3. INTRODUCTION AND DETAILS OF THE ISSUE

3.1 Introduction

This Prospectus is dated 27 September 2006.

Approvals have been obtained from the MITI on 21 July 2004 for the proposed listing, the SC on 24 February 2005 for the Issue and for the proposed listing under the FIC's Guidelines on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests, and Bursa Securities on 28 February 2005 for admission to the Official List of the MESDAQ Market and for the listing of and quotation for the entire issued and paid-up share capital of Greenyield including the Issue Shares which are the subject of this Prospectus.

The Shares of Greenyield will be admitted to the Official List of the MESDAQ Market and official quotation will commence upon receipt of confirmation from Bursa Depository that all the CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all the successful applicants. Bursa Securities and the SC assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the MESDAQ Market is not to be taken as an indication of the merits of the Company and its subsidiary companies or of its Shares.

Under Bursa Securities' trading rules, effective from the date of listing, trading in all Bursa Securities listed securities can only be executed through an ADA which is a participating organisation of Bursa Securities.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus has also been lodged with the Registrar of Companies who takes no responsibility for its contents.

Pursuant to the Listing Requirements, at least 25% of the issued and paid-up share capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each. The Company is expected to achieve this requirement at the point of listing. However, in the event that the above requirement is not met pursuant to the Issue, the Company may not be allowed to proceed with its proposed listing. In the event thereof, monies paid in respect of all applications will be returned without interest.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed the Shares of the Company as a prescribed security. In consequence thereof, the Issue Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the aforesaid Act and the Rules of Bursa Depository.

An applicant for the Issue Shares must have a CDS account. In the case of an application by way of an Application Form, an applicant should state his/her CDS account number in the space provided in the Application Form. In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS account can make an Electronic Share Application and the applicant shall furnish his/her CDS account number to the Participating Financial Institution by way of keying in his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. A corporation or institution cannot apply for the Issue Shares by way of Electronic Share Application.

The written consents of the Adviser, Sponsor and Managing Underwriter, Sole Placement Agent, Underwriters, Solicitors, Principal Bankers, Issuing House, Registrars, and the Company Secretaries to the inclusion in this Prospectus of their names in the form and context in which their names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants to the inclusion in this Prospectus of their name, Accountants' Report, and letters relating to the Pro-forma Consolidated Financial Information and the Consolidated Profit Forecasts in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of Khong & Jaafar Sdn. Bhd. to the inclusion in this Prospectus of its name, valuation certificate and the references to its Valuation Reports dated 15 June 2004 in respect of the Group's land and buildings held under H.S. (M) 5725, Lot PT 4055 in the Mukim of Tanjung Dua Belas, Tempat Olak Lempit, Daerah Kuala Langat, Selangor Darul Ehsan, and Geran 80929 and 80930, Lot 37811 and 37810, Seksyen 10, Bandar Kajang, Daerah Ulu Langat, Selangor Darul Ehsan, in the form and context in which its name, valuation certificate and the references to the Valuation Reports appear in this Prospectus, has been given before the issue of this Prospectus and has not subsequently been withdrawn.

No person is authorised to give any information or to make any representation not contained herein in connection with the Issue and if given or made, such information or representation must not be relied upon as having been authorised by Greenyield. Neither the delivery of this Prospectus nor any offer made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Group since the date hereof.

The distribution of this Prospectus and the sale of the Issue Shares in certain other jurisdictions may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Issue in any jurisdiction in which such invitation is not authorised or lawful, or to any person to whom it is unlawful to make such an invitation.

Investors should rely on their own evaluation to assess the merits and risks of the investment. In considering the investment, investors who are in any doubt as to the action to be taken should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

3.2 Purpose of the Issue

The purposes of the Issue are as follows:-

(a) To raise funds for the Group's continued expansion and operation, details of which are elaborated in Section 3.7 "Utilisation of Proceeds" below;

(b) To obtain the listing of and quotation for the entire issued and paid-up capital of Greenyield on the MESDAQ Market, which is expected to enhance the business, profile and future prospects of the Group;

(c) To enable the Group to have access to the capital market for its future expansion and growth; and

(d) To provide an opportunity for the directors and employees of the Group, and the general public to participate in the equity and the continuing growth of the Group.

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3. INTRODUCTION AND DETAILS OF THE ISSUE (CONT'D)

3.3 Particulars of the Issue

	RM
Issued and fully paid-up share capital:	
122,740,000 ordinary shares of RM0.10 each	12,274,000
To be issued pursuant to the Issue:	
42,260,000 ordinary shares of RM0.10 each	4,226,000
Enlarged capital upon listing	
165,000,000 ordinary shares of RM0.10 each	16,500,000
To be issued pursuant to full exercise of ESOS Options [a]	
15,000,000 ordinary shares of RM0.10 each	1,500,000
Enlarged capital upon full exercise of ESOS Options	
180,000,000 ordinary shares of RM0.10 each	18,000,000

Note:-

a *The ESOS will only be implemented i.e. the Options under the ESOS will only be offered to the eligible directors and employees of the Group just prior to the Company's listing on the MESDAQ Market.*

There is only one (1) class of shares in the Company, namely ordinary shares of RM0.10 each. The Issue Shares shall rank pari passu in all respects with the existing issued Shares of the Company, including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of allotment thereof.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of Shares shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of the liquidation of the Company, such surplus to be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with the Company's Articles of Association and the provisions of the Companies Act, 1965.

Each shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one (1) vote, and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each Share held. A proxy may but need not be a member of the Company.

The Issue of a total of 42,260,000 Shares at an Issue Price of RM0.21 per Share shall be subject to the terms and conditions of this Prospectus and, upon acceptance, will be allocated in the following manner:-

(a) 35,260,000 Issue Shares will be made available for application by selected investors under the private placement;

(b) 3,000,000 Issue Shares will be made available for application under the public offer; and

(c) 4,000,000 Issue Shares will be made available for application by the eligible directors and employees of the Group, and other persons who have contributed to the success of the Group.

3. INTRODUCTION AND DETAILS OF THE ISSUE (CONT'D)

The Issue Shares under paragraphs (b) and (c) above have been underwritten by the Underwriters. The Sole Placement Agent has received irrevocable undertakings from exempt investors as defined in Schedules 2 and 3 of the Securities Commission Act 1993 to subscribe for the Issue Shares under paragraph (a) above.

In the event of an under-subscription of the public offer, the unsubscribed public offer Shares may be made available for application under the private placement, and vice-versa. Any Shares, which are made available for application by the eligible directors and employees of the Group, and other persons who have contributed to the success of the Group, which are not subscribed for, will be made available for application under the public offer and / or the private placement. Any further Shares not subscribed for will be made available for subscription by the Underwriters in the proportions specified in the Underwriting Agreement dated 17 August 2006.

As approved by the Board, the basis of allocation for the 4,000,000 Issue Shares that will be made available for application by the eligible directors and employees of the Group, and other persons who have contributed to the success of the Group under paragraph (c) above, shall take into account various factors including, but not limited to, the seniority and service term of the respective directors and employees in the Group, and the contribution of the other persons to the success of the Group. 27 eligible directors and employees of the Group and 4 other persons who have contributed to the success of the Group will be offered the opportunity to participate in the preferred allocation of the Issue Shares.

The directors of Greenyield who are eligible for the preferred allocation of the Issue Shares are as follows:-

Director	Designation	No. of Shares
Tham Foo Keong	Executive Chairman and Group Managing Director	-
Tham Foo Choon	Deputy Group Managing Director	-
Loke Chee Kien	Executive Director	20,000
Dr. Sivakumaran a/l Seenivasagam	Executive Director	20,000
Tajuddin bin Ismail	Executive Director	20,000
Ishak bin Said	Non-Executive Director	20,000
Tan Sri Datuk Arshad bin Ayub	Independent Non-Executive Director	20,000
Dr. Zainol bin Md. Eusof	Independent Non-Executive Director	20,000
Dr. Shaikh Awadz bin Shaikh Abdullah	Independent Non-Executive Director	20,000

The Issue is for a total of 42,260,000 Shares at RM0.21 per Share. There is no minimum level of subscription in respect of the Issue.

3.4 Critical Dates of the Issue

The tentative timetable in relation to the Issue is set out below:-

Indicative Timetable

Date of Prospectus / Opening of Application List for the Issue Shares	27 September 2006
Closing of Application List for the Issue Shares	5 October 2006
Tentative balloting date	9 October 2006
Tentative allotment date	10 October 2006
Tentative date of despatch of notices of allotment to successful applicants	17 October 2006
Tentative listing date	18 October 2006

The Issue will close on the date stated above or such later date as the directors of Greenyield together with the Underwriters may decide.

Where the closing of the Application List for the Issue Shares is extended from the original date, a notice of such extension(s) will be advertised in a widely circulated newspaper not less than one (1) Market Day before the original closing date.

3.5 Pricing of the Issue

The Issue Price of RM0.21 per Share was determined and agreed upon by the Board and AmMerchant Bank, as the Adviser, after taking into consideration the following factors:-

(a) The Group's operating and financial history and conditions as outlined in Section 5 "Financial Information" and Section 6 "Business Overview" of this Prospectus;

(b) The prospects of the Group and the rubber industry as outlined in Section 6 "Business Overview" of this Prospectus;

(c) The prevailing market conditions;

(d) The forecast net PE Multiple of 7.45 times based on the forecast net EPS of 2.82 sen for the financial year ending 31 July 2007 was computed using the weighted average number of Shares in issue of 161,478,000 Shares and the Issue Price of RM0.21 per Share; and

(e) The pro-forma consolidated NTA of the Group upon listing of RM0.14 per Share, computed based on the audited consolidated balance sheet of the Group as at 31 March 2006.

Investors should also note that the market price of the Shares upon listing on Bursa Securities is subject to market forces and other uncertainties which may affect the price of the Shares.

