4.3.2 LVSB

(a) Background

LVSB was incorporated in Malaysia on 4 April 1994 as a private limited company under the Act.

(b) History

LVSB was incorporated as a subsidiary of KSB on 4 April 1994 as a vehicle for KSB to venture into hotel and property investment.

Please refer to Section 12 for LVSB's profit and dividend track record.

(c) Principal Activities and Products/Services

The principal activities of LVSB are operations and management of hotel and property investment.

(d) Share Capital

The authorised share capital of LVSB is RM5,000,000 comprising 5,000,000 Shares, of which 3,500,000 Shares have been issued and fully paid-up.

Details of the changes in the issued and paid-up ordinary share capital of LVSB since incorporation are as follows:-

Date issued	No. of shares allotted	Par value (RM)	Consideration	Cumulative issued and paid up share capital (RM)
04.04.1994	2	1.00	Subscribers' shares	2
02.03.1996	3,499,998	1.00	Cash	3,500,000

(e) Subsidiary/Associated Corporations

LVSB does not have any subsidiary or associated company.

4.3.3 BCSB

(a) Background

BCSB was incorporated in Malaysia on 19 October 1995 as a private limited company under the Act.

(b) History

BCSB is presently dormant.

Please refer to Section 12 for BCSB's profit and dividend track record.

(c) **Principal Activities and Products/Services**

BCSB is presently dormant.

(d) **Share Capital**

The authorised share capital of BCSB is RM100,000 comprising 100,000 Shares, of which 2 Shares have been issued and fully paid-up.

Details of the changes in the issued and paid-up ordinary share capital of BCSB since incorporation are as follows:-

Date Issued	No. of shares allotted	Par value (RM)	Consideration	Cumulative issued and paid up share capital (RM)
19.10.1995	2	1.00	Subscribers' shares	2

(e) **Subsidiary/Associated Corporations**

BCSB does not have any subsidiary or associated company.

4.3.4 SHSB

(a) **Background**

SHSB was incorporated in Malaysia on 3 January 1997 as a private limited company under the Act.

(b) **History**

SHSB is presently dormant.

Please refer to Section 12 for SHSB's profit and dividend track record.

(c) **Principal Activities and Products/Services**

SHSB is principally a property investment company.

(d) **Share Capital**

The authorised share capital of SHSB is RM100,000 comprising 100,000 Shares, of which 2 Shares have been issued and fully paid-up.

Details of the changes in the issued and paid-up ordinary share capital of SHSB since incorporation are as follows:-

Date Issued	No. of shares allotted	Par value (RM)	Consideration	Cumulative issued and paid up share capital (RM)
03.01.1997	2	1.00	Subscribers' shares	2

(e) Subsidiary/Associated Corporations

SHSB does not have any subsidiary or associated company.

4.3.5 MUSB

(a) Background

MUSB was incorporated in Malaysia on 21 November 1996 as a private limited company under the Act.

(b) History

MUSB was incorporated in Malaysia on 21 November 1996 as a subsidiary of KSB as a property investment and development company.

Please refer to Section 12 for MUSB's profit and dividend track record.

(c) Principal Activities and Products/Services

MUSB is principally a property investment and development company.

(d) Share Capital

The authorised share capital of MUSB is RM100,000 comprising 100,000 Shares, of which 100 Shares have been issued and fully paid-up.

Details of the changes in the issued and paid-up ordinary share capital of MUSB since incorporation are as follows:-

Date Issued	No. of shares allotted	Par value (RM)	Consideration	Cumulative issued and paid up share capital (RM)
21.11.1996	2	1.00	Subscribers' shares	2
25.08.1997	98	1.00	Cash	100

(e) Subsidiary/Associated Corporations

MUSB does not have any subsidiary or associated company.

4.3.6 HSB

(a) Background

HSB was incorporated in Malaysia on 3 February 1981 as a private limited company under the Act.

(b) History

HSB is a property development company under the KSB Group.

Please refer to Section 12 for HSB's profit and dividend track record.

(c) Principal Activities and Products/Services

The principal activity of HSB consists of property development.

(d) Share Capital

The authorised share capital of HSB is RM3,500,000 comprising 3,500,000 Shares, of which 3,373,384 Shares have been issued and fully paid-up.

Details of the changes in the issued and paid-up ordinary share capital of HSB since incorporation are as follows:-

Date Issued	No. of shares allotted	Par value (RM)	Consideration	Cumulative issued and paid up share capital (RM)
03.02.1981	3	1.00	Subscribers' shares	3
02.11.1982	249,997	1.00	Cash allotments	250,000
16.11.1989	3,123,384	1.00	Cash allotments	3,373,384

(e) Subsidiary/Associated Corporations

HSB does not have any subsidiary or associate company.

4.3.7 YSSB

(a) Background

YSSB was incorporated in Malaysia on 27 August 1988 as a private limited company under the Act.

(b) History

The principal activities of YSSB are rubber and oil palm cultivation. YSSB acquired a piece of freehold agricultural land in Bruas which is still cultivated until todate. YSSB started its general contracting work during the year 1992 by contracting certain works from KSB. Thereon, YSSB became the construction arm of KSB.

Please refer to Section 12 for YSSB's profit and dividend track record.

(c) Principal Activities and Products/Services

The principal activities of YSSB are general contracting and oil palm cultivation.

(d) Share Capital

The authorised share capital of YSSB is RM250,000 comprising 250,000 Shares, of which 250,000 Shares have been issued and fully paid-up.

Details of the changes in the issued and paid-up ordinary share capital of YSSB since incorporation are as follows:-

Date Issued	No. of shares allotted	Par value (RM)	Consideration	Cumulative issued and paid up share capital (RM)
27.8.1988	4	1.00	Subscribers' shares	4
9.9.1988	50,000	1.00	Cash	50,004
10.12.2001	199,996	1.00	Cash	250,000

(e) Subsidiary/Associated Corporations

YSSB does not have any subsidiary or associated company.

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4.4 INDUSTRY OVERVIEW

4.4.1 The Property Industry

Overview Of The Property Market in 2002

The property market was active and stable following the better performance in the Malaysian economy. Measures in the Budget 2002, which included higher disposable income from pay increases to public sector employees and tax cuts benefited, in particular the residential property sector. Low interest rates, attractive loan packages and incentives by developers encouraged more purchasers to buy houses.

