 19.1%.
 - The major export countries of Jewellery include United Arab Emirates, United States, China, Switzerland, Kuwait, Hong Kong, Germany and others.

(Source: Department of Statistics Malaysia)

8.2 Demand Dependencies

- Demand for Jewellery Industry is ultimately dependent on the consumers. As such, some of the following factors that will impact on consumer demand and expenditure on Jewellery are:
 - increasing affluence of the population;
 - the growing sophistication in lifestyles;
 - growth in disposable income;
 - general population growth;
 - performance of the overall retail trade.

Monthly Household Income

- The mean monthly household income grew at an average annual rate of 5.6% between 2000 and 2004. In 2004, the mean monthly household income reached RM3,249. The increase in affluence will mean greater affordability, thus stimulating demand for products and services within the Jewellery Industry.

Population Growth

- In 2005, the population of Malaysia reached approximately 26.8 million. Between 2001 and 2005, the population in Malaysia grew at an average annual rate of 2.6%.



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- The population is forecasted to grow at an average annual growth rate of 1.6% between 2005 and 2010.

Performance of Wholesale, Retail Trade and Hotels and Restaurants

- Between 2001 and 2005, the performance of the Wholesale and Retail Trade, Hotels and Restaurants is forecasted to achieve an average annual growth rate of 4.0%.
- The Wholesale and Retail Trade, Hotels and Restaurants sector was estimated to increase by 8.0% in 2005.

(Source: Bank Negara Malaysia and Ninth Malaysia Plan 2006 - 2010)

9. COMPETITIVE NATURE AND INTENSITY

- Operators within the Jewellery Industry face **normal** competitive conditions.

Retailing of Jewellery

- Competition among **retailers** in the Jewellery Industry within Malaysia is **intense** based on the following observations:

- In 2005, it was estimated that there were 3,500 Gold Jewellery retail outlets within Malaysia, of which approximately 2,300 are members of the Federation of Goldsmiths and Jewellers Association of Malaysia *(Source: Federation of Goldsmiths and Jewellers Association of Malaysia and Primary Market Research undertaken by Vital Factor Consulting Sdn Bhd)*.
- Competition is further fuelled by a number of other factors, including among others:
 - product pricing;
 - product design;
 - product quality;
 - retailer's reputation;
 - corporate and product branding;
 - location of retail outlets.
- The industry also faces competition from imports. In 2005, the import value of Jewellery reached RM109.3 million *(Source: Department of Statistics)*.
- Barriers to entry for pure retailing of Jewellery is relatively low as capital set-up costs are low.
- There is also competition by type of Jewellery as the most common substitutes for Jewellery are Costume Jewellery, which are lowly priced.



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- However operators with integrated operations incorporating in-house design, manufacturing and retailing would have some competitive advantages derived from exclusive product design, product quality, cost control and benefits from economies of scale.

Manufacturing of Jewellery

- Competition among **manufacturers** in the Jewellery Industry within Malaysia is **moderate** based on the following observations:
 - According to the Malaysian Industrial Development Authority, there were approximately 58 companies issued with manufacturing licences and currently only 24 companies have commenced operations with approved tax incentives in 2005.
 - Capital requirements are also higher amounting to RM3 million to RM4 million for a simple set-up.
 - Skilled labour also acts as a barrier to entry.
- Despite the relatively low number of manufacturers in Malaysia, imports contribute to the competitive pressure.

10. KEY PLAYERS IN THE INDUSTRY

- Some of the major operators in the Jewellery Industry in Malaysia are as follows:
 - Poh Kong Holdings Berhad;
 - Tomei Consolidated Berhad;
 - M.S. Habib Holdings Sdn Bhd;
 - DeGem Berhad;
 - Wah Chan Gold & Jewellery Corporation Sdn Bhd;
 - Selberan Jewellery Sdn Bhd;
 - Yikon Corporation Berhad;
 - The Carat Club Sdn Bhd;
 - OE Fine Jewellery Sdn Bhd and OE Design Sdn Bhd;
 - OTY Jewellery Sdn Bhd.