3.6 Underwriting

An underwriting agreement was entered into between the Company and the Underwriters mentioned herein to underwrite:-

(a) 3,000,000 Issue Shares which will be made available for application under the public offer; and

(b) 4,000,000 Issue Shares which will be made available for application by the eligible directors and employees of the Group, and other persons who have contributed to the success of the Group.

The following are some of the salient clauses contained in the Underwriting Agreement dated 17 August 2006:-

(a) Pursuant to Clause 2.3 of the Underwriting Agreement, the obligations of the Managing Underwriter and the Underwriters under the Underwriting Agreement are conditional upon:-

   (i) There having been on or prior to the Closing Date, neither any material adverse change nor any development reasonably likely to result in any material adverse change, in the condition (financial or otherwise) of the Company or its Subsidiaries, which is material in the context of the Public Issue from that set forth in the Prospectus, nor the occurrence of any event or the discovery of any fact which is inaccurate, untrue or incorrect to any extent which is or will be material in the reasonable opinion of the Underwriters, which makes any of the representations and warranties contained in Clause 3 of the Underwriting Agreement is untrue and incorrect in any material respect as though they had been given and made on such date with reference to the facts and circumstances then subsisting, nor the occurrence of any breach of the undertakings contained in Clause 3 of the Underwriting Agreement;

(ii) The delivery to the Managing Underwriter:-

(A) Prior to the date of the registration of the Prospectus, a copy certified as a true copy by an authorised officer of the Company of all the resolutions of the Directors and the shareholders in general meeting approving the Underwriting Agreement, the Prospectus, the Public Issue and authorising the execution of the Underwriting Agreement and the issuance of the Prospectus; and

(B) A certificate, in the form or substantially in the form contained in the SECOND SCHEDULE of the Underwriting Agreement, dated the date of the Prospectus signed by duly authorised officers of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in Clause 2.3.1 of the Underwriting Agreement;

(iii) The delivery to the Managing Underwriter on the Closing Date of such reports and confirmations dated the Closing Date from the Directors of the Company as the Underwriters or the Managing Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of the Underwriting Agreement that will adversely affect the performance or financial position of the Company or its Subsidiaries;

(iv) The Managing Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 12 of the Underwriting Agreement;

(v) The Public Issue not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia;

(vi) The Company having complied and that the Public Issue is in compliance with the policies, guidelines and requirements of Bursa Securities and/or the SC and all revisions, amendments and/or supplements thereto;

(vii) The Company having fully complied with all the conditions which are required to be complied with prior to the issuance of the Prospectus or the Closing Date, imposed by the SC, Bursa Securities, FIC and/or MITI in respect of the Public Issue and the Company's proposed listing on the MESDAQ Market of Bursa Securities;

(viii) The acceptance for registration by the SC of the Prospectus and such other documents as may be required in accordance with the SC Act in relation to the Public Issue and the lodgment of the Prospectus with the ROC on or before its release under the Public Issue; and

(ix) Bursa Securities has agreed and approved in principle on or prior to the Closing Date to the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the MESDAQ Market and the SC (as the case may be) having approved the Prospectus and if such approvals shall be conditional, all conditions thereto being in terms acceptable to the Underwriters and the Underwriters being reasonably satisfied that such listing and quotation shall be granted 2 clear Market Days after the Issue Shares have been issued and the notices of allotment have been despatched to entitled holders and after the receipt of all relevant documents pertaining to the listing and quotation of the entire enlarged issued and paid-up share capital of the Company by Bursa Securities and the Prospectus being in the form and substance satisfactory to the Underwriters;

3. INTRODUCTION AND DETAILS OF THE ISSUE (CONT'D)

(b) Pursuant to Clause 2.4 of the Underwriting Agreement, if any of the conditions set out in Clause 2.3 of the Underwriting Agreement is not satisfied by the Closing Date, the Managing Underwriter or the Underwriters shall thereupon be entitled to terminate the Underwriting Agreement and in that event, except for the liability of the Company for the payment of costs and expenses as provided in Clause 12 of the Underwriting Agreement incurred prior to the termination and any claims pursuant to Clause 3.3.1 of the Underwriting Agreement there shall be no further claims by the Underwriters against the Company, and the Company, the Managing Underwriter and the Underwriters shall be released and discharged from their respective obligations hereunder PROVIDED THAT the Managing Underwriter or the Underwriters may at its discretion with respect to its respective obligations waive compliance with any of the provisions of Clause 2.3 of the Underwriting Agreement;

(c) Pursuant to Clause 8 of the Underwriting Agreement, the Managing Underwriter and/or any of the Underwriters, acting through the Managing Underwriter, may by notice in writing to the Company given at any time before the Closing Date, terminate, cancel or withdraw its commitment to underwrite the Underwritten Shares if:-

(i) There is any breach by the Company of any of the representations, warranties or undertakings contained in Clause 3 of the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied to the satisfaction of the Underwriters within such number of days as stipulated within the notice after notice of such breach shall be given to the Company, or by the Closing Date, whichever is earlier; or

(ii) There is withholding of information which is required to be disclosed from the Underwriters, which is required to be disclosed pursuant to the Underwriting Agreement, and if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company, which, in the opinion of the Managing Underwriter and/or the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the Issue Shares; or

(iii) There shall have occurred, happened or come into effect any material and adverse change to the business or financial condition of the Company or the Group; or

(iv) There shall have occurred, happened or come into effect any of the following circumstances:-

(A) Any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or

(B) Any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Managing Underwriter and/or the Underwriters (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);

which, (in the reasonable opinion of the Managing Underwriter and/or the Underwriters), would have or can reasonably be expected to have, a material adverse effect on and/or materially prejudice the business or the operations of the Company or the Group, the success of the Public Issue, or the distribution or sale of the Issue Shares, or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms; or

3. INTRODUCTION AND DETAILS OF THE ISSUE (CONT'D)

(v) There is failure on the part of the Company to perform any of its obligations herein contained;

(d) Upon such notice(s) being given under Clause 8.1 of the Underwriting Agreement, the Managing Underwriter and/or the Underwriters shall be released and discharged of its obligations under the Underwriting Agreement without prejudice to its rights whereby the Underwriting Agreement shall be of no further force or effect and no Party shall be under any liability to any other in respect of this Agreement, except that the Company shall remain liable in respect of its obligations and liabilities under Clause 3 of the Underwriting Agreement, any antecedent breaches and under Clause 12 of the Underwriting Agreement for the payment of the costs and expenses already incurred prior to or in connection with such termination and for the payment of any taxes, duties or levies with 7 days from the date of the same being due;

(e) Pursuant to Clause 8A of the Underwriting Agreement, it will be an event of force majeure if one of the following occurs:-

(i) Any material change in any law, regulation, directive, policy or ruling in any jurisdiction which seriously affects or will seriously affect the business of the Company and/or its Subsidiaries;

(ii) Any change in national or international monetary, financial, political or economic conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia or overseas) or exchange control legislation or regulations or currency exchange rates or an occurrence as a result of an act or acts of God or in the event of national disorder, armed conflict or serious threat of the same, hostilities, embargo, detention, revolution, riot, looting or other labour disputes, any unavailability of transportation or severe economic dislocation, earthquake, typhoon, outbreak of war, outbreak of disease or the declaration of a state of national emergency;

(iii) The Kuala Lumpur Composite Index falling below 800 points and remaining below 800 points for 3 consecutive Market Days;

(iv) The imposition of any moratorium, suspension or material restriction on trading in all securities generally on Bursa Securities for 3 consecutive Market Days;

(f) Pursuant to 8A.2 of the Underwriting Agreement, in the event of a force majeure pursuant to Clause 8A.1 of this Agreement, the Underwriters may, subject to prior consultation with the Company, at any time prior to or on the Closing Date terminate this Agreement by giving notice to the Company in the manner as set out in Clause 13 of the Underwriting Agreement; or request for the Closing Date to be extended to such reasonable date as the Managing Underwriter may decide;

(g) Upon delivery of the notice termination pursuant to Clause 8A.2.1 of the Underwriting Agreement and in the manner as set out in Clause 13 of the Underwriting Agreement, the Underwriting Agreement will terminate and thereafter each Party's rights and obligations will cease and none of the Parties will have any claim against each other. In the event of a delivery of a request under Clause 8A.2.2 of the Underwriting Agreement, the Company shall consent to such request for the extension of the Closing Date.

The delivery of a request under Clause 8A.2.2 of the Underwriting Agreement shall not preclude the Underwriters from giving a further request for extension pursuant to Clause 8A.2.2 of the Underwriting Agreement or giving a notice to terminate pursuant to Clause 8A.2.1 of the Underwriting Agreement.

3.7 Utilisation of Proceeds

The Company expects the gross proceeds of the Issue to amount to RM8.875 million. The proceeds shall accrue to the Company and the Company shall bear all expenses relating to the listing of and quotation for its entire issued and paid-up share capital on the MESDAQ Market.

The proceeds from the Issue of RM8.875 million are expected to be utilised for the following purposes:-

Purpose	Note	RM'000
R&D	a	1,500
Capital expenditure	b	1,850
Setting up of marketing and technical support service centres in Malaysia	c	300
Repayment of borrowings	d	1,500
Working capital		2,223
Estimated listing expenses	e	1,502
		8,875

Notes:-

a *The Group's R&D activities will be undertaken through the proposed acquisition of approximately 30 acres of land planted with mature rubber trees to be used as field laboratories for R&D on the LITS and other yield enhancement technologies, and the proposed acquisition of another approximately 20 acres of land for the setting up of a nursery to conduct R&D on fertilisers, growth promoters and chemicals for young plants.*

b *Relates to the proposed acquisition of approximately one (1) acre of industrial land, the proposed construction of a factory on the land, and the proposed acquisition of plant and machinery for the manufacture of RRIMFLOW gadgets, agricultural chemicals and other plastic components.*

c *The Group plans to set up two (2) regional marketing and technical support service centres in Malaysia.*

d *The Group proposes to repay approximately RM1.5 million of bank overdraft and term loan taken by GISB from the following bank:-*

Lender	Type of Facility	Outstanding Balance as at 31.07.2006 RM'000
Malayan Banking Berhad	Bank Overdraft	441
Malayan Banking Berhad	Term Loan	1,267

e *The expected net proceeds of the Issue, after deducting the estimated listing expenses, amount to RM7.373 million.*

The Group plans to utilise the proceeds from the Issue for the repayment of bank borrowings and disbursement of listing expenses within 12 months from the date of listing. Save for the foregoing, the remaining proceeds from the Issue will be utilised within 24 months from the date of listing.

