
3. THE RISK FACTORS

In evaluating an investment in the IPO Shares, prospective applicants should carefully consider all information contained in this Prospectus including but not limited to the general and specific risks of the following investment considerations:-

3.1 Sensitivity to Business and Economic Risks

As in any other business, Naim is subject to risks inherent in the property development and construction industry. The property development and construction industry could in turn be sensitive to the economic conditions as it is primarily reliant on consumer demand. Other risks include changes in both monetary and fiscal policies and other changes that might be imposed by the relevant regulatory bodies as well as rising cost of labour and raw materials.

Notwithstanding that the Promoters, Directors and the management of the Group have the necessary experience and expertise to manage the risks inherent in the business of the Group, no assurance can be given that any changes in these factors would not have any material adverse impact on the Group's business and profitability.

3.2 No Prior Market for Naim Shares

Prior to this IPO, there has been no public market for Naim's Shares. There can be no assurance that an active market for Naim's Shares will exist upon its listing on the Main Board of the KLSE or, if developed, that such market will be sustained. The IPO Price of RM1.30 per Share has been determined after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and conditions, its prospects and the prospects for the industry in which the Group operates, the management of Naim, the market prices for shares of companies engaged in businesses similar to that of the Group and the prevailing economic and share market conditions at the time of listing of Naim Shares on the Main Board of the KLSE. There can be no assurance that the IPO Price will correspond to the price at which Naim's Shares will be traded on the Main Board of the KLSE upon or subsequent to its listing or that an active market for Naim's Shares will develop and continue upon or subsequent to its listing.

3.3 Capital Market Risks

The performance of the Malaysian local bourse is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiments are also driven by internal factors such as the economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes on KLSE, thus adding risk to the market price of the listed shares of Naim. Nevertheless the profitability of Naim is not dependent on the performance of the KLSE as the business activities of Naim have no direct correlation with the performance of the KLSE.

3.4 Quantity and Quality of Land Bank

The success of every development project is very much dependent on the locality and size of its land bank in order to achieve successful property launches which will in turn sustain its future profitability. Naim Group owns strategic development land in Miri, Kota Samarahan, Bintulu and Kuching of approximately 3,029 acres. In order to sustain the Group's future growth and profitability, the Group is also actively looking for land bank in strategic locations throughout Malaysia.

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3. THE RISK FACTORS (cont'd)

3.5 Risks associated with dependency on single supplier in relation to supply of construction materials

Naim Group has in the past been able to secure a steady supply of construction and building materials for its operations at relatively stable and competitive prices. Naim Group sources its materials from established manufacturers and traders throughout Sarawak and is not overly dependent on any single supplier for its materials. The main construction and building materials are steel, cement, sand and roofing sheets and are mainly manufactured in Sarawak. The Group also has its own building material trading company, namely, NC2SB which is an established dealer and supplier of cement, steel bar and wire mesh and TRSP which is involved in manufacturing of reinforced concrete piles. The Group is confident that it will continue to be able to obtain its raw materials in the future without any difficulties.

Save for the supply of cement where Cahya Mata Sarawak Berhad (CMSB) has control over its supply in Sarawak, the Group is not dependent on any single supplier as construction materials are readily available in the market at competitive prices.

For the past seven (7) years, the Group had not experienced any shortage in the supply of cement for the Group's internal and external construction activities. Should there be any shortage of supply of cement in Sarawak, the CMSB Group will import cement from West Malaysia or other neighbouring countries. Nevertheless, there is no assurance that Naim Group will always have sufficient supply of cement for its construction activities.

3.6 Competition from Other Property Developers and Contractors

Although competition from new entrants is limited due to the high cost of entry into the property and construction industries, Naim Group faces competition from existing players in these industries.

The competition in property development arises in respect of the availability of strategically located and reasonably priced land banks, the supply of labour and building materials and the selling prices of properties.

Naim Group has taken pro-active measures to mitigate these risks which include constantly reviewing its development and marketing strategies in response to the ever changing market conditions and to adopt different development concepts and marketing strategies that will correctly position itself to meet the needs of the target market.

In the construction industry, competition arises from the availability of construction projects and the presence of various competitors in the construction industry in securing projects. In addition, with the impending liberalisation of the services sector, foreign construction companies will be allowed to compete for construction projects in the local market. This may have material adverse effects on the Malaysian construction industry and hence, the Group's construction business.

NCSB is registered as a Class "A" Bumiputera contractor with Pusat Khidmat Kontraktor (PKK), Unit Pendaftaran Kontraktor Negeri Sarawak (UPK) and Class G7 with CIDB which allows NCSB to tender for government projects of any size. NCSB has always been able to complete its projects successfully and within the timeframe allocated. NCSB has been accredited with ISO 9002 (1994) under both Malaysian and British standards for project management, development, sales and construction of residential, commercial and industrial buildings. Naim Group has established itself as one of the reputable property developers in Sarawak in developing affordable and quality properties. In addition to location and pricing of properties, the track record and reputation of a property developer plays an important role in ensuring the successful launching of new property development projects.