11. BARRIERS TO ENTRY

Government Regulations

- Government barriers to entry are **low**.
- Apart from the normal manufacturing licence, there are no specific Government regulations and policies governing the entry of operators of Manufacturing and Retail of Jewellery.
- Generally, there are no import tariffs on the import of Gold, Silver, other precious metals and precious gems as raw materials for the manufacturing of Jewellery.


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- Currently the import of finished Jewellery is subjected to import duties and this provides some form of barriers to entry for imports.

Products	Import Duties for Non-ASEAN (%)	ASEAN *CEPT (%)
Articles of jewellery and parts thereof, of precious metal or of metal clad with precious metal	10	5

* Common Effective Preferential Tariff

Figure 5 Import Tariffs

Capital and Set-up Costs

- The barriers to entry are:
 - **low** for the Retailing of Jewellery and;
 - **moderate** for the Manufacturing of Jewellery.
- The capital cost requirements can be divided into the following:
 - As a retailer of Jewellery, the capital and set-up cost is less intensive compared to a manufacturer.

On average, it would require approximately RM1 million (excluding land and building) including stock to establish a small retail operation.

- As a fabricator of Jewellery, the capital investment is more intensive.

On average, it may require approximately RM3 to RM4 million (excluding land and building) to set-up the entire fabricating process including the purchasing of the raw materials such as Gold, Silver and precious gems. The capital cost of RM3 to RM4 million would represent a basic operation with the following equipment and machinery:

- . refining
- . stamping
- . casting

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

- As the above equipment represents only the basic equipment required to set-up a medium-sized manufacturing plant, it is restricted in terms of capacity.
- However to operate profitably, capital cost starts to escalate as there is a requirement to have more equipment and machinery to generate a higher volume of output. A manufacturing plant has to be of a certain size in order to achieve economies of scale.



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Technical Skills and Expertise in the Manufacturing of Jewellery

- Generally the level of technical skills required in the Manufacturing of Jewellery Industry is **high** as the nature of the industry is dependent on craftsmanship and skilled labour in the following areas:
 - design of Jewellery;
 - customised hand crafted Jewellery including engraving and detailing;
 - design of Jewellery mould for casting;
 - operations of the furnace and casting equipment;
 - operations of stamping equipment;
 - operations of the refinery processes.
- In addition, there is also the requirement to have the training, expertise and experience in handling and selecting gems.
- It is therefore common in this industry to have higher labour costs, compared to other manufacturing sectors that have lower requirements for technical skills.
- The higher level of technical skills and expertise required provides a significant barrier to entry for new entrants.

Track Record and Market Reputation

- In the Jewellery Industry, trustworthiness and established market reputation are critical in the business of trading and retailing of precious metals and gems.
- This is because precious metals and gems are high priced items and many consumers do not have the expertise to assess the quality and authenticity of Jewellery. Thus, consumers rely significantly on retailers to represent their goods accurately.
- Thus, new entrants into the industry will require time to build track record in order to establish a strong customer base in this industry.
- Established operators with strong track records are likely to have major advantages over newer operators.

12. BARRIERS TO EXIT

- Barriers to exit for Jewellery are **low**.
- In terms of manufacturing, most of the machinery and equipment may be sold to other operators within Jewellery Industry.
- According to Malaysian Industrial Development Authority, between 1980 and 2005, there were about 58 Jewellery companies with manufacturing licences and of these, only 24 have started manufacturing operations.
- For retailers, capital cost is low and Jewellery stocks can easily be sold to other retailers.



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- In 2005, it was estimated that there were 3,500 Gold Jewellery retail outlets within Malaysia, of which approximately 2,300 are members of the Federation of Goldsmiths and Jewellers Association of Malaysia (*Source: Federation of Goldsmiths and Jewellers Association of Malaysia and Primary Market Research undertaken by Vital Factor Consulting Sdn Bhd*).