3. INTRODUCTION AND DETAILS OF THE ISSUE (CONT'D)

3.8 Financial Impact from Utilisation of Proceeds

(a) Interest Savings

The repayment of bank borrowings will reduce the Group's gearing level from approximately 11.7% (after listing but before repayment of borrowings) to 5.4% based on the Group's total borrowings and shareholders' equity as at 31 March 2006.

The interest savings arising from the repayment of borrowings of RM1.5 million is as follows:-

Lender	Type of Facility	Outstanding Balance as at 31.07.2006 RM'000	Proposed Repayment RM'000	Interest Savings RM'000
Malayan Banking Berhad	Bank Overdraft	441	441	44 [a]
Malayan Banking Berhad	Term Loan	1,267	1,059	118 [b]
			1,500	

***Notes**:-*

a *Interest savings on a per annum basis, computed based on an interest rate of Bank Negara Malaysia (**"BNM"**)'s funding rate plus 2.0% and an estimated outstanding balance at the actual time of repayment of RM500,000. For computation purposes, BNM's funding rate is assumed to be 6.75%.*

b *Interest savings computed based on an interest rate of BNM's funding rate plus 2.0%, an estimated actual repayment amount of RM1.0 million, and an assumed repayment date of 31 October 2006. For computation purposes, BNM's funding rate is assumed to be 6.75%.*

(b) Increase in Production Volume

Greenyield expects to utilise approximately RM1.85 million of the proceeds of the Issue for capital expenditure for the proposed acquisition of a piece of land, the proposed construction of a factory and the proposed acquisition of plant and machinery. As a result, this would enable the Group to increase its production volume and capitalise on the economies of scale and reduction in the cost per unit of products produced.

(c) Increase in Operating Efficiency

With the employment of newer machinery, the Group anticipates a higher efficiency rate and less breakdown/maintenance time incurred. The higher efficiency rate will render a lower cost margin to the Group's business operations.

3.9 Brokerage, Underwriting and Listing Expenses

The Underwriters as stated in Section 1 "Corporate Directory" of this Prospectus have agreed to underwrite the Issue Shares under paragraphs (a) and (b) of Section 3.6 "Underwriting" above. An underwriting commission of 1.50% of the Issue Price is payable by the Company to AmMerchant Bank and AmSecurities Sdn Bhd in respect of 2,380,000 Issue Shares, whilst an underwriting commission of 3.00% of the Issue Price is payable by the Company to Alliance Investment Bank Berhad (**"Alliance"**) in respect of 4,620,000 Issue Shares. In addition, a management fee of 0.75% of the Issue Price is payable by the Company to AmMerchant Bank as the Managing Underwriter in respect of the 3,000,000 Issue Shares available for application by the public.

3. INTRODUCTION AND DETAILS OF THE ISSUE (CONT'D)

In respect of the 35,260,000 Issue Shares, which will be made available for application by selected investors under the private placement, a placement fee of 2.5% of the Issue Price is payable by the Company to Alliance as the Sole Placement Agent in respect of those Issue Shares which are successfully placed out by Alliance, whilst an administrative fee of 1.25% of the Issue Price is payable by the Company to Alliance in respect of those Issue Shares whose placees are secured by the Company.

Brokerage is payable by the Company in respect of the Issue Shares under paragraphs (a) and (b) of Section 3.6 "Underwriting" above at the rate of 1.0% of the Issue Price in respect of successful applications which bear the stamp of AmMerchant Bank, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or the Issuing House.

Listing expenses are estimated at approximately RM1.502 million, with the following estimated breakdown:-

	RM
Professional fees [a]	637,000
Fees of the authorities	64,000
Underwriting, placement and brokerage fees	241,000
Printing and advertising fees	200,000
Miscellaneous	360,000
Total	**1,502,000**

Note:-

a *Include fees of the Adviser, Reporting Accountants, Solicitors and other professional advisers.*

Any variation in the actual listing expenses from the estimated amount will be adjusted in the working capital.

3.10 Approvals and Conditions

Greenyield has obtained approvals from the following authorities for its proposed listing:-

(a) The MITI on 21 July 2004;

(b) The SC under the Securities Commission Act, 1993 as well as the FIC's Guidelines on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests, on 24 February 2005.

In its approval letter dated 24 February 2005, the SC has noted that pursuant to the proposed listing, all the equity of Greenyield will be owned by non-Bumiputeras.

The SC has also vide its letters dated 15 February 2006 and 9 August 2006 granted Greenyield extensions of time up to 31 October 2006 to complete the implementation of the proposed listing; and

(c) Bursa Securities on 28 February 2005.

3. INTRODUCTION AND DETAILS OF THE ISSUE (CONT'D)

The details of the conditions imposed by all the relevant authorities and status of compliance are set out below:-

Conditions Imposed by the MITI		Status of Compliance
(i)	Greenyield is required to increase its Bumiputera equity shareholdings to 30% of its enlarged share capital within five (5) years from its listing or within one (1) year upon the Company meeting the criteria for listing on the Second Board of Bursa Securities, whichever is the earlier;	To be complied with.
(ii)	The allocation of Bumiputera shares as per paragraph (i) above is subject to the approval of the MITI;	To be complied with.
(iii)	To obtain the approval of the SC for the proposed listing and comply with the Guidelines on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests; and	Complied with. Approval obtained from the SC on 24 February 2005.
(iv)	To obtain the approval of MESDAQ under Bursa Securities.	Complied with. Approval obtained from Bursa Securities on 28 February 2005.
(v)	Greenyield is also required to inform the MITI upon the completion of all the above matters.	To be complied with.

Conditions Imposed by the SC		Status of Compliance
(i)	Greenyield is required to disclose the status of the utilisation of the listing proceeds in its quarterly and annual reports until such proceeds have been fully utilised;	To be complied with.
(ii)	GTSSB is required to obtain the approval for the renovation works carried out on its properties at H.S.(D) 49776 and H.S.(D) 49777, PT35634 and PT35635, Mukim of Kajang *(now Geran 80929 and 80930, Lot 37811 and 37810, Seksyen 10, Bandar Kajang)*, District of Hulu Langat, Selangor Darul Ehsan within six (6) months from the date of the SC's approval;	The approval of Majlis Perbandaran Kajang was obtained on 26 March 2005. A copy of the letter has been forwarded to the SC.
(iii)	Greenyield is required to meet the 30% Bumiputera equity requirement within one (1) year after it has achieved the profit record required for listing on the Second Board of Bursa Securities or five (5) years after being listed on the MESDAQ Market of Bursa Securities, whichever is the earlier, in which the allocation of shares to Bumiputera investors is to be approved by the MITI;	To be complied with.
(iv)	Greenyield is required to submit a preliminary proposal to the SC on how the Company intends to meet the Bumiputera equity condition, six (6) months before the expiry date of the compliance above;	To be complied with.
(v)	AmMerchant Bank / Greenyield is to submit a confirmation by the reporting accountants that the Company has met its profit estimate / forecast for the financial year ended 31 July 2006, prior to the issuance of Greenyield's public issue prospectus;	Complied. KPMG, the reporting accountants, have confirmed in their letter dated 18 September 2006 that the Group has met its profit forecast for the financial year ended 31 July 2006. This letter has been submitted to the SC.
(vi)	As soon as practicable after the placement pursuant to Greenyield's public issue, and prior to the listing of Greenyield on the MESDAQ Market, AmMerchant Bank must submit to the SC the following:-	
	(A) A final list (broken down by each placement agent) setting out the names, home / business address, identity card / passport / company registration numbers, occupations / principal activities and CDS account numbers of all the placees and the ultimate beneficial owners of the securities placed with each placee; and	To be complied with after the closing of the Application List for the Issue but prior to the listing of Greenyield on the MESDAQ Market.

Conditions Imposed by the SC		Status of Compliance
	(B) A confirmation from AmMerchant Bank that to the best of its knowledge and belief, after having taken all reasonable steps and made all reasonable enquiries, the details set out in the final list of placees in paragraph (A) above are accurate and the placement exercise complies with the requirements on placement as stated in the SC's Guidelines for Initial Public Offerings and Listings on the MESDAQ Market;	To be complied with after the closing of the Application List for the Issue but prior to the listing of Greenyield on the MESDAQ Market.
(vii)	AmMerchant Bank and Greenyield are to inform the SC upon the completion of the proposed listing;	To be complied with.
(viii)	Greenyield is required to fully disclose in its Prospectus other competing products that are currently available in the market, the characteristics of these products vis-à-vis the Group's own products, and a detailed evaluation of the level of competiton posed by these competing products against the Group's own products (in particular RRIMFLOW);	Complied with in Section 4.11 of this Prospectus.
(ix)	Greenyield is required to fully disclose in its Prospectus the trade receivables position, ageing analysis, debts that exceed the credit period, and comments from the Board of Directors of Greenyield on the collection of these debts, based on the audited trade receivables position of the Greenyield Group as at 31 March 2006; and	Complied with in Sections 4.5 and 5.6 of this Prospectus.
(x)	In relation to the Debt Guarantee Agreement for the collection of trade receivables, the Promoters of Greenyield are required to obtain a bank guarantee to guarantee the trade receivables that are in dispute, under legal course of action or exceeding the period of six (6) months. In this connection, AmMerchant Bank shall ensure that, prior to the issuance of Greenyield's Prospectus for the Proposed Listing, should these trade receivables remain uncollected, Greenyield shall claim and obtain the payment from the said bank guarantee. The bank guarantee to guarantee the trade receivables that are in dispute, under legal course of action or exceeding six (6) months shall be irrevocable, unconditional and enforceable by Greenyield. AmMerchant Bank shall provide a confirmation to the SC that the bank guarantee obtained is as such.	Complied. The Promoters have entered into a Debt Guarantee Agreement with Greenyield on 23 August 2006 to warrant the collection of all the trade receivables of the Group that are in dispute, under legal course of action or exceeding four (4) months as at 31 July 2006, which amounted to RM2.055 million. The debt guarantee is secured by an irrevocable, unconditional and enforceable bank guarantee facility granted by AmBank (M) Berhad to the Promoters in favour of Greenyield, undertaking to pay the guaranteed amount of RM2.055 million on demand (**"Bank Guarantee"**). On 1 September 2006, AmMerchant Bank had provided a confirmation to the SC that the Bank Guarantee is irrevocable, unconditional and enforceable, on the basis of a legal opinion provided by the due diligence lawyers, M/s Jeff Leong, Poon & Wong. On 28 August 2006, Greenyield had called upon the Bank Guarantee and the amount of RM2.055 million has been paid to Greenyield on 29 August 2006 in settlement of all the trade receivables of the Group that were in dispute, under legal course of action or exceeding four (4) months as at 31 July 2006.