By end-September 2002, total outstanding loans extended by banks was RM449,688.4 million or a 4.1% increase on a year-on-year basis as the multiplier effect of the stimulus packages by the government filter through. Loans to the broad property sector continued to grow by 6.6% (10,714.6 million) to RM171,978.4 million with an increased 38.2% share of total outstanding loans. Purchase of residential properties formed the bulk of these loans. Total loans for residential properties increased considerably from RM82,192.3 million at end-September 2001 to RM96,652.0 million. Loans extended to this sub-sector have also enlarged its share of loans to the broad property sector to 56.2% (end-September: 51.0%). The stamp duty waiver on residential properties played an instrumental role in encouraging more purchases of houses that translated into a substantial increase in these loans. There was also an increase in these loans, although on a smaller scale, extended to the shop sub- sector as loans rose 3.2% to RM12,352.7 million.

Conversely, loans approved for the purchase of industrial buildings and factories contracted by 9.6% to RM4,267.1 million as at end-September on a year-on-year basis, reflecting the weak demand for industrial properties. Similarly for the commercial complex sub-sector, which experienced a decline of 6.8% in loans to RM3,679.7 million, indicating a quiet market for this sub-sector.

In the construction industry, loans totalling RM1,785.0 million given out for the construction of industrial buildings and factories showed a decline of 15.8% by end-September year-on-year in tandem with the decrease in loans for purchases. A similar pattern was observed for loans to the commercial complexes sub-sector, which recorded a decrease of 11.0% in loans to RM4,730 million.

In disposing of properties held under non-performing loans, Pengurusan Danaharta Nasional held its Sixth and Seventh tenders that closed on 2 May and 13 November 2002 respectively. In the sixth tender, a total of 266 properties with a combined indicative value of RM725.29 million were offered for sale. The number of properties sold was 142 and represented 53.0% of total properties tendered out.

(Source: Property Market Report–Year 2002 published by Valuation and Property Services Department, Ministry of Finance, Malaysia)

The combined consideration of properties sold was RM327.23 million or 12.0% higher than the total indicative value of these properties. The seventh tender offered 178 properties with an aggregate indicative value of RM623.5 million and included 82 newly foreclosed properties. Successful bids were received for 65 properties or 37.0% of total properties offered for sale.

The combined consideration of RM144.28 million was about the same as the total indicative value of RM144.01 million of these properties. Sales of newly foreclosed properties were more encouraging with 58.5% (48 properties) taken up. The combined consideration of RM101.4 million was 6.7% more than the indicative value. Successful bids were higher than indicative values in the residential and development land sectors, almost the same for the agricultural sector and the commercial sector but lower for the industrial sector.

(Source: Property Market Report–Year 2002 published by Valuation and Property Services Department, Ministry of Finance, Malaysia)

4.4.2 The Segments/Sectors of the Industry

Residential Properties

Though the residential sector remains the main sector driving the property market, transactions in the residential sector reduced by 7.9% in volume and 4.8% in value compared to last year. A total of 162,269 transactions worth RM21,136.74 million was recorded this year. This does not indicate the actual situation in the residential market as it has not included REHDA's estimate of 85,747 transactions under the stamp duty waiver. The estimated figure, at more than half of total residential transactions, obviously reflected a more active market for residential properties.

The waiver was for residential properties offered by developers. Sales and purchase agreements has to be signed during the first six months of this year in order to qualify for the waiver. Residential properties covered by the waiver were not only for completed units with certificate of fitness/certificate or practical completion issued but also included units under construction or units yet to be constructed.

Apart from the stamp duty waiver, factors that kept the residential market stable was the economic recovery in the economy, the increase in salary for government employees, intense competition amongst banks for a bigger share of housing loans as well as incentives provide by developers.

The latest estimate provided by REHDA in October 2002 showed a total of 184,711 units offered for sale by developers with regard to properties under the waiver. These units comprised 12,064 completed units (7.0%), 103, 032 units (56.0%) launched in 2001 and 69,615 units (36.0%) in 2002. Sales of 46.4% were achieved. The high number of unsold units may likely translate to more overhang next year. Overhang units are defined as units unsold nine months after being launched.

In terms of state, the highest number of units offered for sale by developers was in Selangor, which accounted for 45.7% of the total number of units followed by Johor (17.1%), Penang (6.9%) and Kuala Lumpur including Putra Jaya (6.5%), Perak (5.6%) and Kedah/Perlis (5.7%).

(Source: Property Market Report–Year 2002 published by Valuation and Property Services Department, Ministry of Finance, Malaysia)

The highest number of sales took place in Selangor with 38,252 houses sold, representing 44.6% of national units sold, followed by Johor with 11,553 units (13.5%), Kuala Lumpur including Putra Jaya with 7,594 (8.9%), Perak with 6,212 (7.2%) and Kedah/Perlis with 5,682 (6.6%). Sales in Pulau Pinang were for 5,533 houses (6.5%).

In terms of response to the number of units offered in each state, Perlis showed the best performance of 94% but accounted for less than 1.0% of overall units sold. Conversely, the lowest take-up of 36.5% took place in Johor, the state with the second highest number of units offered. Incidently Johor has the highest number of residential overhang units in the country. Although the number of units in Johor has increased to 13,660 by September 2002 compared to 12,491 nine months earlier, the overhang rate has decreased by 3.3% to 27.2%.

By type, more conventional units were offered for sale by developers, accounting for 59.8% (110,505 units) of total units offered. Terraced units, in particular the double storey terraced, were still favoured by developers, accounting for 52.6% (97,136 units) of units offered. Next were apartments making up 25.6% followed by condominiums (7.5%), flats (7.0%) and semi-detached houses (5.2%). Response to the houses offered for sale for all types were not encouraging, achieving a range of 41.0% to 55.7%. Terraced houses achieved sales of 51.5%. The highest percentage of sale of 55.7% was noted for detached houses in contrast with the lowest percentage of 41.0% for condominiums.

High-rise units accounted for the remaining 40.2% (74,206 units) of units offered by developers and were located mainly in Kuala Lumpur, Selangor and Pulau Pinang. In Kuala Lumpur, high rise units made up 86.0% of total units offered there while such units took up slightly more than half of total units offered in Pulau Pinang (54.0%) and in Selangor (53.1%). Sales performance varied. Response was better at 61.8% in Kuala Lumpur due to the small volume of 10,268 units offered compared to Selangor that achieved 41.4% as the volume of units offered were relatively higher at 44,827 and purchasers have more choice, including conventional units. Although the number of units offered in Pulau Pinang was a relatively small 6,866 units, response was only 40.1%. The overall performance in the country for high-rise units was only 43.2%.