13. INDUSTRY OUTLOOK AND GROWTH FORECAST

- The outlook of the Jewellery Industry is **favourable**.
- The Jewellery Industry is forecasted to grow at approximately **3% to 5%** per annum for the next five years.
- Growth in the Jewellery Industry will be primarily driven by increases in household consumption and export performances of Jewellery, supported by increases in imports of Jewellery and generally favourable socio-economic factors:

Growth in Consumption

The Jewellery Industry is dependent on local consumption as the market size in Malaysia was estimated at **RM2.3 billion** in 2005. As such, increases in local consumption would be one of the main drivers of growth for the Jewellery Industry in Malaysia.

- Retail sales on Jewellery, Watches, Clocks, Silverware and others in Malaysia grew at an average annual rate of **5.0%** per annum between 2000 and 2004 (*Source: Department of Statistics and computed by Vital Factor Consulting Sdn Bhd*).

Growth in Exports

Increase in export is an indication of the success of the local Jewellery Industry in meeting the needs of overseas markets. This success would provide the basis for future growth, as the local industry is able to address a significantly larger global market.

- In 2005, the export value of Jewellery increased by 23.9% to reach approximately RM3.5 billion. Between 2001 and 2005, the export value of Jewellery grew at an average annual rate of 19.1% (*Source: Department of Statistics*).

Growth in Imports

Growth in imports provides an indication of an increase in demand for Jewellery, either for local consumption or for export and re-export purposes. Increases in any of these three factors would help drive growth within the Jewellery Industry in Malaysia.



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Increases in imports for local consumption would also indicate growth for retailers of Jewellery, and import substitution opportunities for manufacturers. Increases in imports for export and re-export purposes will indicate growth for Jewellery manufacturers and traders, as they add value to the imported Jewellery before being exported or re-exported.

- In 2005, the import value of Jewellery increased by 52.3% to RM109.3 million. Between 2001 and 2005, import value of Jewellery increased at an average annual rate of 20.4% (Source: Department of Statistics).

Growth in Income and Population

Jewellery is primarily a consumer-based item and as such, the socio-economics of the Malaysian population would have an impact on the growth of the Jewellery industry.

As Jewellery is a discretionary and sometimes viewed as an investment item, growth in disposable income and household expenditure could provide the platform for an increase in Jewellery consumption, which will stimulate growth for the Jewellery Industry. Following are some of the growth patterns on income, expenditure and population:

- Between 2000 and 2004, the mean monthly gross household income in Malaysia grew at an average annual rate of 5.6%;
- The population of Malaysia is forecasted to grow at an average rate of 1.6% per annum from 2005 to 2010. In 2005, the population reached 26.8 million.

(Source: Department of Statistics and the Ninth Malaysia Plan 2006-2010)

- Despite the growth figures recorded for local consumption, imports and exports for the Jewellery Industry in Malaysia, growth is somewhat moderated by the decline within the Jewellery manufacturing sector.

Growth in Local Manufacture of Jewellery and Related Articles

- Between 2001 and 2005, sales value of the Manufacture of Jewellery and Related Articles increased at an average annual rate of 0.9% (based on 18 establishments with more than 20 employees);
- In 2005, sales value of the Manufacture of Jewellery and Related Articles increased by 1.1% (based on 18 establishments with more than 20 employees).

(Source: Department of Statistics)



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14. AREAS OF GROWTH AND OPPORTUNITIES

Exports

- There are significant opportunities for operators of Jewellery to focus on exports, particularly with the implementation of AFTA in ASEAN countries. This will enable operators to diversify and reduce reliance on the local market.
- Export opportunities apply equally to manufacturers as well as retailers, who may wish to set-up retail outlets in overseas countries.
- Export value of Jewellery increased at an average annual rate of 19.1% between 2001 and 2005. In 2005, the export value of Jewellery reached RM3.5 billion (*Source: Department of Statistics*).
- The continuing growth in exports of Jewellery indicates a strong market demand for Malaysian Jewellery products. This will present continuing opportunities for operators in Malaysia.