3. INTRODUCTION AND DETAILS OF THE ISSUE (CONT'D)

Conditions Imposed by Bursa Securities	Status of Compliance
(i) Greenyield is required to make detailed disclosure of the following in its prospectus:-	
- Salient terms of the agreements with the Malaysian Rubber Board and RRIM-Consult Corporation (**"Technology Licensing Agreement"**);	Complied with in Sections 2.1, 6.7 and 13.6 of this Prospectus.
- Efforts taken to minimise the reliance on the RRIMFLOW system; and	Complied with in Sections 4.8 and 6.10.10 of this Prospectus.
- The worst-case scenario should the Technology Licensing Agreement be terminated;	Complied with in Section 4.7 of this Prospectus.
(ii) Greenyield is required to disclose in the prospectus the trade receivables ageing analysis based on the Group's latest audited trade receivables, including credit control measures undertaken or to be undertaken to mitigate the risk of bad and doubtful debts and to make full provision for the trade receivables outstanding that have exceeded the normal credit period granted, unless it can be justified that the outstanding amount can be collected. The said justification must also be disclosed in the prospectus;	Complied with in Sections 4.5 and 5.6 of this Prospectus.
(iii) Greenyield and AmMerchant Bank are to provide confirmation that the members of the Audit Committee of Greenyield comply with the requirement in the Listing Requirements;	Complied with vide AmMerchant Bank's letter to Bursa Securities on 16 June 2005 on behalf of Greenyield.
(iv) Greenyield is to inform Bursa Securities on the appointment of its independent directors and to provide confirmation that they qualify as independent directors as defined in the Listing Requirements; and	Complied with vide AmMerchant Bank's letters to Bursa Securities on 31 May 2005 and 14 August 2006 on behalf of Greenyield.
(v) Greenyield is to include a negative statement in its prospectus on the exclusion of profit forecast and projections from the prospectus and the reasons thereof.	Not applicable. The Group's consolidated profit forecasts for the financial year ended 31 July 2006 and the financial year ending 31 July 2007 are set out in Sections 2.10, 5.11 and 5.12 of this Prospectus.

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4. RISK FACTORS

If you are unsure about any of the information contained in this section on "Risk Factors", you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.

In addition to the other information in this Prospectus, the following factors should be considered carefully in evaluating an investment in the Issue Shares offered by this Prospectus. The discussion in this Prospectus contains certain forward-looking statements that involve risks and uncertainties. Prospective investors are cautioned that such statements are only predictions and that actual results or events may differ materially from those disclosed in this Prospectus.

Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this section on "Risk Factors", Section 5 "Financial Information" and Section 6 "Business Overview" of this Prospectus as well as those discussed elsewhere in this Prospectus.

4.1 Industry Risks

The Group is subject to certain risks inherent in the agriculture sector in general and the rubber and rubber-related industries in particular, such as fluctuating natural rubber prices, sustainability in the demand for rubber, competing substitutes e.g. synthetic rubber, and adverse effects from negative publicity e.g. allegations of rubber allergy. In view of such uncertainties, it is impossible to predict the future results of the Group with certainty and therefore there can be no assurance that the Group will be able to remain profitable or that it will achieve increasing or consistent levels of profitability in the future.

The Group cannot provide assurance that the industry conditions under which it operates will enable it to continue to achieve the revenues or gross margins enjoyed in the past. The demand for the Group's products is affected by, amongst other things, the economic well-being of its customers and relevant industry developments such as Government policies. In particular, many of the end-users of the Group's rubber-related products typically experience cyclical revenues and earnings caused by fluctuating rubber prices, although this has been mitigated with the recent cooperation amongst rubber producing countries, namely Malaysia, Thailand and Indonesia, through the formation of the International Tripartite Rubber Co-operation to regulate rubber supply from the Southeast Asian region. In general, a downturn in the agriculture sector may adversely affect the demand for the Group's system/products and services.

In response to the above, the Group seeks to innovate through R&D to develop new products and services and remain competitive in the market. The Group is positive about the potential future growth of the demand for rubber, especially in view of China's potential future economic growth.

4.2 Economic, Political and Regulatory Conditions

As with any other business entities, the performance of the Greenyield Group is subject to the overall political, economic and regulatory conditions, both domestically and internationally. These political, economic and regulatory uncertainties include but are not limited to changes in political leadership, the introduction of new regulations, war, economic downturn, financial crises, and changes in rates of interest, methods of taxation and foreign exchange regulations. For instance, as highlighted in Section 4.1 above, a general downturn in the rubber industry may negatively impact the demand for the Group's system/products and services.

4. RISK FACTORS (CONT'D)

The Government has recently decided to widen the "Tanam Semula Getah ke Tanaman Lain" (replanting rubber with other crops) scheme to include smallholders owning land grown with rubber not exceeding five (5) hectares, from the previous threshold of 2.5 hectares. The eligible smallholders are entitled to receive a grant of RM4,448 per hectare under the scheme. Although the scheme will help smallholders wanting to replace rubber with other crops, the Board is of the opinion that based on the current firm natural rubber prices and the past trends, smallholders will be less inclined to do so. As such, the Board does not foresee the said scheme to result in any significant effect on the Group's production and sales of the RRIMFLOW system.

Having said the above, however, there can be no assurance that the performance of the Group will remain favourable in the event of changes in the general economic, political and regulatory conditions domestically or internationally.

4.3 Operating Risks

The Group's revenue and operating results are difficult to forecast and could be adversely affected by many factors. These include, amongst others, unanticipated operating expenses, the ability of the Group to develop and market new products and services and to control costs, market acceptance of new products and services, and other business risks common to going concerns.

As a mitigating factor, the Group monitors its debtors position, sustains long term relationships with its customers and business partners, monitors its operating expenditure, and carefully considers any proposed capital expenditure or borrowing and its effects on the Group.

The Group also faces certain operating risks which are common to many manufacturing concerns, including, amongst others, breakout of fire, flood, power outage and other emergency crises. The Group believes that it has adequate safety and fire-fighting equipment installed at its premises to ensure that the risk of fire is contained. However, notwithstanding such measures taken, there is no assurance that any of the above-mentioned crises may not cause interruptions to the Group's operations in the future.

4.4 Seasonality of Sales

The Group's sales and therefore its revenue is seasonal. During the wintering season for rubber trees, which typically occurs from February to April in Malaysia and Thailand, sales of the RRIMFLOW system and Ethephon Plus to the domestic market and export sales to Thailand are generally low. Sales of the RRIMFLOW system and Ethephon Plus are also affected by prolonged periods of heavy rain or drought as the customers are usually advised against using stimulation systems during such periods since they are unlikely to be able to tap the rubber trees because of the weather conditions and therefore unable to fully benefit from the stimulation systems. If there is no prolonged rainy season or drought, stronger sales are usually registered in the months of May to September. Following from the above, one of the major factors which causes the revenue and profitability of the Group to fluctuate is inclement weather.

Please refer to Section 5.6 "Analysis and Commentary on Financial Information" for a discussion of the historical financial performance of the Group.

4. RISK FACTORS (CONT'D)

4.5 Collection of Trade Receivables

Based on the audited consolidated balance sheet of the Greenyield Group as at 31 March 2006, trade receivables amounted to RM6.887 million, of which RM4.085 million have exceeded the 90 days normal credit period. The ageing analysis for the trade receivables as at 31 March 2006 is as follows:-

Ageing (Days)	1 - 30	31 - 60	61 - 90	91 - 120	121 - 150	151 - 180	181-365	> 1 year	> 2 years	Total
Amount (RM'000)	2,124	389	289	303	131	4	1,959	1,574	114	6,887
%	30.8	5.6	4.2	4.4	1.9	0.1	28.4	22.9	1.7	100.0

Based on the unaudited consolidated balance sheet of the Greenyield Group as at 31 July 2006, trade receivables amounted to RM6.566 million, of which RM2.442 million have exceeded the 90 days normal credit period. The ageing analysis for the trade receivables as at 31 July 2006 is as follows:-

Ageing (Days)	1 - 30	31 - 60	61 - 90	91 - 120	121 - 150	151 - 180	181-365	> 1 year	> 2 years	Total
Amount (RM'000)	2,832	920	372	389	17	2	122	1,831	81	6,566
%	43.1	14.0	5.7	5.9	0.3	-	1.9	27.9	1.2	100.0

Below is the analysis of the trade receivables turnover periods of the Group:-

	←-------------------Audited--------------------		→	Unaudited
Year Ended 31 July	**2003**	**2004**	**2005**	**2006**
Trade receivables turnover (days)	85	151	236	121

Based on the analysis above, the Board is of the view that the high turnover period is due to various factors, including the time needed for the smallholders to reap the yields from the rubber trees before payment is collected. Due to the time lag between the Group's collections from its trade debtors and payments to its creditors, the Group may require a substantial level of liquidity for its working capital. The liquidity level of the Group will be further strained if there is an increase in the trade debtors turnover period, which may result in the Group having to source for financing via the utilisation of its current credit facilities offered by financial institutions.