The waiver was implemented with the objective of mopping up the residential overhang. However it is not clear yet whether this has been achieved as data on overhang for the last quarter of this year is not yet available. Overhang units in respect of the properties under the waiver will only start to surface by the first quarter of next year. However residential overhang units have increased by 11,442 units from 40,977 units in December 2001 or 22.9% of total residential overhang to 52,419 units (24.8%) in June 2002. But by end-September, it has reduced by 2,265 units to 50,154 units. The built-up in overhang for the first six months of this year by 11,442 to 52,419 units is nearly twice the increase of 5,774 in the previous period. To some extent, it suggested that the waiver has drawn some demand from the existing overhang.

The extension of the stamp duty waiver for low cost units from1 July this year will not affect the market for these units as the government has exempted such units from stamp duty since 1996.

(Source: Property Market Report–Year 2002 published by Valuation and Property Services Department, Ministry of Finance, Malaysia)

The transactions in the residential sector excluding those under the waiver has reduced by 7.9% and 4.8% compared to the increase in transaction activity last year by 3.1% and 1.2% respectively in the number and value of transactions. The reduction in the volume of transactions followed decreases in all states except in Kuala Lumpur and Terengganu. Kuala Lumpur rebounded with a 5.2% gain in the volume of transactions after a contraction of 11.1%. Similarly Terengganu turned around to record positive growth of 31.6% after 4.5% decrease. Selangor remained as the state with the highest number of transactions but Johor has overtaken Perak for second placing.

By price range, properties priced at RM150,000 and below still dominated demand, accounting for 74.7% of total number of residential transactions. Demand has however declined by 9.0% to 121,171 transactions accompanied by a 2.5% reduction in share of residential transactions. The most saleable properties in Kuala Lumpur, Selangor, Johor, Pulau Pinang and Sabah were within the specific price range of RM100,000 – RM150,000. In Negeri Sembilan, Melaka, Pahang, Kelantan and Perlis, lower priced properties within the price range of RM75,000 – RM100,000 were more favoured. In Kedah, properties in the price bracket of RM50,000 – RM75,000 remained the most sought after. However in Perak, properties priced at RM25,000 led in transactions.

The most popular type in all the states was the terraced unit except in Kuala Lumpur and Pulau Pinang where high – rise units dominated demand whereas in Terengganu and Kelantan, vacant plots were preferred. Value per transaction for residential properties has increased to RM130,257 compared to RM125,983 last year. States with higher average residential values compared to last year were Kuala Lumpur, Selangor, Pulau Pinang, Negeri Sembilan, Kedah, Pahang, Kelantan, Perlis and Sabah with the reverse for the remaining states compared to the previous year, states with a higher concentration of residential transactions showed that the increase in Selangor was by 3.9%, Pulau Pinang (1.0%) Kedah (10.4%), Negeri Sembilan (6.7%), and Kuala Lumpur (16.6%) with decreases in Perak (6.8%), Johor (2.6%), and Melaka (2.4%).

Compared to the previous year, price movements in the market, excluding properties under the stamp duty waiver, varied according to state. In Kuala Lumpur, prices and rentals of residential houses, be it landed or high rise, and including 2-storey detached houses in choice locations were largely stable except for a few isolated increases. In Selangor, prices of conventional houses moved upwards except for those in locations with poor accessibility. However high-rise residential units showed a mix of stable and positive price movements. Prices of condominiums and apartments were stable.

Rentals held firm with increases in choice locations. In Johor, prices were mixed. Prices for conventional houses in the Johor Bahru district improved in preferred locations but declined in some outlying areas faced with oversupply from either new schemes or new phases in existing mega schemes. Rentals rose in tandem with price increases in urban areas with the reverse for outlying areas. In other districts, prices and rentals from last year prevailed except for terraced houses in Kluang, which noted slight increases in rentals. On the other had, the exodus of expatriates working in foreign-owned companies led to a drop in prices and rentals of condominiums and apartments. In Pulau Pinang, prices and rentals were mixed except for flats where prices were maintained. Rental increases were noted for some residential types in good locations.

(Source: Property Market Report–Year 2002 published by Valuation and Property Services Department, Ministry of Finance, Malaysia)

In Perak, prices remained stable with slight increases for renovated low cost houses. Prices and rentals in Negeri Sembilan were subdued due to weak demand, in particular in Nilai faced with an oversupply of houses. In Melaka, prices were mixed but rentals has stabilized. In Kedah, prices of terraced houses in the districts of Kota Setar and Kuala Muda went up. Rentals of houses in this state showed a mix of stability and increases.

By the end of the year, the total national residential stock stood at 2,991,738 units, an increase of 5.5% (156,042 unit) over the previous year. Units completed showed an increase of 32.5% over last year. The bulk of completions or 58.1% of total units completed were in Selangor, Johor and Pulau Pinang. Completions in the two former states more than last year but fell in the latter state. Terraced units formed the biggest portion of units completed at 40.0% followed by low cost units (29.5%), flats/ condominiums/ apartments (22.6%). Units being constructed have decreased by 3.4% to 572,961 as completions outpaced starts. The bulk of these units were again terraced (33.0%), flats/apartments/condominiums (29.0%) and low cost (27.7%). Units that started construction this year surged 53.9% to 135,899 units. Likewise the same types of unit dominated starts. The number of starts for low costs units, at 37,535 units, was almost double that in the previous year. Planned supply has increased by 9.9% to 504,930 units. It included 181,343 units of additional supply for 2002, representing 35.9% of planned supply. Low cost units in planned supply has also increased and made up nearly a quarter of units under new planned supply. Most of these units were in Kuala Lumpur and Selangor.

The greater activity in the development of low cost units as well as the continued high number of units under planned supply is in line with the efforts of the government to meet the housing needs of the lower income group.

(Source: Property Market Report–Year 2002 published by Valuation and Property Services Department, Ministry of Finance, Malaysia)

Construction Sector

Underpinned by continued demand in selected segments of the property market and higher expected budgetary allocation for public infrastructure projects, value added in the construction sector is envisaged to grow by 2.5% in 2003. The sustained performance is partly on account of renewed interest in residential housing, in particular affordable houses, and supported by incentives given under the Package and lower interest rates. Construction of residential properties remains active despite slower demand for housing as the Iraq war and SARS affected consumer confidence during the first five months of 2003. Housing starts in the residential sector grew by 4.6% during the first half of 2003. Of the 69,941 units of housing starts during the period, 47.5% were terrace houses while condominium, apartments and flats constituted 20.2%.