Targeting Younger Age Groups

- With the growing affluence of the population, there are significant opportunities to target the younger age groups including teenagers and consumers in their 20's.
- In 2005, Malaysia's population aged between 15 and 29 years of age amounted to approximately 7.0 million (*Source: Department of Statistics*).
- These groups of consumers have different requirements and are more likely to purchase Jewellery as accessories and fashionable items. However these groups of consumers are also most likely to be influenced by changing fashion trends.
- To appeal to these group of consumers would require a totally new range of design of Jewellery. This will include different branding, pricing, marketing and promotions to target this niche market effectively.

Building Brand Equity

- Branding and development of brand equity is critical in the Jewellery Industry as it enables operators to command a premium for their products. Some of the successful brands include, among others, Cartier, Tiffany and Co. and Bvlgari, all of which are synonymous with product quality and craftsmanship.
- Apart from designs of jewellery, brands also enable operators to distinguish themselves from competitors.
- There are opportunities for local operators to build strong brand equity by focusing on marketing and brand development.
- In addition, if local operators are able to build their brands to world-class standards, opportunities for exports are significantly higher compared to those without recognised brands.



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Franchising

- Within the Jewellery Industry, there are opportunities for franchising of Jewellery retail outlets. This system enables operators to expand the number of retail outlets without the need for capital investment or involvement in direct management and operations.
- As the range of jewellery is sourced and supplied by the main franchisers, product quality, image and marketing will be centrally controlled.
- Franchising systems not only provide franchisers with royalties, but also a wide network of customers as well as resellers of new products.
- Franchising systems are also exportable, providing incremental profits beyond the local market.

15. THREATS AND RISK ANALYSIS

15.1 Substitute Products

- As Jewellery is closely tied to global fashion trends, changes in these trends may cause a tendency to switch from Precious Metal and Gemstone Jewellery to other more 'popular' substitutes or alternatives such as Costume or Imitation Jewellery. This is the nature of an industry that is governed by changes in fashion and consumer preferences.
- As for costume jewellery, this mainly caters to the lower-end of the market. The price range for costume jewellery is much lower and more affordable compared to other Precious Metals or Gemstone Jewellery.
- The general perception of Costume or Imitation Jewellery is mainly as a fashion accessory, however it may also provide an affordable substitute for Precious Metal and Gemstone Jewellery.
- In 2005, the import value of Imitation Jewellery (including Costume Jewellery) increased by 61.0% to reach RM33.4 million. Between 2001 and 2005, the import value of Imitation Jewellery (including Costume Jewellery) grew at an average annual rate of 22.2%. (Source: Department of Statistics).

Mitigating Factors

- Precious Metal and Gemstone Jewellery are commonly viewed as a form of investment with the option for consumers to trade-in or sell-back to retailers. This is particularly prevalent in Asian countries. As such, the additional investment benefits of Precious Metal and Gemstone Jewellery will help to somewhat minimise the impact of changing consumer preferences to other substitute products such as Costume Jewellery.
- Operators who are able to cater to the changing consumer preferences by monitoring global trends in consumers are more adept in being able to compete effectively with other types of Jewellery.



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- In addition, operators with in-house design and manufacturing capabilities are in a stronger position to react quickly to meet consumer needs.

15.2 Fluctuations in World Prices for Gold

- As Gold is a major raw material for the manufacturing of Gold and White Gold Jewellery, operators will be exposed to fluctuations in world prices. Prices of Gold tend to increase during times of crisis such as an impending threat of war or world economic downturn as Gold is the next most liquid form of investment after cash, stocks and bonds.
- Fluctuations in world prices for Gold will directly impact on the cost of raw materials for operators in the manufacturing of Gold Jewellery.
- In addition, the increase in Gold prices may also adversely affect consumer demand reducing the affordability of Gold Jewellery.

Mitigating Factors

- In the Gold Jewellery sector, any increases in the price of Gold are passed back immediately to the consumer at the point of purchase. This will somewhat reduce the impact of rising cost of raw materials on operations.
- The spread between buying and selling prices provides some buffer for operators within the industry.
- For purchasers of Gold Jewellery as investment items, a sustainable high price would create wealth for owners and possibly spur higher purchases from an investment perspective.