Therefore, there can be no assurance that the risk of bad debts or an increase in the finance costs of the Group will not have a material adverse effect on the Group's results in the future. Nevertheless, due to the nature of the business, the Board is taking the necessary steps to monitor the trade receivables position, including obtaining letters of credit or cash on delivery terms for certain sales, and securing agreements with certain overdue debtors to pay in instalments to mitigate the risk of default.

The Promoters of Greenyield have entered into a Debt Guarantee Agreement with Greenyield on 23 August 2006 to warrant the collection of all the trade receivables of the Group that are in dispute, under legal course of action or exceeding four (4) months as at 31 July 2006, which amounted to RM2.055 million. The debt guarantee is secured by an irrevocable, unconditional and enforceable bank guarantee facility granted by AmBank (M Berhad to the Promoters in favour of Greenyield, undertaking to pay the guaranteed amount of RM2.055 million on demand **("Bank Guarantee")**. On 28 August 2006, Greenyield had called upon the Bank Guarantee and the amount of RM2.055 million has been paid to Greenyield on 29 August 2006 in settlement of all the trade receivables of the Group that were in dispute, under legal course of action or exceeding four (4) months as at 31 July 2006.

4. RISK FACTORS (CONT'D)

The Board does not propose to make any provision for bad or doubtful debts in respect of the remaining debts in excess of the credit period, i.e., the debts between 90 and 120 days amounting to RM0.389 million, based on the following assessment:-

Debtor	**Amount Outstanding as at 31.07.06 (RM'000)**	**%**	**Board's Assessment**
Felcra Agro Industries Sdn Bhd	147	37.8	This is a Government-related agency with a good payment record. The amount owing has been settled on 8 August 2006.
Golden Hope Plantations (Peninsular) Sdn Bhd	119	30.6	This is a subsidiary of Golden Hope Plantations Berhad, a Government-linked company, and has no record of default.
Yamatoya Company	112	28.8	This Japanese customer does not have any record of default. RM85,392 or 76.5% of the amount owing has been paid on 18 August 2006.
Sub-total	**378**	**97.2**	
Other debtors	11	2.8	The remaining balances are not material.
Total	**389**	**100.0**	

For further information on the Group's trade receivables, please refer to Section 5.6(f) "Operating and Financial Review – Trade Receivables" of this Prospectus.

4.6 Gearing and Debt Servicing Capability and Restrictive Covenants Under Borrowing Facility Agreement

Based on the audited consolidated balance sheet of the Greenyield Group as at 31 July 2005, the Group had total bank borrowings amounting to RM3.07 million and interest cover of approximately 16.91 times. For the eight (8) months ended 31 March 2006, the Group had total bank borrowings amounting to RM2.79 million and interest cover of approximately 5.32 times. As at 31 July 2006, being the latest practicable date prior to the printing of this Prospectus, the total borrowings of the Group amounted to approximately RM2.30 million and are secured by assets as disclosed in Section 5.10 "Working Capital, Material Litigation, Capital Commitments, Borrowings and Contingent Liabilities" of this Prospectus.

The Board has confirmed that the Group has not defaulted on payments of either interest and/or principal sums in respect of any borrowings throughout the financial year ended 31 July 2006, and as at 15 August 2006, being the latest practicable date prior to the printing of this Prospectus. Pursuant to the proposed listing of and quotation for the entire enlarged issued and paid-up share capital of Greenyield on the MESDAQ Market, the Group proposes to repay approximately RM1.5 million of bank overdraft and term loan taken by GISB from the proceeds of the Issue as disclosed in Section 3.7 "Utilisation of Proceeds" of this Prospectus.

The Board is of the opinion that the net proceeds of the Issue, together with the cash flow from operations and other existing sources of liquidity, will be sufficient to meet the Group's projected capital commitments, working capital and other cash requirements for a period of twelve (12) months from the date of issue of this Prospectus. Given that the Group has interest-bearing borrowings, future fluctuations in interest rates or an unexpected drop in business performance could have a material effect on the Group's interest payments as well as debt servicing capability.

GTSSB and GISB have entered into various credit facility agreements with banks or other financial institutions to finance their operations and business activities. These agreements contain, inter alia, covenants that may limit the Greenyield Group's operating and financial flexibility. Any act by the Greenyield Group falling within the ambit or scope of such covenants will require the consent of the relevant banks or financial institutions. Breach of such covenants may give rise to a right by the bank or financial institution to terminate the relevant credit facility and/or enforce any securities granted in relation to that credit facility and this may in turn cause a cross default of other credit facility agreements.

The Board is aware of such covenants and shall take all precautions necessary to obtain the consent of the relevant banks or financial institutions. However, there can be no assurance that such consent will be obtained and if the consent is not obtained, that it will not have a material effect on the performance of the Group.

4.7 Dependence on Technology Licensing Agreement

The Group has had a long relationship with the MRB which dates back to the appointment of GTSSB by the RRIM vide an agreement dated 16 September 1997 to manufacture, assemble and supply the RRIMFLOW system to end-users. The agreement was for a period of five (5) years commencing from the date of the agreement. However, the said agreement has been superseded by the Technology Licensing Agreement, pursuant to which RIMCORP has granted to Gimflow the rights to use the MRB's know-how to manufacture and produce the RRIMFLOW system in Malaysia and to use, sell or otherwise distribute the RRIMFLOW system in or outside of Malaysia. The Technology Licensing Agreement has a duration of seven (7) years and is renewable by mutual agreement, subject to a renegotiated rate of royalty. RIMCORP has vide a letter dated 8 October 2003 further given an undertaking that it shall not, during the term of the Technology Licensing Agreement, grant a similar licence to other parties for so long as Gimflow is not in breach of any of the terms and conditions of the Technology Licensing Agreement.

Pursuant to the terms and conditions of the Technology Licensing Agreement, Gimflow's rights under the Technology Licensing Agreement shall be revoked if RIMCORP is of the opinion that Gimflow fails or has failed to supply all components of the RRIMFLOW system of the quality set forth therein, which will be evaluated every twelve (12) months. The rights under the Technology Licensing Agreement shall also be revoked if Gimflow fails or has failed to rectify any deficiency or defect in the quality of the RRIMFLOW system manufactured within sixty (60) days upon receipt of a written notice from RIMCORP to do so. The minimum standards and specifications for the RRIMFLOW system shall be evaluated every twelve (12) months or such other period as determined by RIMCORP and shall be mutually agreed upon by both parties.

Either party to the Technology Licensing Agreement may terminate the Technology Licensing Agreement by notice in writing to the other if the other shall have committed any breach of the terms and conditions of the Technology Licensing Agreement, provided that in the case of a rectifiable breach, the other party shall have failed to rectify such breach within sixty (60) days after being called upon in writing to do so, or if the other party goes into liquidation (other than voluntary liquidation for the purpose of amalgamation or reconstruction). Further, Gimflow shall not, and shall procure that its subsidiaries or related companies, or members of Gimflow shall not, at any time within five (5) years from the date of the termination of the Technology Licensing Agreement, either solely or jointly with or as agent for any other person, firm or company, directly or indirectly carry on or be engaged or interested in the trade or business or manufacture of the RRIMFLOW system or the usage of the name "RRIMFLOW" except with the consent in writing of RIMCORP.

In the event that the Technology Licensing Agreement is terminated or similar rights to the RRIMFLOW system are granted to other parties for any reason whatsoever, the Group's operations may be adversely affected and in the case of termination, the Group would no longer be able to continue manufacturing and selling the RRIMFLOW system.

4. RISK FACTORS (CONT'D)

Based on the consolidated financial statements of the Greenyield Group for the financial year ended 31 July 2005 and the eight (8) months ended 31 March 2006, the contribution of the RRIMFLOW system and its related products to the Group's total revenue and gross profit is as follows:-

	Financial Year Ended 31.07.2005	**Eight (8) Months Ended 31.03.2006**
Contribution to the Group's total revenue (%)	62.8	31.2
Contribution to the Group's total gross profit (%)	72.5	34.9

The percentage contribution of the RRIMFLOW system and its related products to the Group's total revenue and gross profit was significantly lower for the eight (8) months ended 31 March 2006 as compared to the financial year ended 31 July 2005, mainly because during the eight (8) months ended 31 March 2006, sales of gaseous stimulation systems incorporating the Instant Fixing Applicator had contributed 22.0% and 34.7% of the Group's total revenue and gross profit respectively.

Therefore, total sales of gaseous stimulation systems comprising the RRIMFLOW system and the system incorporating the Instant Fixing Applicator contributed 53.2% and 69.6% of the Group's total revenue and gross profit respectively for the eight (8) months ended 31 March 2006. The total contribution of both systems to the Group's revenue was lower as compared to the financial year ended 31 July 2005, due to the adverse seasonal weather conditions which had prevailed since the middle of 2005. However, the total contribution of both systems to the Group's gross profit was only slightly lower, as the system incorporating the Instant Fixing Applicator has a higher margin than the RRIMFLOW system.

Under a worst-case scenario assuming that the Technology Licencing Agreement is terminated before its expiry on 8 October 2010, the Group will experience a drop in revenue that will materially affect the Group's profitability.

Apart from the Technology Licensing Agreement, the Group has been granted a Certificate for Utility Innovation for the RRIMFLOW applicator on 31 March 2004 by the Intellectual Property Corporation of Malaysia, which expires on 31 March 2009. The said certificate can be renewed for a maximum of two (2) further periods of five (5) years each. Although protection is accorded for the design of the applicator through patent laws, there is no assurance that there will not be any third parties who may design similar applicators that are able to perform the same functions as the registered applicator without infringing patent laws.