Construction has been a key sector in the Government efforts to stimulate domestic economic activities and in enhancing growth. As the economy continues to rely on the domestic sector, the contribution of construction sector to GDP growth will have to be further enhanced. The Government, under the Package, introduced several measures and incentives as well as cash payment to first home owners under the Home Ownership for the People (HOPE) project to stimulate the property and construction sector as will as to provide affordable housing to the lower income group.

(Source: Economic Report 2003/2004)

Purpose-Built Office

There was minimal change in occupancy of purpose-built office space at the national level compared to last year. The rate of occupancy edged upwards by 0.3% over the year to 78.1%. The absorption of space increased by 3.3% (328,259 s.m.) to 10,145,903 s.m. of space occupied. This was less than the 374,750 s.m. of space coming on-stream in the current year which accounted for 2.9% of total existing space of 12,997,515 s.m. In line was the corresponding increase the occupancy of private buildings by 0.5% and a marginal 0.1% increase in the occupancy for government buildings.

Kuala Lumpur, Johor, Pahang, Kelantan, Sabah and Sarawak showed marginal increases in occupancy while Perlis with an insignificant share of national space showed a moderate increase. Occupancy rates from last year prevailed in Negeri Sembilan, Perak and Sabah. On the other hand, Selangor, Pulau Pinang and Melaka, Kedah, Terengganu showed marginal decreases. The major states of Kuala Lumpur and Johor each increased by 1% in occupancy while Selangor and Pulau Pinang reduced by 1% and 4% respectively. These states have the highest concentration of existing space in the country. Kuala Lumpur has the highest amount of space of 6,277,831 s.m. or nearly half of this space followed by Selangor with 1,746,539 s.m. (13.4%), Johor with 786,446 s.m. (6.0%) and Pulau Pinang with 849,661 s.m. (6.5%).

Oversupply is still evident in the major states as Kuala Lumpur, Selangor, Johor and Pulau Pinang each recorded occupancy rates of 76.3%, 72.5%, 70.5% and 67.9%. To a lesser extent, the glut is also present in Negri Sembilan (86.6%), Sarawak (87.8%) and Sabah (75.0%). Perak and Melaka continue to enjoy higher occupancies exceeding 90.0% while Kedah has dipped by 2% to 89%. The east coast states continued their strong performance, enjoying occupancy of above 95.0% mainly due to either minimal new supply or none. Labuan with the least office space of 68,722 s.m. has the lowest occupancy of 41.0% in the country. On the other hand, office buildings in Putra Jaya, all government buildings were fully occupied.

Rentals in most states were maintained. In Kuala Lumpur, the rental market went through a period of stability though a few buildings in the Golden Triangle and Jalan Ampang locality experienced increase of 3.0% - 10.0%. Offices sited in the vicinity of KLCC (Kuala Lumpur City Centre) moved up by 9.0% - 10.0%. Petronas Twin Towers continued to fetch premium rentals of RM70 – RM86 p.s.m. per month. Likewise in Selangor, rentals from the previous year were sustained.

The move to Putrajaya by some government departments will have only minimal impact on rentals that are already low as government departments in Selangor are mostly state branches, not affected by the relocation exercise. In Johor, rentals dropped by another 5.0% - 10.0% in Johor Bahru while else where, rentals were maintained. Newer buildings which not only offer better services but also competitive rentals led to growing voids and rental reductions in older buildings. In Pulau Pinang, rentals have stabilized in the island while the newly completed EPF Building is offering a very competitive rental to attract tenants. In Seberang Perai, rental movements were mixed. In Perak, asking rentals were still at previous years' levels. In Negeri Sembilan, rentals were stable accompanied by a slowdown in the construction of office buildings.

(Source: Property Market Report–Year 2002 published by Valuation and Property Services Department, Ministry of Finance, Malaysia)

By the end of the year, incoming supply of 2,190,531 s.m. of office space accounted for 16.9% of total office space nationwide. More than half of this space was located in Kuala Lumpur. Out of this space, a potential 159.419 s.m. of space will come on-stream next year. However this is unlikely to impact negatively on the oversupply situation in Kuala Lumpur in the near term. Based on the additional space of 156,517 a.m. of space absorbed by the Kuala Lumpur market, it is likely that space equivalent to the imminent supply will also be absorbed next year in anticipation of a stronger economic recovery. Planned space in the country remained high at 1,946,175 s.m. or 15.0% of existing space. Out of this planned space, 56.0% is located in Kuala Lumpur. On a positive note, the absence of conversion to new construction coupled with the reduction of space completed-on-year will provide some temporary relief to the Kuala Lumpur market. New planned supply nationwide is relatively low at 67,726 s.m. or 3.5% or planned supply. The economy is expected to perform better next year. The growth in the service is likely to see a corresponding positive impact on the office property sector.

Retail Property

The commercial sector remained the third most active sector in the property market with 7.4% of overall number of transactions. The total number of properties transacted was 17,048 worth RM6,443.90 million. Out of this, the retail property sub-sector contributed 77.0% in volume and 68.8% in value. Transactions of retail properties involved 11,370 shop transactions and 1,750 transactions of retail lots in shopping complexes combined with shopping complexes respectively worth RM4,028.45 million and RM407.84 million.

Demand for shops has improved slightly by 4.9% in volume and 9.1% in value compared to last year. The states that showed increased activity in terms of number of transactions were Johor, Perak, Kedah, Negeri Sembilan, Perlis and Sabah. Johor noted a smaller increase in activity of 11.4% after experiencing 23.2% in growth last year. Perak turned around to record an improvement of 22.0% after a similar 22.0% in contraction. On the other hand, transactions in Selangor declined by 6.0% after a significant surge of 182.0%. In Kuala Lumpur, transactions decreased marginally by 3% compared to the positive growth of 6.0% a year ago. Demand in Pulau Pinang was stable after a marginal reduction of 3.0%. Johor was the most actively transacted state with 2,386 transactions of shops followed closely by Selangor (2,169), Perak (1,820), Kedah (936) and Pulau Pinang (892).

