
4. SHARE CAPITAL

| | RM |
|---|--------------------|
| <i>Authorised:</i> | |
| 500,000,000 Shares | <u>500,000,000</u> |
| <i>Issued and fully paid-up:</i> | |
| 101,250,000 Shares | 101,250,000 |
| <i>To be issued pursuant to the Public Issue:</i> | |
| 33,750,000 new Shares | <u>33,750,000</u> |
| | <u>135,000,000</u> |

The issue price of RM1.60 for each Public Issue Share is payable in full on application.

There is only one (1) class of shares in Plenitude, being ordinary shares of RM1.00 each. The Public Issue Shares will rank pari passu in all respects with the existing issued and paid-up shares of the Company including voting rights and will be entitled to all rights, dividends and distributions that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any Shares that may be issued by the Company in the future, the shareholders of the Company shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of the liquidation of the Company in accordance with the Articles of Association of the Company.

At every general meeting of the Company, each shareholder shall be entitled to vote in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney to a shareholder shall have one vote and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each Share held. A proxy may but need not be a member of the Company provided that the provisions of Section 149(1)(b) of the Companies Act, 1965 are complied with or the person being appointed is the Chairman of the Company.

5. PARTICULARS OF THE PUBLIC ISSUE

5.1 Opening and Closing of Application

The Application Lists will open at 10.00 a.m. on 15 October 2003 and will remain open until 8.00 p.m. on 29 October 2003 or for such further period or periods as the Directors of the Company and the Managing Underwriter in their absolute discretion may decide.

5.2 Critical Dates for the Public Issue

| | | |
|---|---|------------------|
| Last day for acceptance and payment | : | 29 October 2003 |
| The tentative date for balloting of applications for the Public Issue Shares (if necessary) | : | 4 November 2003 |
| The tentative date for allotment of securities | : | 12 November 2003 |
| The tentative date of listing | : | 18 November 2003 |

5.3 Details of the Public Issue

The Public Issue is subject to the terms and conditions of this Prospectus. Upon acceptance, the Public Issue Shares will be allocated in the following manner:

(i) Employees of the Group

1,000,000 Public Issue Shares have been reserved for the eligible employees of the Plenitude Group.

(ii) Private Placement

28,000,000 Public Issue Shares will be placed with identified private and/or institutional investors by the Placement Agent.

(iii) Malaysian Public

4,750,000 Public Issue Shares are available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

The issue price of RM1.60 per Public Issue Share is payable in full upon acceptance on the terms and conditions as set out in this Prospectus.

The 33,750,000 Public Issue Shares comprising 1,000,000 Public Issue Shares available for eligible employees of the Plenitude Group and 4,750,000 Public Issue Shares available for application by the Malaysian public, in respect of item (i) and (iii) above respectively, have been fully underwritten by the Underwriters set out in Section 1 of this Prospectus at an underwriting commission of 2% and managing underwriting commission of 0.25% of the issue price of RM1.60 per Public Issue Share. The remaining 28,000,000 Public Issue Shares to be issued by way of private placement need not be and will not be underwritten because the Placement Agent and/or the identified investors have provided irrevocable undertakings to acquire the said Shares.

In the event that the eligible employees of the Plenitude Group do not take up the Public Issue Shares allocated to them under item (i) above, the Public Issue Shares will be re-offered to all the eligible employees of the Plenitude Group for application on a ballot basis. Any Public Issue Shares in respect of item (i) not taken up will subsequently be offered to the Malaysian public as stated in item (iii) above.

5. PARTICULARS OF THE PUBLIC ISSUE (CONT'D)

The minimum number of Shares to be subscribed pursuant to the Public Issue is 33,750,000 Shares at an issue price of RM1.60 per Share to meet the funding requirements of Plenitude.

Pursuant to the Listing Requirements of KLSE, at least 25% of the issued and paid-up share capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each upon completion of the Public Issue and at the point of listing. Upon completion of the Public Issue and at the point of listing, the Company is expected to have the necessary number of shareholders in order for the Company to be listed on the Main Board of the KLSE.

5.4 Basis of Arriving at the Public Issue Price

The Public Issue price of RM1.60 per Share was determined and agreed upon by the Company and CIMB, as the Adviser, Managing Underwriter and Underwriter of the Public Issue and KLCS, as the Placement Agent and Underwriter, after taking into account, inter-alia, the following factors:

- (i) The Group's financial and operating history and conditions;
- (ii) The prospects of the Group and of the property industry;
- (iii) The forecast PE multiple of 4.97 times based on the forecast diluted net EPS of 32.17 sen for the financial year ending 30 June 2004. The above computation is based on the enlarged issued and fully paid-up share capital of 135,000,000 Shares;
- (iv) The proforma consolidated NTA of Plenitude as at 30 June 2003 after the Public Issue of RM334.93 million or RM2.48 per Share; and
- (v) The qualitative and quantitative factors of the Plenitude Group as outlined in Sections 8, 9 and 10 of this Prospectus.