Further R&D efforts have resulted in the Group filing a patent application in Malaysia on 10 May 2005 (application no.: PI 20052077) for an invention relating to an improved method of maximising the number of tappings per month or per year by the appropriate placement of short cuts on the tapping panel in combination with an improved version of the RRIMFLOW applicator (i.e. the Instant Fixing Applicator). Corresponding patent applications have been filed in China, Vietnam, Thailand and Indonesia, which are other rubber producing countries.

Notwithstanding the above, the Board is confident that the Group has a first mover advantage over potential competitors in the market. The investment in the R&D of the RRIMFLOW system requires a long gestation period in order for the product to be developed and commercialised. The Group is also confident of sustaining the win-win relationships with its customers, suppliers and the MRB, which it has fostered since 1997. Apart from the RRIMFLOW system, the Group also has a wide range of other products and is committed to expanding its range of agro-technology products and services so as to reduce its dependence on the Technology Licensing Agreement. The gaseous stimulation system incorporating the Instant Fixing Applicator is currently being marketed on a trial basis and its performance is still subject to evaluation by the Group's customers. If this system is successful, the Group's dependence on the Technology Licensing Agreement will be gradually reduced in the future.

4. RISK FACTORS (CONT'D)

4.8 Key Product

The RRIMFLOW system including its related products contributed approximately 62.8% and 31.2% of the Group's total revenue for the financial year ended 31 July 2005 and the eight (8) months ended 31 March 2006 respectively, and is further gaining market acceptance following positive response from users, promotional efforts by the Group, and favourable rubber prices. Accordingly, the Group's growth in revenue has arisen significantly from sales of the RRIMFLOW system and its components.

In order to mitigate the Group's dependency on this product and to diversify the Group's income base, the Group has developed a wide range of products which include stimulants such as Ethephon Plus; plant nutrients such as GreenPlus; agricultural chemicals such as Wound Healing Compound, Plantone, Frumone and Plantone-R; and the Greenyield fertiliser. Also, as stated in Section 4.7 "Dependence on Technology Licensing Agreement" above, the gaseous stimulation system incorporating the Instant Fixing Applicator is currently being marketed on a trial basis and its performance is still subject to evaluation by the Group's customers. For further information on these products, kindly refer to Section 6.5 "Products and Services" of this Prospectus.

With these efforts, the Group endeavours to position itself as an agricultural yield enhancement specialist providing solutions on operational viability and growth enhancement technologies which are cost-effective and efficient. This strategy has a two-pronged effect, that is, it enables the Group to maintain close relationships with its customers and also to generate new business leads.

4.9 Pre-requisites to Achieving Optimum Yield from the RRIMFLOW System

Notwithstanding the extensive research that has been carried out by the MRB on the effectiveness of the RRIMFLOW system, there is no guarantee that the RRIMFLOW system will produce the same and consistent level of results when used commercially by third parties, as the effectiveness of the RRIMFLOW system is affected by the proper implementation of the system according to strict guidelines.

Based on the data collected from its customers, the Board of Greenyield is of the view that the age of rubber trees suitable for the application of the RRIMFLOW system is twelve (12) years and above. The RRIMFLOW system is only applied on trees which are already being tapped and in which the bark is sufficiently mature. The pre-requisites for realisation of the full potential of the RRIMFLOW system are trees of reasonable girth sizes, with adequate bark reserves on the tapping panels and with good canopy without foliage being adversely affected by leaf diseases. It is also necessary to ensure that the applicator fixed on the tree is kept leak-proof through prophylactic re-sealing once every three (3) to four (4) months and the minimum number of tappings (9 to 10 tappings per month on d/3 frequency) is achieved. The DRC of latex tends to be slightly lower than that of unstimulated trees. Depending on the type of cultivar and age of the trees, the DRC can be maintained at reasonable levels if necessary, by reducing the frequency of gassing for a short period until the DRC values recover to desired levels.

The reduced frequency of tapping coupled with short cuts and intermittent gassing will ensure that the rate of extraction of latex is kept in equilibrium with the rate of replenishment in the latex vessels, thus ensuring sustained yields over the long term. Additionally, as a precautionary measure if required, tapping panels can be alternated i.e. between upper and lower tapping panels at intervals of two (2) to three (3) years so that different drainage areas are exploited, thus avoiding repeated exploitation of the same drainage area. This will consequently ensure that sustained and positive yield responses over the long term are obtained from trees exploited using the RRIMFLOW system.

To assist its customers to properly adopt the RRIMFLOW system, the Group renders technical support and advisory services to its customers as part of its total plantation solutions and management services. Customers are also given guidance on the proper installation of the RRIMFLOW system. In this respect, customers are assured of after-sales technical support service.

4. RISK FACTORS (CONT'D)

4.10 Market Acceptance of New Products

The Group, through its R&D team and collaborations with external parties, develops new additions to its stable of products and services. The efficacy of new products is tested prior to their commercialisation in the market. Products such as the RRIMFLOW system and Ethephon Plus have undergone extensive research and testing prior to their commercial release whilst products such as Plantone-R, Frumone and GreenPlus are undergoing testing. However, there are numerous factors affecting the level of market acceptance of the Group's new products notwithstanding their purported benefits.

Factors such as marketing and promotional efforts, the market niche that the products are targeted at, the pricing strategy, the level of customer spending and the threat of substitutes would influence the level of market acceptance of the Group's new products. In addition, the risk that actual results obtained by certain users may vary from test results could affect the product acceptance in the market. As such, there can be no assurance that any new products introduced by the Group will receive a positive market response or improve the Group's profitability.

As a mitigating action, the Group ensures that its new products will complement its existing range of products, thereby providing total plantation solutions to its customers. The Group also carries out its product development to address the problems faced by its customers, which will ultimately increase yield and productivity. The Group's new agricultural products are also suitable for application on a variety of crops, rather than being confined to rubber.

4.11 Competition

As mentioned in Section 4.7 "Dependence on Technology Licensing Agreement" above, the Group has been appointed by the MRB to manufacture, sell and distribute the RRIMFLOW system to end-users.

Although the Group is currently the sole manufacturer and distributor of the RRIMFLOW system in the market pursuant to the rights granted by the MRB vide the Technology Licensing Agreement, the RRIMFLOW system, being one of the Group's core products, faces competition from other gaseous stimulation systems that are available in the market. Apart from the RRIMFLOW system, the Board believes that there are two (2) other main gaseous stimulation systems in the market, namely REACTORRIM and G-FLEX. The Group has no official sources of information on its current market share or that of the other two (2) systems.

G-FLEX is a stimulation technique which uses ethylene gas as a stimulant supplied directly to the laticiferous tissues of the rubber tree immediately after the installation of an inflatable and collapsible container. This technique allows tapping to be carried out 48 hours after the first installation and gassing, and 24 hours in subsequent gassings. G-FLEX combines both the stimulation concepts of slow release but continuous supply of gaseous stimulant and intermittent gassing. *(Source: www.lgm.gov.my/news/new221004_2.html)*

REACTORRIM is a method of stimulation whereby a continuous but slow release of gaseous stimulant is applied to the laticiferous tissues of the rubber tree, combined with short-cut tapping of 1/8 spiral with d/4 frequencies. *(Source: www.lgm.gov.my/r&d/cmu/cmu.html)*

The Board believes that the RRIMFLOW system, being the winner of the silver medal at the International Exhibition on Inventions and Innovations held in Geneva, Switzerland in 1999, as well as the silver medal in the Inventions Category at the International Invention, Innovation, Industrial Design and Technology Exhibition in 1998, has a competitive edge over the other two (2) products in the Malaysian market by reason of its track record. The RRIMFLOW system is currently one of the gaseous stimulation systems in Malaysia endorsed by the MRB. Furthermore, to the best of the knowledge and belief of the Board of Greenyield, there are currently no major direct competitors that are a "one-stop" agricultural solutions provider focusing on the development, manufacture and marketing of agro-technology products and services to rubber plantations.

The other core product of the Group, Ethephon Plus, is a premium yield stimulant for rubber trees developed by Greenyield. It is prepared as a gel formulation for easy application on the groove of the tapping cut or on scraped bark below the cut. It breaks down by a process of hydrolysis within the bark tissues to release the active ingredient, namely ethylene gas, which in turn brings about increased latex flow from tapped cuts resulting in higher yield productivity when compared to non-stimulated trees. Ethylene is a known plant growth regulator naturally present in all plants.

Although there are a number of similar generic products available in the market, the Group considers these to be competing products purely on the basis of pricing but not in terms of the effectiveness and characteristics of the formulation used. One of these products is Mortex, in respect of which some information is available on the MRB's website at www.lgm.gov.my/news/new221004_2.html. To the best of the Board's knowledge and belief, there is no substitute thus far in the market for Ethephon Plus in terms of the additives included in the formulation.

The differences between Ethephon Plus and other ethephon-based products are confined to the additives added to the basic formulation and possibly the type of chemically inert carrier used. Ethephon Plus has an additional plant hormone incorporated in the formulation, which the Board believes renders it more effective than other similar products in the market. In addition, Ethephon Plus is supported by Greenyield's R&D division, which continuously strives to further improve the product.

For further information on G-FLEX, REACTORRIM and Mortex, please refer to the MRB's website at www.lgm.gov.my.

Nevertheless, there can be no assurance that the Group will be able to compete successfully with new competitors. The Group recognises that although there are no insurmountable barriers of entry, to succeed in the industry requires many years of experience and a long product development period. The Group believes that it has the leverage of being an experienced player in the industry and the strength of an experienced team of researchers. Being a total solutions provider, the Group is able to offer solutions to estates and smallholders on a comprehensive basis, through its consultancy services and wide range of products. As such, the Group capitalises on these unique attributes, which differentiate it from others.