However retail lots in shopping complexes including whole complexes, showed units transacted was about the same although there was a 9.3% decrease in the value of transactions. The bulk of these transactions were in Selangor with 17.9% of retail lot transactions, Pulau Pinang (16.3%), Perak (14.3%) and Kuala Lumpur (12.7%). Selangor and Perak showed a significant improvement in transactions with the reverse for the other two states.

Prices of shops were mixed. In Kuala Lumpur, most areas showed positive price movements although the rate of increase varied. In the up-market areas of Bangsar and Taman Tun Dr. Ismail, price rose by 18.0% in the former and by only 2% in the latter. Similar units in Bandar Manjalara, a suburban secondary area went up by 16.0%.

(Source: Property Market Report–Year 2002 published by Valuation and Property Services Department, Ministry of Finance, Malaysia)

In Selangor, prices were generally stable except for the major commercial centers of Subang Jaya and Petaling Jaya which enjoyed increases of 7.0% - 12.0%. In Johor, price movements were mixed and varied according to location and type. In the prime suburban areas of Johor Bahru district, increases of 1.8% - 9.2% were noted. Conversely, shops in some secondary suburban locations were adversely affected by the emergence of hypermarkets, recording 2.0% - 10,0% drops. In Pulau Pinang, prices were mixed in the island with a plus and minus of 5% depending on location, type and built-up whereas prices were generally stable in Seberang Perai. In Perak, demand for shops continued to be selective. Most of the newly launched shops within the centers of Ipoh and Taiping and suburban centers were very well received although prices were higher than that for last year as units offered were small in number. Not only newly launched shops but also prewar shops in Kampar received good response in anticipation of better business from the completion of TAR college and the proposed UNITAR Campus. In Negeri Sembilan, keen interest for 2-storey shops in Seremban town saw increases of around 14.0% for these units. Prices in Melaka were mixed while in Kedah, they were generally stable. In Pahang, prices from the last year prevailed with increases in several commercial locations in Kuantan town. Three storey shops in Bandar Baru Indera Mahkota, a suburban prime location, were sold at 5.5% higher than last year due to the establishment of several colleges in its vicinity. Terengganu showed no significant change in prices.

Rentals of ground floors of shops were mixed with more states showing stable rents. There were also instances of rental increases and decreases. In Kuala Lumpur, rentals were largely unchanged except for well known night spots like Bangsar Baru and Desa Sri Hartamas with respective increases of 16.0% and 1.0%. In Selangor, rentals were stable with increases noted in USJ 9 and USJ 10 in Subang Jaya, well-located neighbourhood commercial centers serving a large catchment area. In Johor Bahru District, rentals rose by 8.6% in Taman Sentosa in Johor Bahru City, an area sought after by pub, karaoke joint and restaurant operators.

The opening of the elevated interchange serving Taman Johor Jaya pushed up rentals while improved accessibility kept rentals stable in Taman Austin. In the smaller towns of Muar, Kluang and Simpang Renggam, rentals were mainly stable with some increases in rentals in the busier parts of these towns. In Penang, oversupply of pre-war shops led to a tenant's market for rentals in the island.

In Perak, rentals in most areas were stable while increases were in locations where business activity has improved due to more developments, the opening of food courts that generated business for surrounding shops and along commercial stretches of roads where business is good. In Negeri Sembilan, the suburban price areas of Seremban town and Bandar Baru Nilai rentals declined by 29.0% due to oversupply. On the other hand, the opening of a hypermarket in Senawang led to increased traffic flow that pushed up rentals of shops in its immediate vicinity by 13.0% - 16.0%. In Kedah, rental increases followed as more people settle in townships that were developed several years ago. In Pahang, rentals stabilised with instances of increases and decreases. In Terengganu, rentals in the central prime areas of Kuala Terengganu held but increased in Cukai. In Perlis, increases were noted in the price areas of Kangar.

(Source: Property Market Report–Year 2002 published by Valuation and Property Services Department, Ministry of Finance, Malaysia)

By the end of 2002, the stock of shops at the national level stood at 265,571 units, an increase of 3.4% year-on-year. Units completed increased by 54.5% (3,089 units) to 8,759. Selangor, Johor and Perak each contributed 2,842, 1635 and 928 units, accounting for a combined 5,405 units or 61.7% to total completed units. Selangor, Johor and Perak noted increases in completions. Starts increased by 5.1% (289 units) to 5,925 units. Again, the states within the most starts were Johor (1,288 units), Selangor (941 units), and Perak (909 units) with a combined 3,138 units or 53% of total starts. Starts increased in Selangor by 522 units and in Johor by 204 units with the reverse in Perak (554 units). Incoming supply nationwide was reduced to 28,900 units, a decrease of 8.9% (2,834 units) as completions outpaced starts. In Selangor, incoming supply decreased by 1,901 units to 7,459 while in Johor, it decreased by 19 units to 3,663m units. Planned supply nationwide was 30,783 units, an increase of 8.4% over last year. A combined 54.6% came from Selangor, Johor and Perak. Johor and Selangor recorded increase of 567 and 666 units was noted in Perak. New planned supply of 8,303 units was relatively high representing 27.0% of planned supply. Selangor, Johor and Perak each contributed 1,607,, 1855 and 717 units to new planned supply.

The national shop overhang by the end of September 2002 showed a stable rate of 38.8% although the 8,919 units increased by 1,318 units compared to end-December 2001. Although the number of overhang units in Johor have reduced by 154 units year-on-year and its share of national shop overhang has shrunk by 8.0%, Johor remained as the state with the highest number of shop overhang. The overhang situation in Pulau Pinang has deteriorated as the shop overhang has increased from 786 units to 1,431 units. It has taken over Selangor as the state with the second highest number of such units. Selangor's share of national overhang has reduced marginally by 1.0% to 11.6% with only an increase of 81 units in overhang. In Perak, the shop overhang has increased by 179 units to 543 units, expanding its share of national overhang to 6.1%. Likewise in Kuala Lumpur, the shop overhang increased albeit by only 24 units to 137 units.