Investors should note that the market prices of the Shares upon and subsequent to the listing on the Main Board of the KLSE are subject to the vagaries of market forces and other uncertainties, which may affect the price of the Shares being traded. Investors should also bear in mind the risk factors as set out in Section 6 of this Prospectus before deciding on whether or not to invest in the Shares.

5.5 Purposes of the Public Issue

The purposes of the Public Issue are as follows:

- (i) To enable Plenitude to have access to the capital market for funds required for its future expansion and growth;
- (ii) To provide an opportunity for the Malaysian public and eligible employees of the Plenitude Group to participate in the equity and in the continuing growth of the Group; and
- (iii) To obtain listing of and quotation for Plenitude's entire issued and paid-up share capital on the Main Board of KLSE.

5. PARTICULARS OF THE PUBLIC ISSUE (CONT'D)

5.6 Utilisation of Proceeds from the Public Issue

The gross proceeds of RM54,000,000 from the Public Issue will accrue entirely to the Company and will be utilised in the following manner:

| | Notes | RM'000 |
|-----------------------------------|-------|---------------|
| Repayment of bank borrowings | (i) | 17,000 |
| Working capital | (ii) | 33,000 |
| Estimated expenses of the listing | (iii) | 4,000 |
| | | <u>54,000</u> |

Notes:

- (i) Plenitude will utilise RM17.0 million of the proceeds from the Public Issue to repay its existing bank borrowings. The bank borrowings were mainly used to finance development projects and the Group's working capital. The interest savings as a result of repayment of the said borrowings is approximately RM1.36 million per annum assuming that interest rate is 8% per annum.

The balance outstanding of the bank borrowings of RM31.980 million as at 30 June 2003 will be subsequently reduced to RM14.980 million as the said repayment of the bank borrowings will be made progressively.

- (ii) Proceeds will be utilised for the core-business activities of the Group, namely for its property development activities, the general working capital and administrative requirement and repayment of potential future borrowing arising from the group's purchase of property and/or development land.

- (iii) The details of the estimated listing expenses are as follows:

| | RM |
|---|-------------------------|
| Professional fees | 955,000 |
| SC's fee | 117,500 |
| KLSE's initial listing fee | 50,000 |
| Registration fee to increase authorised share capital | 70,000 |
| Registration and lodgement fee | 5,500 |
| Printing of prospectus | 200,000 |
| Advertisement | 300,000 |
| Issuing House's fee | 130,000 |
| Brokerage | 76,000 |
| Underwriting commission | 276,000 |
| Placement agent fees | 672,000 |
| Contingencies | 1,148,000 |
| Total | <u><u>4,000,000</u></u> |

5.7 Financial Impact from the Utilisation of Proceeds

The total gross proceeds from the Public Issue amount to RM54,000,000. An amount of RM17.0 million is earmarked for the repayment of bank borrowings. The said repayment is expected to be completed by the end of financial year ending 30 June 2004 and will provide the Group with interest savings of approximately RM1.36 million per annum (based on an assumed interest rate of 8.0% p.a.).

The Public Issue is expected to raise an additional RM33.0 million for the working capital which is expected to improve the liquidity and cash flow position of the Plenitude Group.

5. PARTICULARS OF THE PUBLIC ISSUE (CONT'D)

The cashflow for the utilisation of proceeds are as follows:

| Cashflow for the financial year ending 30 June | 2004 RM'000 | 2005 RM'000 | Total RM'000 |
|--|----------------|----------------|-----------------|
| Inflow | | | |
| Proceeds from the Public Issue | 54,000 | - | 54,000 |
| | 54,000 | - | 54,000 |
| Outflow | | | |
| Repayment of bank borrowings | 17,000 | - | 17,000 |
| Working capital | 23,000 | 10,000 | 33,000 |
| Estimated listing expenses | 4,000 | - | 4,000 |
| | 44,000 | 10,000 | 54,000 |

The total gross proceeds receivable by Plenitude from the Public Issue of RM54.0 million are expected to be fully utilised by the end of financial year ending 30 June 2005.

5.8 Underwriting Commission, Placement Fees and Brokerage

The Managing Underwriter and Underwriters mentioned in Section 1 of this Prospectus have agreed to underwrite all the 5,750,000 Public Issue Shares which are available for application by the Malaysian citizens, companies, co-operatives, societies and institutions, and eligible employees of the Group. Managing underwriting and underwriting commission is payable by the Company at the rate of 0.25% and 2.0% of the issue price of RM1.60 per Share underwritten respectively.