4.12 Major Customers

The Group's customers consist mainly of organised smallholders and estates. The Group is also actively expanding its sales to countries such as Indonesia, Thailand, Vietnam, Cambodia, China, Myanmar, Sri Lanka, India, Papua New Guinea, Cameroon, Liberia and Guatemala. For the financial years ended 31 July 2003 to 2005 and the eight (8) months ended 31 March 2006, the Group's customers who had contributed 10% or more of its total revenue are disclosed in Section 6.13 "Major Customers" of this Prospectus. The Group generally has good relationships with its customers. The length of the Group's relationships with them is a testimony of the strength of the relationships.

Smallholders make their purchases through agencies such as Felda Trading Sdn. Bhd., Felcra Agro Industry Sdn. Bhd. and Narsco Trading & Supplies Sdn. Bhd. when placing orders for the RRIMFLOW system. As such, government agencies that make up a substantial portion of the Group's customer base are actually acting on behalf of smallholders.

As mentioned in Section 4.8 "Key Product" above, there has been an increasing demand for the RRIMFLOW system judging from the positive response from users, promotional efforts by the Group, and the present encouraging rubber prices. Premised on these factors, the directors of Greenyield are of the view that the risk of losing the Group's major customers is mitigated.

In addition, as part of its future expansion plans, the Group intends to expand its customer base locally as well as overseas. For the financial year ended 31 July 2005 and the eight (8) months ended 31 March 2006, the Group's export sales of plantation-related products made up approximately 49.5% and 40.7% of the Group's revenue respectively.

4.13 Reliance on Major Relationships

Apart from the strategic alliance entered into with the MRB in connection with the RRIMFLOW system, the Group is currently in discussions with the MRB on the commercialisation of a jointly formulated fertiliser specially for rubber trees undergoing stimulation. The said fertiliser will complement the effectiveness of the RRIMFLOW system and Ethephon Plus in rubber trees.

As part of the Group's expansion plans, it plans to explore possibilities of securing strategic alliances and joint-venture opportunities which comprise distributorships and partnership arrangements with other industry players that will enhance the Group's ability to market and distribute its agro-technology products. These relationships will also assist the Group in keeping pace with technological and marketing developments and in certain instances, provide the Group with technical assistance for the Group's product development efforts. Presently, the Group has entered into separate strategic alliances on R&D with P.T. Bumi Rambang Kramajaya of Indonesia, RISDA Smallholders Plantation Sdn. Bhd. and the MRB as detailed in Section 6.11.5 "R&D Strategies" of this Prospectus.

However, there can be no assurance that these parties will not develop or market systems/products that are in competition with the Group's system/products in the future or will not otherwise discontinue their relationships with or support for the Group.

4.14 Dependence on Key Personnel

The Group's future performance will depend to a significant extent upon the continued efforts and abilities of its existing management team. Therefore, the loss of any of the Executive Directors or key management and technical personnel may affect the performance of the Group.

As such, the Group emphasises on grooming the younger members of the management team to gradually assume more responsibilities through continuous on-the-job training and at the same time assuring a competitive remuneration package for its employees to attract and retain skilled personnel. In addition, the risk of loss of key management personnel is mitigated by the fact that a few of the key management personnel are also shareholders of Greenyield.

Save for the resolved employee dispute as stated in Section 6.15 "Employees" of this Prospectus, the Group currently enjoys a cordial relationship with its employees and does not have any information of employees being members of labour unions. The employees of the Group are also frequently exposed to various projects locally and abroad to expand their knowledge and experience. The Group has ambitious plans for growth and with the higher profile achieved through the listing exercise, the ability of the Group to attract qualified knowledge workers in the future to cater for the anticipated growth may be enhanced. In order to maintain its skilled personnel and other staff, the Group will be implementing the ESOS in conjunction with its listing exercise.

4.15 Management of Growth

The Group plans to utilise a substantial portion of the proceeds of the Issue to expand its business. Such anticipated expansion will be likely to place further demands on the Group's management and operational resources. The Group's future growth and profitability will be dependent upon, among other things, the Group's ability to successfully manage growth (including monitoring operations, controlling costs and maintaining effective quality, inventory and service controls); enter into strategic marketing and licensing or other arrangements on a timely basis and on favourable terms; hire and retain skilled management as well as financial, technical, marketing and other personnel; and obtain adequate financing as and when required. If the Group is unable to manage its growth effectively, the quality of the Group's products and services, its ability to retain key personnel and its operating results may be materially and adversely affected. There can be no assurance that the Group will be successful in managing its growth.

Despite the management team's experience and expertise in the business that will provide for the appropriate exercise of judgment and discernment in the Group's future plans, there can be no assurance that the Group will be able to successfully implement its business plan or that the implementation of the Group's future plans will not be affected by external factors which are beyond the Group's control.

4.16 Rapid Technological Changes

The Group's ability to keep pace with rapid technological changes will affect its financial performance. There is no assurance that the Group will be able to successfully identify, develop or, where applicable, obtain the licence for the technology that is necessary for the development of new products and services or the enhancement of existing products and services, in order to remain competitive. There is also no assurance that the Group's R&D activities, whether by itself or jointly with other parties, will result in the development of commercially viable products and services that will keep pace with the technological advancements in the agricultural sector or meet the changing requirements of the market.

The timely development of new or enhanced products and services is a complex and uncertain process. Although the Group believes that it will have the funding to implement its business plan, there can be no assurance that the Group will continue to have sufficient resources to successfully and accurately anticipate technological and market trends, or to successfully manage long development cycles. The Group may also experience design, marketing and other difficulties that could delay or prevent the development, introduction or marketing of its products and services. The Group may also be required to collaborate with third parties to develop products or services and may not be able to do so on a timely and cost-effective basis, if at all.

If the Group is not able to develop new products or services or enhancements to its existing products or services on a timely and cost-effective basis, or if the Group's new products or services or enhancements fail to achieve market acceptance, or if one or more of the Group's competitors introduce products or services that better address customer needs or for any reason gain market share, the Group's business, operating results and financial condition will be adversely affected.

The Group mitigates the above-mentioned risk through R&D efforts to develop new products and services and to enhance its existing products and services. The Group possesses a team of experienced researchers who are committed to further enhance the Group's products and develop new ones. The Group stays abreast with technological changes through pragmatic observations in the field, regular site visits, first hand feedback from its customers, and collaboration with industry experts such as exchanging views with the MRB researchers on the latest developments in the rubber industry. The Group also participates in various agricultural forums and discussions. For further information on the Group's R&D activities, please refer to Section 6.11 "R&D" of this Prospectus.

4.17 Protection of Intellectual Property Rights

The Group's success is also dependent on its ability to protect its proprietary technology. The Group has been granted a Certificate for Utility Innovation for the RRIMFLOW applicator on 31 March 2004 by the Intellectual Property Corporation of Malaysia, which expires on 31 March 2009. The said certificate can be renewed for a maximum of two (2) further periods of five (5) years each. Pursuant to Section 35(1C) of the Patents Act, 1983, where a patent application was filed before 1 August 2001, and was pending on that date, the duration of the patent granted on that application shall be twenty (20) years from the date of filing or fifteen (15) years from the date of grant, whichever is the longer.

Further R&D efforts have resulted in the Group filing a patent application in Malaysia on 10 May 2005 (application no.: PI 20052077) for an invention relating to an improved method of maximising the number of tappings per month or per year by the appropriate placement of short cuts on the tapping panel in combination with an improved version of the RRIMFLOW applicator (i.e. the Instant Fixing Applicator). Corresponding patent applications have been filed in China, Vietnam, Thailand and Indonesia, which are other rubber producing countries.

4. RISK FACTORS (CONT'D)

The Group has also applied for a patent in Malaysia related to an invention entitled "Moulded Thermoplastic Resin Articles with Travertine-Like Appearance" under Application No. PI 20062521 filed on 1 June 2006. This patent application relates to the material the Group has developed for the manufacture of its "Artstone" plant pots, which exhibits a travertine-like appearance. Priority claims are available for filing in other countries.

Apart from the above, the Group has also registered 7 trademarks and applied for the registration of 7 other trademarks.

However, the existing patent, copyright, trademark and trade secret laws afford only limited protection. Accordingly, there can be no assurance that the Group will be able to protect its proprietary rights against unauthorised third party copying, use or exploitation, and no assurance can be given that the Group will be able to have full recourse against such unauthorised parties.

The patent accorded to the MRB in respect of the RRIMFLOW system is for a period of fifteen (15) years from 30 September 1999. Upon the expiry of the said patent, the protection accorded to the RRIMFLOW system will lapse, and the market will be able to make use of the technology.

Pursuant to the Technology Licensing Agreement, Gimflow shall disclose in confidence to RIMCORP all further development work relating to the RRIMFLOW system carried out on its own effort. Either RIMCORP or Gimflow may on its own effort conduct further R&D work relating to the RRIMFLOW system. In the event any information so generated results in a patentable invention, either party is at liberty to register and maintain such patent(s) under their respective names.

Information jointly generated during the course of activities pursuant to the Technology Licensing Agreement shall remain the joint property of RIMCORP and Gimflow, and such information shall be subject to confidentiality as spelt out in the Technology Licensing Agreement. In the event that the information jointly generated were to result in a patentable invention, RIMCORP and Gimflow shall by mutual agreement determine what, if any, patent applications shall be made in respect thereof and in which countries such applications shall be made, and shall nominate either party or both parties jointly, to be responsible for the registration and maintenance of the patent.