(Source: Property Market Report–Year 2002 published by Valuation and Property Services Department, Ministry of Finance, Malaysia)

4.4.3 Future Growth of the Industry

Property Industry Prospects for 2003

Outlook for 2003 remains favourable despite greater uncertainties in the global environment. The US-Iraq war, depending on its duration and intensity, could further delay the global economic recovery process. This would subsequently affect regional economies including Malaysia. However, some positive developments such as increase intra regional trade as reflected in the January 2003 trade figures suggest that output and exports continue to expand in the months ahead, albeit moderately. Favourable financial conditions as well as positive wealth effects from higher commodities prices support further expansion in consumer spending. Private investment is also expected to grow stronger, particularly in new niche area of services including tourism, transport, education and health. The Government is also expected to announce series of policy package aimed at further stimulating economic activities.

(Source: Property Market Report–Year 2002 published by Valuation and Property Services Department, Ministry of Finance, Malaysia)

The residential sector, the main sector driving the property market, is expected to remain active in the year ahead although slower activity may be seen in the earlier months. A drop in the volume of transactions, noted in the final quarter of this year compared in creases year-on-year since 1999 suggested that the waiver has lured away some demand that would otherwise have taken place in the latter half of the year.

Activity in the early part of the year may see lower demand, and after effect of the stamp duty waiver and also as more signals emerge that indicated the likelihood of war breaking out in Iraq. The latter part of the year will depend on how long the war will take and if it does not take place. Otherwise low interest rates, competition among banks for a bigger share of housing loans as well as incentives by developers will continue to support activity.

The strong demand for affordable houses of RM150,000 and below, accounting for 74.7% of the volume of transactions, should continue in the following year. Sales performance of new launches at 54.6% was less than encouraging, portending to a glut in unsold properties. Some capital gains can be expected in some good locations such as mature neighbourhoods with limited supply, areas with good accessibility and localities with adequate amenities.

The outlook for the purpose-built office sector is stable for the coming year. Rentals of properties with higher occupancies in superior locations are likely to experience some increases. Otherwise rentals are anticipated to stay at current levels as the current weak demand leaves little opportunity for rentals to adjust upwards. The supply scenario is expected to remain unchanged next year. Space of 2.2 million s.m. under construction is highly significant vis-à-vis the small amount of additional space absorbed per annum in 2001 and 2002. Providing some temporary relief in the near term is the relatively small volume of space coming on-stream in relation to the weak demand that kept occupancy stable this year and a year ago. This trend is likely to carry through to 2003 with at best a marginal increase in occupancy if the recovery in the economy gains strength. The longer-term prospects for the purpose built office are less than encouraging, burdened by the substantial planned supply of 1.9 million s.m. To prevent a further built-up, the call by the government for a freeze in approvals for purpose-built offices appear to be heeded as new planned supply was negligible and should remain so until the situation improves.

Prospects for retail space in commercial complexes are encouraging in the coming year. The occupancy rate has crept up annually, reaching 77.3% by end-December 2002 compared to 75.6% by end December 2001 and 73.2% by end December 2000. Some recovery this year in the economy translated to more retail activity and sustained demand. The space coming was small and helped in stabilizing occupancy. Total foreign tourist arrivals have increased over last year and the number has not let up despite the recent Bali bombing incident. With the government focus on increasing the number of foreign tourists, this augurs well for states that relied much on retail business from them. Sustained consumer spending is supported by pay increases to government servants and higher per capital incomes. Annual events such as the mega sales has also boosted turnover in shopping complexes.

(Source: Property Market Report–Year 2002 published by Valuation and Property Services Department, Ministry of Finance, Malaysia)

The MIER (The Malaysian Institute Of Economic Research) consumer sentiment index showed consumer confidence is intact. The current rental situation, which differed depending on the state referred to, is unlikely to improve in the coming year except for shopping complexes in excellent locations with the right concept. On the supply front, the current inert scenario is expected to carry through to next year. Vacancy is unlikely to increase in the near-term as space completed is relatively small. Developers' sentiments, affected by the uncertainties in the global scene, apart from the languid demand for retail space, has led to a slow down in construction as indicated by the relatively small amount of space in starts. The indicators of demand pointed to a better performance in occupancy for the coming year given supply which is expected to remain unchanged and if the economy proceeds to show further recovery. Prospects in the longer term are blotted by the substantial supply both in space under construction and planned supply. The factors that affected retail business will likewise affect the shop sub-sector, indicating that demand for the year ahead is likely to be sustained.

(Source: Property Market Report–Year 2002 published by Valuation and Property Services Department, Ministry of Finance, Malaysia)

4.4.4 Players and Competition

Among the key listed players in the Property Sector in the Peninsula Malaysia are Sime UEP Properties Berhad, MK Land Holdings, SCB Developments Berhad, IGB Corporation Berhad, United Malayan Land Berhad, Bandar Raya Developments Berhad, Europlus Berhad, Talam Corporation Berhad, UDA Holdings Berhad, Selangor Properties Berhad, LBS Bina Group Berhad, Merge Housing Bhd and others.

The success of a market player in this sector is largely dependent on the large and strategic land banks and the product type/mix of a company which possess a good concept in their development projects and with a hindsight to adapt to changes in consumers demand and preference.

The YNHB Group has an edge other competition by offering affordable pricing as well as the location of its land bank which are primarily situated in high growth areas in Lumut, Sri Manjung and Setiawan. In addition, the Group's concept of affordable, convenience and conducive housing schemes was the driver to compete and excel against its competitors.

4.4.5 Laws and Regulations

The Government regulation and control in the property development industry are principally to achieve the aspiration of the New Economic Policy of equitable distribution of income and the ownership of homes by the population in general through provision of affordable housing in the form of low and medium low cost housing.

The regulations are to control and protect individual consumer as well as set the minimum standard to the property development industry. The regulations and controls therefore are not negative deterrent to the property industry but a positive factor in the macro sense as evidenced by the Homeownership Campaign of 1998/1999/2000/2001, Malaysia Property Expo 2002 ("MAPEX 2002"), the Special Scheme for low and medium cost housing development fund of RM2 billion by Syarikat Perumahan Negara ("SPN") and Bank Negara Malaysia to finance development and construction of such projects at fixed and subsidised interest rates and the revision of low cost housing price from RM25,000 to RM42,000 to assist developers to venture in the sector.

The implementation of the Housing Development (Control & Licencing) Act, 1966 will give better protection to consumer and also facilitate orderly development of properties. All these contribute towards positive impetus to the property development industry.