Although the Group seeks to stay competitive by taking the various pro-active steps as mentioned above in its endeavours to secure new contracts, no assurance can be given that any changes to these factors will not have any material adverse effect on the Group's business.

3. THE RISK FACTORS (cont'd)

3.7 Delay in Completion of Projects

Completion of a development and/ or construction project on time is dependent on many external factors which may be beyond the control of the Group, such as obtaining timely approvals from various regulatory authorities, sourcing and securing quality construction materials in adequate amounts, favourable credit terms and satisfactory performance of contractors who were appointed to complete the development project. The Directors and management of the Group monitor the project schedules closely to minimise any delay in completion of projects. Nevertheless, there can be no assurance that the above mentioned factors will not lead to delays in the completion of a project. The delays may have a direct impact on the Group's profitability and reputation.

3.8 Cost of Development for Property and Construction Projects and Demand Risks

Appreciation of land cost and fluctuations of construction cost are inherent risks in the property development and construction industry. Higher cost of land and construction materials will affect the profit margin on the property developers and contractors where the selling prices of the properties are fixed or the Group have entered into fixed-price contracts. Where the Group increases the selling prices of its development properties or revise the contract sum of the construction projects, demand for these properties and projects may be adversely affected.

As set out in Section 8 of this Prospectus, the Group has vast land banks of approximately 3,029 acres which is expected to sustain the property development activities of the Group over the next fifteen (15) years. As such, the management of the Group is of the view that any fluctuation in market prices of land is unlikely to materially affect the cost of development projects of the Group.

3.9 Fluctuations in Interest Rates

Naim Group is able to meet its financial obligations through a combination of internally generated funds and external financing. Naim Group presently enjoys good credit standing with its bankers and has adequate credit facilities. Nonetheless, the listing of Naim on the KLSE will be advantageous in the long term as it will enable Naim to tap into the capital market in the future to meet its long term funding requirements. The access to relatively cheaper funds from the capital market will enhance profitability through interest savings and expansion of operations and also lessen the Group's exposure to fluctuations in interest risks.

Fluctuations in interest rates also affect the demand for properties as higher interest rates will increase the cost of acquisition for house buyers and may affect the demand for the Group's properties. With the low interest rates (the current BLR of major commercial banks is 6.00%) coupled with attractive house financing packages offered by financial institutions, this risk has been minimised to a certain extent. Nevertheless, there is no assurance that interest rates will remain at this low level and demand for the Group's properties will not be affected in the future.

3.10 Political and Government Regulations and Controls

The Government regulation and control in the property development and construction industries 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. In addition, the property development and construction industries are also subject to jurisdiction of several governmental regulating agencies such as Pusat Khidmat Kontraktor (PKK), Unit Pendaftaran Kontraktor Negeri Sarawak (UPK), Ministry of Entrepreneurial Development, CIDB as well as various statutory acts and regulations, including the Occupational Safety and Health Act, Environmental Quality Act, 1974 (Act 127), Sarawak Land Code (Cap. 81) Strata Titles Ordinance, 1995 and the requirements of Bomba and local municipal councils. These regulations, acts and requirements are to control and protect individual consumers as well as set the minimum standard for the property development and construction industries.

3. THE RISK FACTORS (cont'd)

The Group has maintained and will continue to maintain strict compliance with all acts, requirements and regulation under which it operates. However, no assurance can be given that any future changes to the present acts, regulations and requirements or the introduction of any new acts, regulations and requirements will not have a material impact on the Group's business.

3.11 Risks associated with Environment

Save for the La Nina, El Nino and related weather conditions which bring drought and floods respectively to the Asia-Pacific region, there is minimal risk of adverse weather condition that will affect the operations of Naim Group. In planning and implementing its property development and construction activities, Naim is aware of delays that may be caused by adverse weather conditions and has taken these factors into their plans.

During raining seasons, to avoid floods, Naim Group takes precautionary steps such as having proper drainage system at its property development and construction sites and also constantly monitors its drainage systems. Weather reports and weather forecasts are also monitored to ensure the workers are well prepared for any potential adverse whether conditions.

During dry seasons, there is potential threat of fire and haze. Naim have taken precautionary steps to prevent fire outbreaks. These include having a fire fighting unit within the construction sites and implementing fire drills on a regular basis.

Based on Naim's past experience, there is minimal effect of adverse weather conditions on Naim Group's activities. While threat from adverse weather conditions is beyond the control of Naim, steps are taken to minimize its impact. Nevertheless, there is no assurance that any sustained adverse changes in weather will not affect the performance of the Group.

3.12 Ownership and Control of the Group

Upon completion of the IPO, the Promoters of Naim control approximately 74% of Naim. As such these Promoters will be able to control the outcome of certain matters requiring the votes of the company's shareholders unless they are required to abstain from voting and deliberating by law, covenants and/or by the relevant authorities.