15.3 Competition from Imports

- There is a significant proportion of imported Jewellery in Malaysia, either sold through authorised dealers or carried under original brand names. Some of this imported Jewellery is backed by prominent and well-established brand names with innovative designs and products.
- In addition, these global brands allocate significant expenditure in promotions and advertising to continually increase brand equity.

Mitigating Factors

- Local manufacturers have some advantage over imported brands in their ability to customise the design to local market needs and preferences that are better suited to Asian fashion and lifestyle, as well as taking into consideration cultural differences and affordability.
- More importantly, global brand names tend to service niche market sectors due to the high pricing of its Jewellery products.



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- As such, local manufacturers are able to compete more effectively based on price and customising products to local consumer requirements.
- Local players with a strong brand recognition, established reputation with an extensive distribution network and a wide range of products would be in a better position to face the competitive pressure from global players in the market.
- In addition, the Government has imposed a 10% tax for imports of finished Jewellery from non-ASEAN countries and a Common Effective Preferential Tariff of 5% from ASEAN countries. This will provide some form of protection to local operators in the Jewellery Industry.

15.4 Implementation of Asean Free Trade Area (AFTA)

- The reduction of import duties with the full implementation of AFTA through the Common Effective Preferential Tariff (CEPT) scheme may make imports competitive against locally manufactured products.
- The import of finished Jewellery is classified under Articles of Jewellery and Parts Thereof, of Precious Metal or of Metal Clad with Precious Metal, is subjected to an import duty of 5% (ASEAN CEPT).

Mitigating Factors

- In some cases within the Jewellery Industry, especially Gold Jewellery, a 5% cost difference could be significant. This is because Gold is a commodity and prices are based on world Gold prices. As such, local manufacturers would continue to enjoy some protection from imports.
- In many cases within the Jewellery Industry, competition is not based solely on prices. Design, branding, marketing, distribution network, reputation and track record play a significant role. As such, local manufacturers that have been in the local market for a sufficient length of time would be in a good position to compete with imports.

15.5 Dependency on Imports of Gemstones as a Raw Material

- Gemstones are the major raw materials used to manufacture Jewellery with Gemstone setting. All Gemstones including precious and semi-precious stones are imported.
- In 2005, value of imports of Diamonds (whether or not worked, but not mounted or set) amounted to approximately RM250.5 million. In 2005, Hong Kong was the largest source of imports of Diamonds which amounted to RM82.4 million, representing approximately 33% of total imports of Diamonds into Malaysia.

13. INDEPENDENT BUSINESS AND MARKET RESEARCH CONSULTANTS' REPORT (Cont'd)**VITAL FACTOR CONSULTING**

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- In 2005, the import value of Precious Stones (Other Than Diamonds) and Semi-Precious Stones increased by 15.1% to reach RM18.6 million. The major sources of imports of Precious Stones include Hong Kong, Indonesia, India, Thailand, United Arab Emirates, Germany and others.

(Source: Department of Statistics)

Mitigating Factors

- As Gemstones including precious stones and semi-precious stones are not locally available in Malaysia, the import of these types of materials is free of duties. As such, all Jewellery manufacturers are equally in the same position.
- As there are ample sources of Gemstones available from the world market, any shortages in supply are minimised.

15.6 Dependency on Imports of Gold as a Raw Material

- Gold Jewellery is dependent on imports of Gold as raw material. Although Malaysia also has its own local supply of Gold, the amount of Gold mined is so small that it is insufficient to meet the total requirements of the industry. In 2004, local production of Gold from its mining operations amounted to 4.2 tonnes *(Source: Minerals and Geosciences Department, Ministry of Primary Industries Malaysia)*.
- In 2005, Malaysia's import value of Gold (including Gold Plated With Platinum) Unwrought or in Semi-Manufactured Forms, or in Powder Form reached RM5.1 billion *(Source: Department of Statistics)*.

Mitigating Factors

- As Gold is a commodity, there are ample sources of supply in the world market. From that perspective, any shortages in supply are minimised.
- In 2005, Switzerland is the major source of imports of Gold (including Gold Plated With Platinum) having contributed 48% of total imports of Gold into Malaysia. Some of the other sources of imports of Gold in 2005 include:

- Japan	- Singapore
- United Arab Emirates	- Hong Kong

(Source: Department of Statistics)

15.7 Exposure to Foreign Exchange Fluctuations

- The industry is also vulnerable to fluctuations in foreign exchange. This applies to Gold as a raw material for manufacturing as well as finished products.