Gimflow shall under no circumstances carry out any development work relating to the RRIMFLOW system with third parties, save and except where the prior written consent of RIMCORP is obtained and a declaration is obtained from the third party, on terms acceptable to RIMCORP, that it shall under no circumstances disclose any of the MRB's Know-how (as defined therein) to any other parties, or carry out any business in competition with the business of RIMCORP, the MRB and Gimflow, whether on its own account or through persons and / or companies associated with the said third party, or claim any rights and / or attempt to seek registration in respect of any resulting intellectual property rights or other proprietary information which results from the said development work. Gimflow shall also not disclose any of the MRB's know-how to any third parties, save and except where the prior written consent of RIMCORP has been obtained and the said third party has signed a declaration of confidentiality and non-competition, upon terms which are satisfactory to RIMCORP, that the said third party shall under no circumstances disclose any of the MRB's know-how to any other parties, or carry out any business in competition with the business of RIMCORP and Gimflow, whether on its own account or through persons and / or companies associated with the said third party, or claim any rights and / or attempt to seek registration in respect of any resulting intellectual property rights or other proprietary information which results from the said development work. In view of the foregoing, any withholding of consent by RIMCORP will impede the future registration of patents and commercialisation of research findings on rubber by the Group.

As a mitigating step, the Group strives to introduce new and better technology and at the same time diversify its product range to cover crops other than rubber. In addition, Gimflow will exercise reasonable care and emphasise the originality of the products which it develops to avoid the duplication of ideas and infringement of third party proprietary rights.

4. RISK FACTORS (CONT'D)

4.18 Foreign Exchange Risk

The Group is exposed to foreign exchange risk on transactions with foreign customers, which are billed mainly in the USD and EUR. Any future significant fluctuations in exchange rates may have a significant impact on the revenue and earnings of the Group.

At present, the Group does not use any financial instruments to hedge against transactions denominated in foreign currencies. However, the Group will continue to assess the need to utilise financial instruments to hedge its currency exposure, taking into account factors such as the foreign currency involved, the exposure period and the cost of hedging. In addition, even if a decision is made to use financial instruments to hedge the Group's currency exposure in the future, there is no assurance that hedging will prevent the Group from incurring foreign exchange losses.

4.19 Future Capital Injections

The Board is of the opinion that the net proceeds of the Issue, together with the cash flow from operations and other existing sources of liquidity, will be sufficient to meet the Group's projected capital commitments, working capital and other cash requirements.

However, there is no assurance that future events may not cause the Group to seek additional capital sooner. If additional capital is required, there can be no assurance that it will be available or, if available, that it will be on terms satisfactory to the Group. The issuance of additional equity or other convertible securities to non-shareholders will result in further dilution of the shareholdings of the Company's shareholders.

The Company is also required to comply with the National Development Policy (**"NDP"**) pursuant to the condition imposed by the MITI in its approval letter dated 21 July 2004 and by the SC in its approval letter dated 24 February 2005 for the Company's proposed listing, by increasing the Company's Bumiputera equity shareholdings to 30% within one (1) year after it has achieved the profit record required for listing on the Second Board of Bursa Securities or five (5) years after being listed on the MESDAQ Market of Bursa Securities, whichever is the earlier, in which the allocation of shares to Bumiputera investors is to be approved by the MITI.

In accordance with the Listing Requirements, the approval of the Company's shareholders will be sought for fund-raising exercises. Notwithstanding the potential dilution in shareholdings, the effects on the consolidated EPS of the Group will depend on the utilisation of the proceeds, which will be decided by the Board according to the requirements of the Group.

4.20 Expansion into Overseas Markets

As part of its growth and marketing strategy, the Group plans to further expand its business in Indonesia, Thailand, Vietnam, Cambodia, China, India and other countries that have vast rubber plantations. The expansion will involve additional operating and/or acquisition costs. There can be no assurance that the Group's regional efforts will be successful or will generate significant revenue. There are a number of risks inherent in regional business activities, including unexpected changes in regulatory requirements, difficulties in managing regional operations, potentially adverse taxation consequences, currency fluctuations, uncertainties in general economic or industry conditions, difficulties in the repatriation of earnings and the burden of complying with diverse foreign laws. There can be no assurance that such factors will not have a material adverse effect on the Group's business, operating results or financial condition.

However, the Group will adopt a prudent approach in expanding into the target regional markets. The Group intends to minimise the costs and risks of the start-up phase by forming strategic alliances with local partners in these countries who are well versed with the industry and market conditions. The Group intends to tap into the experience of these strategic partners, thus minimising the costs and risks while establishing a customer base and setting up technical support service centres in these target regional markets.

4. RISK FACTORS (CONT'D)

4.21 Litigation Risk

The Group's agreements or sales contracts with its customers do not contain any provisions to limit the Group's exposure to potential product and/or service liability claims. The sale and support of the Group's products and services may involve the risk of such liability claims, any of which may have a material adverse effect on the Group's business, operating results and financial condition. However, to date, the Group has not experienced any product and/or service liability claims and the directors of Greenyield are of the view that the Group has adequate product liability insurance to address this risk. In addition, the risk is also mitigated by the stringent quality assurance procedures employed in the Group's manufacturing operations.

4.22 Insurance Coverage on Assets and Operations

At present, the Group believes that it has adequate insurance coverage on its assets and operations. Although the Group reviews its insurance policies on a regular basis to ensure that there is adequate coverage on its assets and operations, there can be no assurance that the coverage would be adequate for the replacement cost of its assets or any consequential loss arising therefrom. The Group currently does not have any consequential loss insurance.

4.23 Acquisitions and Joint Ventures

If appropriate opportunities present themselves, the Group intends to acquire businesses, products or technologies or enter into synergistic joint ventures that the Group believes will be in the interest of its shareholders. There can be no assurance that the Group will be able to successfully identify, negotiate or finance such acquisitions and joint ventures, or to integrate such acquisitions and joint ventures with its current business. Acquisitions and joint ventures may cause the Group to seek additional capital, which may or may not be available on satisfactory terms.

There can be no assurance that the anticipated benefits of any acquisition will be realised, or that the Group will be able to generate sufficient revenues from any such acquisition to offset associated acquisition costs, or that the Group will be able to maintain uniform standards of quality and service, controls, procedures and policies. Acquisitions may also result in potentially dilutive issuances of equity, the incurrence of debt and contingent liabilities, and amortisation expenses related to goodwill and other intangible assets. Any joint venture investments would involve many of the same risks posed by acquisitions.

The Group will conduct detailed studies by itself and/or through professional advisers on the feasibility of potential acquisitions or joint ventures prior to undertaking the exercise, subject to approval being obtained from the shareholders of the Company (where applicable) in accordance with the Listing Requirements and/or the Companies Act, 1965.

4.24 Controlling Shareholders

Upon the completion of this Issue, the directors and substantial shareholders of the Company will, in the aggregate, own approximately 69.7% of the issued and paid-up share capital of the Company. Assuming the full exercise of all Options under the ESOS, the directors and substantial shareholders of the Company will collectively own approximately 67.7% of the enlarged issued and paid-up share capital of the Company. As a result, these shareholders, acting together, will possess voting control over the Company, giving them the ability, amongst others, to elect at least a majority of the Company's Board of Directors and to control the vote on significant corporate transactions, unless they are required to abstain from voting by law and/or by the relevant authorities. Please see Section 2.2 "Ownership and Management" and Section 13.3 "Directors and Substantial Shareholders" of this Prospectus for further information on the directors' and substantial shareholders' interests in the Company.

Nevertheless, the Company has appointed three (3) independent directors as a step towards good corporate governance to, amongst others, ensure that any future transactions involving related parties are entered into on arms-length terms.

4.25 Forward-Looking Statements

All statements contained in this Prospectus, statements made in press releases and oral statements that may be made by Greenyield or the officers, directors or employees acting on the Company's behalf, that are not statements of historical fact, constitute "forward-looking statements". Investors can identify some of these statements by forward-looking terms such as "expect", "believe", "plan", "intend", "estimate", "anticipate", "may", "will", "would", and "could" or similar words. However, investors should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Group's expected financial position, business strategy, plans and prospects are forward-looking statements. These forward-looking statements, including statements as to the Group's revenue and profitability, cost measures, plans, strategies and any other matters discussed in this Prospectus regarding matters that are not historical facts, are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Group's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Given the risks and uncertainties that may cause the Group's actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Prospectus, both the Company and AmMerchant Bank advise investors not to place undue reliance on these statements. Their inclusion in this Prospectus should not be regarded as a representation or warranty by the Company or AmMerchant Bank that the plans and objectives of the Group will be achieved.

4.26 No Prior Market for Greenyield Shares and Possible Volatility of Share Price

There has been no prior public market for the Company's Shares. The Issue Price has been determined by agreement between the Company and the Adviser based upon a number of factors, including but not limited to those set out in Section 3.5 "Pricing of the Issue" of this Prospectus, and may not be an indication of the market price of the Shares upon or subsequent to listing and quotation on the MESDAQ Market of Bursa Securities.

There can be no assurance that an active public market in the Shares will be developed or be sustained after listing and quotation on the MESDAQ Market of Bursa Securities or that the market price of the Shares will not decline below the Issue Price.

The Group believes that a variety of factors could cause the price of the Shares to fluctuate, including sales of substantial amounts of the Shares in the public market, announcements of developments relating to the Group's business and that of its competitors, and fluctuations in the Group's operating results and revenue levels.

In addition to the fundamentals of the Group, the future performance of the Company's Shares will also depend upon various external factors which are beyond the Group's control, such as general economic and industry conditions, the performance of regional and world bourses, as well as sentiments and liquidity in the local stock market.

4.27 Failure or Delay in the Listing of Greenyield

The success of the listing of Greenyield on the MESDAQ Market is also exposed to the risk that it may fail or be delayed should any of the following events occur:-

(a) The placees under the private placement tranche of the Issue fail to acquire the Issue Shares allocated to them;

(b) The Underwriting Agreement is terminated; and

4. RISK FACTORS (CONT'D)

(c) Greenyield is unable to meet the public shareholding spread requirements i.e. at least 25% of the issued and paid-up capital of the Company must be held by a minimum of 1,000 public shareholders holding not less than 100 Shares each at the time of the Company's admission to the Official List of the MESDAQ Market.

In the event of the failure of the proposed listing of Greenyield on the MESDAQ Market, investors shall be reimbursed their application money without interest.

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