3.13 Dependence on Key Personnel

As in any other business, the Group believes that its continued success will depend to a significant extent upon the abilities, skills, experience, competency and continuous efforts of its existing Directors and management team. The Group is headed by its Managing Director, Datuk Hasmi Bin Hasnan and is supported by an experienced, dedicated and dynamic management team with majority of its key personnel having been in the industry for more than ten (10) years. The Group will strive to continue attracting and retaining qualified and experienced personnel which is essential towards providing the required design and construction, operations and maintenance, management, administration and general support functions for the successful operations of the Group. Efforts have been made to groom the younger members in the senior management to gradually take-over from the senior members to ensure smooth transition in the management team. Nevertheless, there is no assurance that the loss of any key Directors and management personnel may not adversely affect the Group's ability to compete in the industry.

3.14 Achievability of Forecast

This Prospectus contains profit forecast of Naim Group that are based on certain assumptions made by the Directors of Naim, but which nevertheless are subject to uncertainties and contingencies. Because of the subjective judgments and inherent uncertainties of the profit forecast, and due to the fact that events and circumstances do not always occur as expected, there can be no assurance that the profit forecast contained herein will be realised and actual results may be materially different from those

3. THE RISK FACTORS (cont'd)

shown. Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the profit forecast that are contained herein.

3.15 Potential Conflict of Interest

Certain Directors and Substantial Shareholders of Naim have Substantial Shareholdings and/or hold directorships in companies carrying out similar business activities as Naim Group which may give rise to potential conflict of interest situation.

To safeguard the interests of the Group and to avoid a possible conflict of interest situation, the Directors and Substantial Shareholders of Naim have given undertakings (as set out in Section 2.10 of this Prospectus) that they will not venture into any new business that will lead to conflict of interest situations with the existing businesses carried out by Naim Group. Further details on the Directors' and Substantial Shareholders' interests in similar businesses and the measures to be taken to avoid such potential conflict of interest are set out in Section 10.2 of this Prospectus.

In addition, an audit committee comprising a majority of independent directors which is required to be formed under the listing requirements of the KLSE will, inter-alia, monitor any transactions between the Group and its Directors/ Substantial Shareholders and/or persons connected with them.

3.16 Forward looking statements

Certain information in this Prospectus is based on the historical experience of the Group and may not be reflective of future results. Whilst the interpretation of this information may be forward-looking, the contingencies and inherent uncertainties underlying these information should be carefully considered by investors and should not be regarded as a representation or assurance by the Group and its advisers that the objectives and the future plans of the Group will be achieved. Any differences in the expectations of the Group from its actual performance may result in the Group's financial and business performances and plans to be materially different from those anticipated.

Further details of the Group's Risk Management Plan are set out in Section 5.12 of this Prospectus.

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4. INDUSTRY OVERVIEW

The Naim Group is principally involved in property development and construction. As such, the industry assessment below essentially concentrates on the property development and construction sectors.

4.1 The Global Economy

World growth expanded by a modest 3% in 2002 while world trade growth turned positive to grow by 2.9% (2001: -0.1%). The performance of the global economy was lower than expected although growth remained stronger than in 2001 (2.3%). Economic outturn was uneven throughout the course of the year and across regions. Recovery in the US was lower than earlier expectations and the performances of Japan and the euro area slowed down further, while growth in the East Asian region rebounded. The lower than expected growth in the US was due to the slow pick-up in investment amid continued excess capacity and uncertainties over the strength and sustainability of economic recovery, the threats of terrorist attacks, corporate scandals and declining stock prices. Co-ordinated accommodative monetary and fiscal policies have helped sustain consumer demand, which was the main driver of economic recovery.

The global economic outlook continues to be affected by the geopolitical and economic uncertainties and the adverse impact of sharply rising oil prices on private sector consumption and investment. Underlying growth, however, remains positive, supported by fundamentals. While growth would likely remain positive, the magnitude of this growth would depend largely on the influences arising from the geopolitical tensions in the Middle East and the impact on consumers and businesses in the major industrial economies. Given the greater uncertainties, global economic growth is expected to remain modest in 2003. Growth will be supported by a moderate expansion in the US and Asian regional economies as growth prospects for Japan and the euro area remain difficult. Under these circumstances, it is projected that world growth will expand modestly by 3.1% (2002: 3%) while world trade will increase by 3.5 – 4.5% in 2003. Growth in the major industrial countries as a group is estimated at 1.8% (2002: 1.6%).

(Source : Bank Negara Malaysia Annual Report 2002)

4.2 The Malaysian Economy

Recovery of the Malaysian economy gained momentum in 2002 amidst a more challenging external environment. Real economic growth turned positive in the first quarter and strengthened to 5.6% in the fourth quarter. For the year as a whole, real gross domestic product (GDP) expanded by 4.2% compared with 0.4% in 2001. Economic growth was broad based, driven by strong domestic demand and reinforced by improved export performance. While public expenditure was strongly supportive of economic activity, growth was reinforced by sustained strength in consumer spending and external demand. Low interest rates, improved access to financing and the significant improvement in commodity prices provided strong stimuli for private sector expenditure to grow.