4.4.6 Demand and Supply

The life cycle of the property sector is highly correlated to the economic health and political stability of the country. Given the highly precarious state of the world economy, subjected to the uncertain threats of SARS and the aftermath of the Iraq War, the Malaysian economy will be negatively affected as well. Industrial output had declined in February, well before the war started. The Malaysian Institute Of Economic Research (MIER)'s Business Conditions Index (BCI) was still below the 100-point threshold in the first quarter of 2003, which means that the economy is struggling with recessionary tendencies. Consumer sentiments have expectedly fallen during the same period. Exports are projected to decelerate, while Foreign Direct Investment inflows may also slow somewhat. The Malaysian economy will have to largely rely on domestic demand, which will be boosted by continued stimulative monetary and fiscal policies. The Malaysian economy is entering a slowdown phase with reasonably strong fundamentals. We project Malaysia's GDP growth to decelerate somewhat to 3.7%in 2003, in view of a foreseeable weakness in the external sector and its impact through domestic linkages. With increased external demand, coupled with further revival of the private sector, the Malaysian economy could expand at a faster pace of 5.4% in 2004.

Notwithstanding the above, new housing schemes continued to be developed but the tendency is towards more affordable housing schemes as there is strong demand for affordable houses of RM150,000 and below, accounting for 74.7% of the volume of transactions, should continue in the following year. Sales performance of new launches at 54.6% was less than encouraging, portending to a glut in unsold properties. Some capital gains can be expected in some good locations such as mature neighbourhoods with limited supply, areas with good accessibility and localities with adequate amenities.

4.4.7 Prospects and Outlook

Economic Outlook for 2004

The economic outlook for 2004 is envisaged to be favourable. Real GDP growth is expected to gain momentum and register a higher rate of 5.5%-6% in 2004. Growth is expected to emanate from higher exports on account of continuing improvement in world economic prospects while domestic demand will continue to be driven by pro-growth fiscal and monetary measures. Whilst all sectors are forecast to register higher growth, services and manufacturing will continue to lead GDP growth, contributing 3.1 and 2.2 percentage points, respectively. Given the better prospects of world economic growth and international trade in 2004, with firm recovery taking place in several major industrialised countries and regional economies, the Malaysian economy is projected to strengthen and be reinforced by more vigorous domestic economic activities.

(Source: Economic Report 2003/2004)

In this regard, domestic demand (excluding change in stocks) in real terms is likely to increase at a fairly strong rate of 4.7% (2003: 5%), generated largely by the private sector resuming its role as the engine of growth and supported by pro-growth fiscal and monetary measures. External developments and strengthening domestic economy point to stronger growth in the manufacturing sector. Efforts to promote domestic consumption as well as advancements into higher value-added products will further boost growth of domestic-oriented industries.

Taking cognisance of the on-going development processes, the overall value added of the manufacturing sector is expected to register a stronger growth of 7.2%. The construction sector will continue to be supported by the property sub-sector, driven by measures and incentives introduced under the Package to stimulate construction and sales of residential properties, in particular affordable houses. On-going public and privatized infrastructure projects as well as off-shore fabrication works in the oil and gas industry will further boost the growth of the sector. The construction sector is, therefore, projected to register a slightly stronger growth of 2.6%.

Growth is expected to be broad-based with all sectors in the economy registering higher output with services and manufacturing continuing to spearhead growth. Growth is also expected to emanate from the domestic sector as well as pick-up in the external sector, following improved world prospects. Following the introduction and implementation of comprehensive measures to enhance the vibrancy of the economy and the medium and long-term competitiveness of the private sector, the private sector is envisaged to drive economic growth with private expenditure expected to be robust at 7.5% and further acceleration in private investment of 9.9%.

The strengthened macroeconomic fundamentals and a more broadly balanced economic structure with emerging new sources of growth will provide the foundation for sustained higher growth. Alongside pragmatic macroeconomic management and the pro-growth measures in place to support private sector initiatives, Budget 2004 will further enhance competitiveness and reinforce the resilience of the economy against likely destabilising external factors and garner higher economic growth for the country. The Malaysian economy is, therefore, targeted to achieve a stronger GDP growth of 5.5%-6% for 2004.

(Source: Economic Report 2003/2004)

4.5 MAJOR CUSTOMERS

Most of YNHB Group's customers are individuals who purchase properties for self occupation or investments.

4. INFORMATION ON THE GROUP *(Cont'd)*

4.6 MAJOR SUPPLIERS AND CONSULTANTS

Based on the Group's last audited financial statements for the financial year ended 31 December 2002, the top ten (10) suppliers and consultants of the Group are as follows: -

Suppliers Name	Address	Nature of Business	Year	Years of relationship
Wing Seng Hardware & Gas Dealer	Lot 3382, New Road, Kg Koh Sitiawan, Perak Darul Ridzuan	Tiles	1992	11
Manjung Lime Sdn Bhd	N 171-3, Main Road, 32400 Ayer Tawar, Perak Darul Ridzuan	Kapur	1994	9
Ong Sou Tiong & Sons Hardware Trading	No. 2439, Taman Samudera, Jalan Lumut, 32040 Sri Manjung, Perak Darul Ridzuan	Hardware	1995	8
Wing Seng Cement Products Sdn Bhd	Lot 3382, New Road, Kg Koh Sitiawan, Perak Darul Ridzuan	Sand Bricks	1996	7
DKLS Quarry & Premix Sdn Bhd	No. 51E, Tingkat 1, Jalan Raja Omar, 32000 Sitiawan, Perak Darul Ridzuan	¾ Aggregates	1996	7
Sime Coatings Sdn Bhd	4, Solok Waja 2, Kawasan Perindustrian Bukit Raja, P.O.Box 159, 41710 Klang, Selangor Darul Ehsan	Paint	1999	4
Tasek Corporation Berhad	Tasek Industrial Estate, 31400 Ipoh, P.O.Box 254, 30908 Ipoh, Perak Darul Ridzuan	Cement	2000	3
T & T Hardware Trading Sdn Bhd	No. 352, Jalan Simpang Dua, 32000 Sitiawan, Perak Darul Ridzuan	Wood	2001	2
Choo Bee Hardwares Sdn Bhd	42-44, Jalan Bendahara, 31650 Ipoh, Perak Darul Ridzuan	Bar	2001	2
Data Drillers Sdn Bhd	Lot 1, Kampung Pulau Pisang, Bota Kiri, 32600 Bota, Perak Darul Ridzuan	River Sand	2001	2