13. **INDEPENDENT BUSINESS AND MARKET RESEARCH CONSULTANTS' REPORT (Cont'd)**



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- As a consumer-based product, consumer demand is highly dependent on the price. An unfavourable foreign exchange movement against the Ringgit would either reduce consumer demand as prices would need to be increased or operators' profitability would suffer if they decide to absorb the price increases.

Mitigating Factors

- On 21 July 2005, the Malaysian Government removed the pegging of the Ringgit to the US Dollar for a managed float system. This system is likely to minimise wide fluctuations in foreign exchange and provide some stability for those business transactions, which are in US Dollars.

15.8 Economic Slowdown

- Any downturn in the local and global economies would reduce disposable income and consumer confidence. As Jewellery including Gold and Gemstone Jewelleries are high priced items and considered a luxury item, any reduction in disposable income and consumer confidence would ultimately impact on consumer expenditure on Jewellery.

Mitigating Factors

- Operators with strong brand recognition, financial stability, extensive and established distribution network, and a wide and diverse range of products would be better able to survive the impact of a slowdown.
- In addition, operators that export their products overseas will effectively be able to reduce some of their dependency on the local economy.
- To some extent, Gold Jewellery is sometimes purchased for its investment value and as such, it may be more resilient to an economic downturn compared to other types of Jewellery.

16. MARKET SIZE

- In 2005, the market size for the Jewellery Industry in Malaysia was estimated at **RM2.3 billion** (Source: Department of Statistics and computed by Vital Factor Consulting Sdn Bhd).

13. **INDEPENDENT BUSINESS AND MARKET RESEARCH CONSULTANTS' REPORT (Cont'd)**



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17. **MARKET SHARE AND MARKET POSITION**

- Based on Tomei Group's revenue of RM161.7 million for the financial year ended 31 December 2005, the market share of Tomei Group was estimated at 7%. This was based on the total market size of the Jewellery Industry in Malaysia in 2005.
- As at May 2006, Tomei Group ranked the **second** largest based on the number of retail outlets within the Jewellery Industry (*Source: Primary Market Research undertaken by Vital Factor Consulting Sdn Bhd*).

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

14. DIRECTORS' REPORT

(Prepared for inclusion in the Prospectus)

TOMEI CONSOLIDATED BERHAD (692959-W)

(fka Tomei Consolidated Sdn Bhd)

Suite 13A-2, Menara Uni.Asia

1008 Jalan Sultan Ismail

50250 Kuala Lumpur.

Date: 20 June 2006


The Shareholders of
Tomei Consolidated Berhad (692959-W)

Dear Sir/Madam,

On behalf of the Directors of Tomei Consolidated Berhad ("TCB"), I report after due inquiry that during the period from 31 December 2005 (being the date to which the latest audited financial statements of TCB and its subsidiaries ("TCB Group") have been made) up to the date hereof **20 June 2006** (being a date not earlier than fourteen days (14) before the issue of this Prospectus):

- (a) the business of the TCB Group, in the opinion of the Directors, has been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited financial statements of the TCB Group which have adversely affected the trading or the value of the assets of the TCB Group;
- (c) the current assets of the TCB Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) there are no contingent liabilities by reason of any guarantees or indemnities given by the TCB Group;
- (e) there have been, since the last audited financial statements of the TCB Group, no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which the Directors are aware of; and
- (f) save as disclosed in the Proforma Consolidated Balance Sheets and Proforma Consolidated Statement of Assets and Liabilities in the Prospectus, there have been, since the last audited financial statements of the TCB Group, no material changes in the published reserves or any unusual factors affecting the profits of the TCB Group.

Yours faithfully
For and on behalf of the Board of Directors of
Tomei Consolidated Berhad (692959-W)


NG YIH PYNG
Managing Director