In an environment of heightened uncertainty in the global economy, growth in the Malaysian economy would be mainly domestic driven, supported by a modest growth in external demand. Real GDP growth has the potential to be sustained in the region of 4.5% in 2003 (4.2% in 2002). However, unlike 2002, when the public sector remained the principal driver of economic growth, private sector demand is expected to assume a more significant role in driving economic expansion in 2003. The improved domestic fundamentals would provide support for the sustained consumption and continued recovery in private investment.

(Source : Bank Negara Malaysia Annual Report 2002)

An Economic Stimulus Package worth RM7.3 billion was announced by the Prime Minister on 21 May 2003 in an effort to sustain the domestic economic growth by mobilising domestic sources of growth as well as reducing dependence on the external sector.

(Source : "New Strategies Towards stimulating the Nation's Economic Growth" issued by Putrajaya on 21 May 2003)

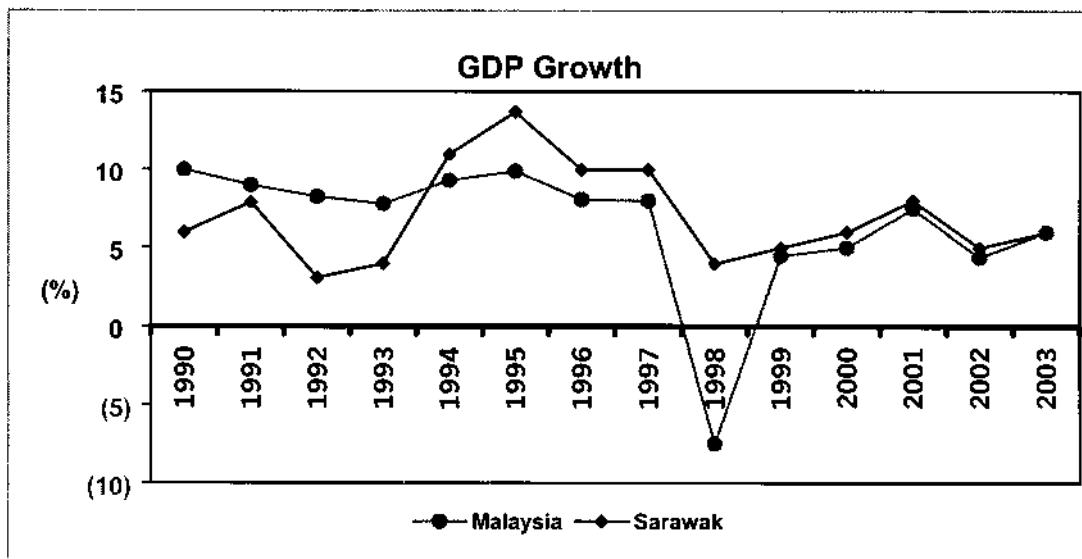
4. INDUSTRY OVERVIEW (cont'd)

Major uncertainties over the Iraq War and SARS disease have dissipated. The expectations of a strong global economic rebound right after the war did not materialize, but there is hope that conditions might perk up later in the year. The global economy is showing a modest post-war recovery. On the domestic front, the Malaysian recently unveiled an economic package to mitigate any adverse effects on the domestic economy. With indicators and sentiments improving and visibility getting better, the MIER expects that these will turn into a virtuous circle that will rekindle economic activity during the second half of 2003 and into 2004. In view of these positive developments, amid lesser negative issues, the MIER has revised its GDP growth forecast upwards to 4.3 per cent. Assuming a more upbeat global economy and calmer geopolitics around the globe, Malaysia's GDP growth in 2004 could possibly reach 5.4 per cent.

(Source: *The Malaysian Institute of Economic Research (MIER), updated on 16 July 2003*)

4.3 The Sarawak Economy

For the past decade, the Sarawak economy has been registering positive growth and since 1993, the growth in the GDP of the State has consistently exceeded the overall national average as shown in the chart below :-



(Source : *Yearbook of Statistics Sarawak 2002, Sarawak State Budget 2002, Bank Negara Malaysia Annual Report 2002, State Planning Unit Facts and Figures 2001/2002*)

The State economy is forecasted in the State Budget 2002 to grow by 4% to 5% in 2002 in spite of a decline in production and prices of LNG and crude petroleum. This moderate growth for 2002 is stimulated by the growth from other sectors notably agriculture, manufacturing, construction and services.

The manufacturing sector is expected to grow by 4.5% in 2002. This compares favourably to 0.5% in 2001 when the overall performance of the manufacturing industry was affected by the slowdown in major industrial countries and particularly the downturn in the global electronics sector. The manufacturing sector is projected to grow 5% in 2003. While there will be moderate growth in the electric and electronic sectors, LNG is expected to increase from 14.8 billion tonne in 2002 to 15.4 billion tonne in 2003.