Consultants	Nature of Business	Years of relationship
Arkitek Ding Poi Kooi	Architectural	12
C T Perancang Perunding	Consultants in Town Planning & Development	12
Jurukur Perunding Services (Ipoh) Sdn Bhd	Consultants in Land & Housing Development, Survey services in Cadastral, Engineering, Aerial, Hydrographic, Mining and Topographical Surveying	12
Koh Perunding	Consulting Civil & Structural Engineers	11
Perunding Mahatera Sdn Bhd	M & E Consultant & Supervising Engineers	11
Foo & Yee Jurutera Perunding	Consulting Engineers	7
Landmark Valuers & Consultants	Valuers, Real Estate Agents, Property & Project Managers, Auctioneers & Consultants	6
DiGi Planners Services	Consultants Planning & Development	4
H+Y Architects / Planner	Architecture, Planning, Interiors & Landscaping	3
Perunding Awambina	Engineering Consultancy & Project Management	2

4.7 FUTURE PLANS, STRATEGIES AND PROSPECTS

The prospectus shall discuss and disclose the following: -

(a) Description of the business development plans (if any) and future plans of the corporation/group as well as steps taken (including time frame) to realise the plans;

(b) Strategies to be adopted to ensure growth; and

(c) Prospects of the corporation/group in the light of the industry prospects/outlook/conditions, future plans/strategies and competition.

Future Plans of the Group

The YNHB Group's prospects in the future lies mainly on its sound and competent management, which have a proven track record. The YNHB Group's land banks of approximately 1,092 acres as at 30 September 2003 are located primarily in the populous areas of Sitiawan, Seri Manjung and Lumut. The YNHB Group's land banks are located strategically, thus enabling YNHB Group to tap into the current infrastructure and further develop its land banks into townships. This had already been proven when the YNHB Group developed the Manjung District.

The main project, which will be undertaken by the YNHB Group, over the next decade is an integrated and self-contained township known as Manjung Point, which comprises over 10,000 residential, commercial, industrial and recreational units. This township, which has an estimated sales value of RM1.5 billion, covering an estimated area of approximately 782 acres, is located adjacent to Bandar Seri Manjung along the existing Ipoh-Lumut highway and between Lumut and Sitiawan.

According to Manjung Structural Plan 1991 to 2010, the population in the Manjung district will increase from 168,500 in 1991 to 249,800 in the year 2010. Along with the increase in population, a total of 1,800 units of new housing would be required every year in the said period.

The YNHB Group presently enjoys a healthy market share of properties developed in recent years and expects to see its market share increasing even further due to its domination of choice land for development. The YNHB Group has and will continue to target the middle-income group by developing medium cost houses ranging from RM80,000 to RM130,000.

The development of the District of Manjung is driven mainly by large infrastructure projects e.g. construction of the Tenaga Nasional Berhad's coal–fired power plant and the expansion of the Lumut Industrial Port.

At present, foreign contractors and consultants are engaged to construct the power station and they are renting houses and condominiums in the Lumut town centre. This gives rise to a demand in housing needs for the foreigners and local residents.

The expansion of the Lumut port is expected to generate additional employment opportunities in manning the port activities. The expected increase in workforce will directly contribute to the increase in demand for accommodation. The expected increase in port activities will also attract other supporting and manufacturing plants to be located close to the port. This will consequently result in a growth in the commercial activities and the population in the Manjung district.

The YNHB Group intends to expand its property development activities to other states such as Selangor and Federal Territory (Klang Valley), where possible. The emphasis when expanding into new regions is to concentrate more on medium cost residential units to cater for the medium class as opposed to building high end products such as bungalows and condominiums. The development of medium cost units is also less vulnerable to recession.

Immediate Plans

The YNHB Group has amassed land banks in prime locations in the more populous Sitiawan, Seri Manjung and Lumut, Perak. This will enable it to offer products according to the market demand. With its current land bank, YNHB Group's future projects is estimated to generate sales value of approximately RM607.138 million for the next 6 years. The following are few of the future projects:-

- Fasa 2J of Bandar Baru Seri Manjung – Phase 1 (Lot 2J)
- Taman Damai Jaya, Air Tawar (Lot 11426)
- Taman Sejati IV, Sitiawan (Lot 16047)
- Taman Samudera, Sri Manjung (Phase 9)
- Fasa 2C of Bandar Baru Seri Manjung
- Fasa 3B (Fil) of Bandar Baru Seri Manjung
- Taman Desa Manjung Point II, Lumut – Phase 1 (Lot Arena Phase 1)
- Taman Sejati IV, Sitiawan (Lot 16048)
- Taman Tiara, Sitiawan (Lots 8456, 1238 – 1241)
- Taman Embun, Pantai Remis (Lot 600)
- Taman Sejati III, Sitiawan (Lot 16050)
- Taman Samudera, Sri Manjung (Lot 4818)
- Taman Desa Manjung Point II, Lumut – Phase 2 (Lot Arena Phase 2)
- Taman Limbungan, Kg, Acheh, Sitiawan (Lot 14855, Lots 14851 – 54, Lot 14857)
- Lumut Ria Condominium, Lumut (Lot 379)
- Taman Sejati II, Sitiawan (Lot 17015)
- Taman Desa Bintang II, Sitiawan (Lots 10475, 10466, 10465)
- Taman Biru, Air Tawar (Lot 2672)
- Taman Pelabuhan, Kg. Acheh, Sitiawan (Lot 14838, Lots 14876 – 7)
- Taman Orkid, Air Tawar (Lot 3514)
- Taman Layar, Kg. Acheh, Sitiawan (Lot 5493)
- Pinggiran Manjung Point, Sri Manjung (PT 2810, 2811 & PT 2824 – 2831)
- Taman Bintang, Pantai Remis (Lot 3335)
- Lapangan Manjung Point, Sri Manjung (Lots 2773 – 80)

Long Term Plans

The YNHB Group intends to expand its property development activities to other states such as Selangor and Federal Territory (Klang Valley), where possible. The emphasis when expanding into new regions is to concentrate more on low-medium cost residential units to cater for the medium class as opposed to building high end products such as bungalows and condominiums. The development of low-medium cost units is also less vulnerable to recession.

The YNHB Group is also varying its product line in property development to include development of light industrial estates in Manjung Point to complement its existing commercial and residential units. The Group also plans to increase the number of its recurrent rental generating properties. The proposed investment properties to be developed include a multi-storey corporate office and a themed mall in Manjung Point.