In 2003, across the board, public consumption is forecasted to attain a growth of 3.5%. Private consumption will be sustained during the course of the year, expanding at a pace of 9.4%. The continuation of expansionary fiscal policy is expected to boost private consumption in the year ahead. Public investment is estimated to be sustained at 9.7%. The major focus will be on infrastructural projects such as roads, bridges, airports, schools, ICT and energy.

4. INDUSTRY OVERVIEW (cont'd)

Private investment on the other hand is anticipated to increase at 10.4%. This is in tandem with the anticipated strengthening of the investment activities underpinned by the government's continuous policy efforts to create congenial environment for the private sector investment coupled with on-going incentives. In addition, investment activities led by the private sector are expected to pick up in consonance with better business outlook and a strong momentum from the domestic activities.

After taking all factors into account, the state GDP is projected to grow between 5.5% to 6% in 2003.

(Source : Year 2003 State Budget Speech dated 28th October 2002)

4.4 The Property Market in Malaysia

The property market was active and stable following the better performance in the Malaysian economy. Measures in the 2002 Budget which included higher disposal 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, loans to the broad property sector continued to grow by 6.6% of which financing for purchase of residential properties formed the bulk of these loans.

The number of transactions recorded for 2002 was 231,394 a marginal decrease of 4.6% compared to 2001. Value of transactions was maintained at RM38,643.29 million, near to the RM38,634.93 million registered for the previous year. However this does not include the residential transactions under the stamp duty waiver estimated by the Real Estate and Housing Developers Association (REHDA) at 85,747. The substantial number of these transactions indicated that the property market is definitely more active. The residential sector remained the main sector driving the market, contributing 70.1% in the number of transactions. In terms of value, the residential sector was still the key sector making up 54.7% of the value of transaction in the market.

In terms of the rate of growth in the volume of transaction, the situation has improved. The increase in overall transactions in year 2002 was more than the 1.1% for year 2001, on account of the substantial number of residential transactions under the stamp duty waiver. This was mirrored in the residential sector. As transactions under the waiver, would evidently be more than the increase of 3.1% in residential transactions for 2001. Higher average values were also noted for properties in the residential sector where value per transaction increased to RM130,257, an increase of 3.4% compared to the 1.8% dip in year 2001.

(Source : Property Market Report 2002)

4.5 Overview of the Property Market in Sarawak

The 1997 financial crisis has further reinforced the market perception on the resilience of property investments particularly in the housing sector. Unlike the Malaysian stock market, property prices in Malaysia did not suffer such huge short-term decline in values. Landed properties in Sarawak have even fared better as they were able to maintain their price levels, particularly the housing sector.

The underlying strength of the property development industry is also evidenced from the increases in the annual number of transactions and the value of such transactions whereby the number and value of annual transactions in Sarawak for the past seven (7) years (except for 2002) increased at a higher rate than the overall rate for Malaysia. This shows that the outlook of the property development industry in Sarawak is good.

(Source : Market Study on Sarawak Property Market prepared by C H Williams Talhar Wong & Yeo Sdn Bhd dated 26 May 2003)

For the supply side, the residential sector continued to chart an encouraging improvement to accommodate demand for new housing projects. Notwithstanding that economic conditions have yet to show promising recovery, developers' confidence on new projects renewed as evidenced by the commencement of several new projects.

4. INDUSTRY OVERVIEW (cont'd)

(Source : Property Market Report 2002)

As an indication of the demand for and supply of housing, during the 8th Malaysia Plan period (2001 to 2005), as a result of growing population, formation of new households and the replacement of existing houses, Sarawak is projected to require a total of 69,223 units of housing units during the period (Source : 8th Malaysia Plan).

For the years 2001 and 2002, a total of 5,338 units and 19,900 units of various housing units were completed respectively. This would indicate that the State still require a total of approximately 44,000 units of housing units to be built for the next three (3) years, or an yearly increase of 14,662 units of housing units.

On the issue of overhang, the figures available for the last two (2) quarters of 2002 demonstrate lower percentages and relative volume for Sarawak as compared to Malaysia :-

Overhang Units and Rates by Type – Year 2002

Type	Malaysia				Sarawak			
	Q3		Q4		Q3		Q4	
	(Units)	(%)	(Units)	(%)	(Units)	(%)	(Units)	(%)
Residential	54,265	21.9	59,750	21.6	1,443	21.8	1,299	17.7
Industrial	2,145	33.3	2,198	33.0	173	41.9	169	40.5
Retail Shop	8,976	35.5	9,702	35.2	506	27.8	659	24.8
Shopping Complex	1,392,820 (sq. metres)	23.1	1,376,910 (sq. metres)	22.7	36,312 (sq. metres)	16.1	36,312 (sq. metres)	16.1
Purpose-Built Office	2,746,235 (sq. metres)	26.3	2,763,982 (sq. metres)	26.3	61,309 (sq. metres)	17.3	61,309 (sq. metres)	17.3

(Source : Property Overhang, Q4 Year 2002 issued by Valuation and Property Services Department of the Ministry of Finance)

4.6 Outlook of the Property Market in Sarawak

The Government continues to prioritise on the construction of low and medium cost houses in line with the objective of providing affordable houses to all Malaysians. Growth in the construction sector is expected to improve with the adoption of expansionary fiscal policy. Sales in the residential sector are also expected to pick up as purchasers take advantage of the stamp duty exemption, banks' competitive and low interest housing loans.

Under the 8th Malaysia Plan period, the objective of the housing development programmes will be to increase accessibility to adequate, affordable and quality houses for all income groups. The Sarawak State economy grew at 4.2% in 2002. Notwithstanding the short to intermediate fluctuations in GDP growth in Sarawak, the long term growth prospect of the Sarawak economy would not be disturbed.

Apart from the economic conditions, the property market is also influenced and dependent upon demographic factors, household income, location of growth areas and housing needs.

The average annual growth rates of urban population are much higher than the rural area due to rural-urban migration. Statistics showed that 75% of households are in urban areas with an average of 2% increase projected per annum.

(Source : Market Study of The Sarawak Property Market prepared by C H Williams Talhar Wong & Yeo Sdn Bhd dated 26 May 2003)

4. INDUSTRY OVERVIEW (cont'd)

The following are extracts from "International Property 2002" by CH Williams Talhar & Wong and the "Market Study of The Sarawak Property Market" prepared by C H Williams Talhar Wong & Yeo Sdn Bhd dated 26 May 2003, covering the three (3) towns in Sarawak, namely, Miri, Kota Samarahan and Bintulu, where Naim Group has property development and/ or land bank :-

Miri

The property market in Miri for 2002 has bottomed out since the 1997 economic downturn. Prices of properties in all sectors have stabilised with minimal changes since 2001. There are no indications of any further decline as developers are practising a "sell and build" approach to avoid an oversupply in the market. Demand for properties especially in the residential sector has picked up slightly since the second quarter of 2002 due to attractive financing packages from financial institutions.

Residential properties below RM150,000.00 (mainly single-storey houses) have experienced a reasonable sales trend since the second quarter of 2002. The demand for newly built single-storey houses has been quite encouraging partly due to the attractive financing packages being offered by financial institutions. New townships providing such properties are Bandar Baru Permyjaya in Tudan and Desa Senadin in Lutong. The demand for properties in all sub sectors will remain stable and experience some improvements especially in the residential sub-sector. There will be a gradual increase in the prices of residential properties although it is anticipated that such increases will be minimal. The demand for residential properties below the RM150,000 level will improve as financial institutions continue with their low interest and attractive marketing campaign.

The trend of the selling prices of houses in Miri are as tabulated below :-

Project	Type	1999	2000	2001	2002	2003
Bandar Baru Permyjaya	1ST	72,888 - 75,888	77,888 - 87,888	69,888 - 93,888	71,888 - 93,888	-
	1SSD	130,000 - 152,999	111,888 - 157,999	123,888 - 169,999	128,888 - 186,999	98,888 onwards
	1SD	168,999	172,999 - 255,388	255,999	238,888 - 258,888	224,999
	2ST	116,888 - 119,888	121,888 - 123,888	125,000 - 138,888	139,888 to 141,888	141,888 - 174,888
	2SSD	-	219,888	222,888	208,888 - 226,888	259,888
	2SD	320,000 - 360,000	-	-	340,000 - 380,000	350,000 - 390,000
	DHVL	185 psm	-	207 psm	-	185 - 207 psm
	SH2T	-	279,000 - 360,000	-	270,000 - 388,000	295,000 - 388,000
	Industrial lot	-	-	-	-	136 psm
1S2SD	-	-	-	-	191,888	
Desa Senadin	1ST	52,000 - 78,000	56,000 - 80,000	60,000 - 88,000	69,000 - 112,000	-
	1.5ST	-	-	-	-	-
	2ST	135,000 - 175,000	135,000 - 175,000	135,000 - 175,000	130,000 - 188,000	-
	1SSD	-	148,000	168,000	-	-
	1SD	-	230,000	260,000	-	-
	DHVL	148 psm	161 psm	168 psm	-	-
Taman Tunku	MC1S-T	79,000 - 125,000	98,000 - 130,000	105,000 - 145,000	-	-
	MC1.5S-T	-	-	-	-	-

(Source : Market Study of The Sarawak Property Market prepared by C H Williams Talhar Wong & Yeo Sdn Bhd dated 26 May 2003)

The continuation of ongoing projects and programmes being implemented to develop Miri into a Resort City by 2005 will progress as planned.

Overall the property market outlook for Miri Town will remain stable with more improvements geared towards the medium cost residential market. Other sub-sectors will see gradual growth but at a much slower pace.

4. INDUSTRY OVERVIEW (cont'd)

Bintulu

The overall property market in Bintulu had been strong during the beginning of 2002 and slowing down towards the end of the year.

With several Petro-Chemical projects (such as the construction of MLNG 3 Plant, Rejuvenating of the MLNG 1 project, Bakun Hydro Electrical Dam, the expansion of ABF Plant and Shell MDS's Debottlenecking Project and others still under construction), the property market is expected to move at a moderate rate in terms of demand and activities in the year 2003.

(Source : "International Property 2002" by CH Williams Talhar & Wong)

To update, the MLNG 3 has just been completed in May 2003. As for the Bakun Hydro Electrical Dam, a RMI.78 billion civil works contract has been awarded in March 2003. Furthermore, a RM7.6 billion Aluminium Smelter Plant has been proposed on a 250 hectare site in Similajau, Bintulu and the construction is expected to begin by the end of 2003.

Kota Samarahan

Based on the current development speed and future trend in Samarahan, the Kota Samarahan population will increase from 10,500 in 1995 to 19,600 in the year 2000, then 67,400 in 2010. In view of the high potential for in-migration of neighbouring population, driven by employment opportunities and availability of good facilities, by the year 2010, the total Kota Samarahan population will easily hit the 70,000 figure. Thus, this will affect greatly the population growth of Samarahan district and the region.

(Source: A Demographic Study of Samarahan Region and its Implication on the Samarahan Urban and Regional Development prepared by Inter-agency Working Group, State Planning Unit, June 8,1999)

Kota Samarahan has been designated by the Sarawak Government as the educational, bio-tech research and international medical centre in addition to the Regional administrative and service centre. The State Government has planned to develop and establish Kota Samarahan as the State Educational and Technological Center of Excellence.

University Malaysia Sarawak (UNIMAS), University Technology MARA (UiTM) and Teachers' Training College are located at Kota Samarahan.

At the present moment, UNIMAS and UiTM together have a total current student population of 7,870, increased from 4,200 in 2000. The staff strength of 1,051 in 2000 has by now increased to 1,600. The staff number would increase to about 3,000 by 2006 - 2010 *(Source : State Planning Unit 1999)*.

UNIMAS covers a total land area of slightly over 1,000 Ha. The construction works for the new permanent campus has commenced since 2002 and is expected to be completed by the second half of 2004.

Upon full-scale intake in 2005 - 2010, the student population for UNIMAS and UiTM were estimated to be 18,000 and 10,000 respectively *(Source : State Planning Unit - 1999)*. By 2020, UNIMAS would be able to take in about 26,000 Student.

Together with the armed forces (proposed army camp), the total population of Kota Samarahan by 2010 is estimated by the State Planning Unit to be 65,000.

These employment centres of UNIMAS, UiTM, Teachers Training College, other research and training centres, Government Departments, army camp and industrial set-ups would create employment for some 6,000 by 2005 and 10,000 by 2010 from the present 3,000 *(Source : State Planning Unit - 1999)*.

The soon-to-be-opened shops at Bandar Baru Kota Samarahan will open up local shopping, social, medical treatments, services and entertainment opportunities.

4. INDUSTRY OVERVIEW (cont'd)

The selling prices of houses in Kota Samarahan have been increasing over the years from 1999 to 2002 and are as tabulated below :-

Type	1999	2000	2001	2002
1S-T	76,000 - 113,888	92,888 - 152,888	98,888 - 152,888	103,888 - 156,888
2S-T	-	148,999 - 222,888	155,888 - 227,888	163,888 - 233,888
1S-SD	139,888 - 148,888	139,888 - 148,888	165,888 - 179,888	142,888 - 188,888
2S-SD	-	-	-	248,888 - 298,888
1S-D	140,000 - 200,000	143,500 - 200,000	147,000 - 200,000	150,500 - 200,000
DH-VL	148 - 161 psm	148 - 161 psm	148 - 161 psm	148 - 161 psm

Demand for the medium cost housing and detached lots will improve over the next few years in line with the growth of population and employment in the high-tech , R&D, medical and educational sectors.

(Source : Market Study of The Sarawak Property Market prepared by C H Williams Talhar Wong & Yeo Sdn Bhd dated 26 May 2003)

4.7 The Construction Sector in Malaysia

Growth in the construction sector was sustained at 2.3% in 2002, underpinned by the growth in the civil engineering sub-sector as Government spending on public projects continued. However, the repatriation of illegal foreign workers had a temporary softening impact on the sector.

With the labour shortage problem expected to improve in the first half of 2003, growth in the construction sector is envisaged to increase by 1.9%, reflecting mainly the slower growth in the civil engineering and residential sub-sectors. This reflects the lower spending on infrastructure projects by both the private sector and the Government following the completion of some of the on-going projects. In the case of the residential sub-sector, there has been an increase in property overhang and the take-up rate for newly-launched projects during the first half of 2002 was low. Meanwhile, activity in the non-residential sub-sector will continue to be affected by the oversupply situation.

(Source :BNM Annual Report 2002)

In the RM7.3 billion Economic Stimulus Package announced by the Prime Minister on 21 May 2003, the Government will continue to pump-prime the economy by undertaking various development projects, with priority given to infrastructure and construction-related project which have multiplier effects on the economy. Further details of the various stimulus announced by the Government are set out in Section 4.10 of this Prospectus.

4.8 The Construction Sector in Sarawak

For the years 2000 and 2001, total value of construction activities in the State amounted to RM944 million and RM1,084 million respectively, representing 3.05% and 3.60% of the State's GDP for the respective years.

For the year 2002, the State Government implemented fiscal stimulus package amounted to RM196 million which together with public infrastructure, social amenities and low cost housing contributed to a growth of 4% in the construction sector. The implementation of a few mega infrastructural projects which are ongoing such as the new LNG III jetty, MLNG-III (now completed), construction of roads, bridges and expansion of airports have provided further impetus to the growth of the sector.

Infrastructure development continues to feature prominently in the development of the state and the construction sector is expected to expand moderately by 4% in the year 2003.

4. INDUSTRY OVERVIEW (cont'd)

Under the Year 2003 State Budget, a sum of RM474 million is to be provided for infrastructure development and accounts for 21% of the total development estimate for 2003. Out of the total allocation for this sector, RM35 million is meant for the port authorities of Rajang, Miri, Kuching and Sarawak Rivers Board for the development of port facilities and riverine transportation. A sum of RM28 million is provided for the Land and Survey Department for urban roads construction. The balance of RM412 million is to be allocated to the Jabatan Kerja Raya for the various infrastructure projects.

For social and community development, a sum of RM372 million is proposed for 2003. This provision is higher than the RM336 million provided in 2002. In addition, in line the State Government's ongoing effort to provide the lower income group with affordable housing, the provision of low and medium-cost housing will continue in 2003 and a sum of RM227 million or about 10% of the 2003 development budget is proposed to be allocated for this purpose. In addition the state also provides a sum of RM64 million to the Land and Survey Department for resettlement of squatters.

Also under this sector, it is proposed that RM48 million be provided to the Ministry of Social Development and Urbanization to provide recreational, sport and welfare facilities throughout the state.

(Source : Year 2003 State Budget Speech dated 28th October 2002)

4.9 Industry players

The Group is presently one of the largest property developers and contractors in Sarawak with projects located throughout Sarawak.

For its property development activities, the Group faces competition in Miri from Miri Housing Development Sdn Bhd, developer of Desa Senadin located in Lutong and Kumpulan Parabena Sdn Bhd, developer of Taman Tunku and Bodco Engineering Sdn Bhd, developer of Samar Indah project in Kota Samarahan.

As for its construction activities, the Group faces competition from other Sarawak-based companies which are listed on the KLSE, namely Cahya Mata Sarawak Berhad, Hock Seng Lee Berhad, Zecon Engineering Berhad.

The Directors believes that with its proven track records, its reputation for successful and timely completion and delivery of projects, good financial position as well as quality land bank, the Group will continue to be successful in its existing and future ventures.

4.10 Government Legislation, Policies and Incentives for Property Development and Construction Industries

The Property Development and Construction Industries are governed by various government legislation and policies such as the Malaysian Construction Industry Development Board Act 1994, the Housing Developers (Control and Licensing) Act 1966 (Revised 1973), Housing Developers (Control and Licensing) Regulations 1989 and Housing Developers (Housing Development Account) Regulations 1991. These Acts and Regulations are responsible for regulating and improving the industry by means of providing consultancy, quality accreditation, research and development, promoting usage of high technology as well as manpower training services.

The government regulations and controls in the property development industry are principally in the broad sense to achieve the aspirations of the New Economic Policy of equitable distribution of income and the ownership of homes by the populations in general through provisions of affordable housing as well as to control and protect individual consumers by setting the minimum standard to the property development industry.

4. INDUSTRY OVERVIEW (cont'd)

The government will continue to undertake development projects, with priority given to infrastructure and construction-related project which have multiplier effects on the economy. In addition, the government has also introduced various incentives under the recent Economic Stimulus Package to support the industry. These incentives include, amongst others :-

- (i) exemption of real property gains tax for a period of one (1) year, effective from 1 June 2003;
- (ii) exemption of stamp duty on completed loan documents relating to purchase of residential houses costing not more than RM180,000 per unit from housing developers, Government Agencies or cooperatives, on the condition that the sales and purchase agreement is executed within one (1) year period from 1 June 2003;
- (iii) reduction in the current contribution rate of 0.25% by developers to CIDB;
- (iv) Foreigners are allowed to acquire landed properties exceeding RM150,000 per unit; and
- (v) Under the Home Ownership for People (HOPE) project, new buyers and first time owners of houses costing below RM100,000, amongst others, will be provided subsidy on housing loan interest whilst for new buyers of completed houses and first-time owners of houses costing between RM100,000 to RM180,000, a tax relief on interest payments will be given.

(Source : "New Strategies Towards stimulating the Nation's Economic Growth" issued by Putrajaya on 21 May 2003)

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