KLCS, as the Placement Agent for the 28,000,000 Placement Shares, have agreed to place the said Shares to certain nominated institutions and individuals for a placement fee of up to 1.5% of the placement price of RM1.60 per Share. None of the Placement Shares are required to be underwritten as the Placement Agent and/or the nominated placees for the Placement Shares have provided written irrevocable undertakings that they will subscribe for the Placement Shares.

Brokerage is payable by the Company at the rate of 1% of the 5,750,000 Public Issue Shares which is price at RM1.60 per Share in respect of successful applications which bear the stamp of CIMB, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

Full details of the expenses relating to the Public Issue are disclosed in Section 5.6 of this Prospectus.

5.9 Details of the Underwriting Arrangements

The names of the Underwriters for the Public Issue are as follows:

| | | |
|----------------------|---|---------------|
| Managing Underwriter | : | CIMB |
| Underwriters | : | CIMB and KLCS |

The Underwriters may withdraw from their obligations under the Underwriting Agreement in the event any of the warranties, representations, or undertakings given by the Company is breached prior to the date of listing and on the occurrence of any unforeseen circumstances beyond the reasonable control of the contracting parties.

5. PARTICULARS OF THE PUBLIC ISSUE (CONT'D)

The Underwriting Agreement was entered into between the Underwriters and Plenitude on 26 September 2003. The salient terms of the Underwriting Agreement, amongst others, are as follows:

- (i) The obligations of the Underwriters under the Underwriting Agreement are conditional upon, among others, the following:
 - (a) the issuance of the Prospectus within one (1) month from the date of the Underwriting Agreement or such later date as CIMB and Plenitude may from time to time agree;
 - (b) there having been on or prior to the date as adopted in the Prospectus as the last date for acceptance and receipt of the application for the subscription of the Public Issue Shares ("Closing Date"), neither any adverse change nor any development reasonably likely to result in any adverse change in the condition (financial or otherwise) of the Group, which is material in the context of the Public Issue from that set forth in the Prospectus, nor the occurrence of any event or the discovery of any fact which is inaccurate, untrue or incorrect to any extent which makes any of the representations and warranties contained in underwriting opinion in the opinion of CIMB (which opinion is final and binding) untrue and incorrect in any material respect as though they had been given and made on such date with reference to the facts and circumstances then subsisting, nor the occurrence of any breach of the undertakings contained in the Underwriting Agreement;
 - (c) Plenitude receiving on or prior to the Closing Date the approval in principle of the KLSE for the listing of and quotation for the entire issued and paid-up share capital of Plenitude on the Main Board of the KLSE which is unconditional or subject to such conditions which are acceptable to the Managing Underwriter and the Managing Underwriter being reasonably satisfied that such listing and quotation will be granted within three (3) clear market days after all requisite documents for quotation are furnished to the KLSE; and
 - (d) the Public Issue not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia.

If any of the conditions set out above or in the Underwriting Agreement is not satisfied by the Closing Date, the Underwriters shall be entitled to terminate this Underwriting Agreement and in that event, except for the liability of Plenitude for the payment of costs and expenses as provided in the Underwriting Agreement incurred prior to or in connection with such termination, there shall be no further claims by the Underwriters against Plenitude and the parties shall be released and discharged from their respective obligations under the Underwriting Agreement PROVIDED THAT the Underwriters may at its discretion with respect to its own obligations waive compliance with any of the conditions.

- (ii) Subject to prior consultation between all of the parties to the Underwriting Agreement, CIMB shall be entitled to terminate the Underwriting Agreement by notice in writing delivered to Plenitude at any time before the Closing Date if the success of the Public Issue is, in the opinion of CIMB, materially jeopardised by:
 - (a) the coming into force of any laws or Governmental regulations and directives which seriously affects or will seriously affect the business of the Group;
 - (b) any material breach by Plenitude of any of its representations, warranties, obligations or undertakings under the underwriting agreement;

5. PARTICULARS OF THE PUBLIC ISSUE (*CONT'D*)

- (c) any material and adverse change in the condition (financial or otherwise) of the Group from that described in the Prospectus; or
- (d) any material and adverse changes in the markets of its products (foreign market).

On delivery of such a notice, the Underwriting Agreement shall become void and each party's rights and obligations under the Underwriting Agreement shall cease and none of the parties (except for the liability of Plenitude in respect of payments of costs and expenses referred to in the Underwriting Agreement incurred prior to or in connection with such termination) shall have any claim against each other. Thereafter the Underwriters and the Company shall confer with a view to deferring the Public Issue or amending its terms and/or entering into a new Underwriting Agreement PROVIDED THAT the Company or the Underwriters shall not be under any obligation to enter into such new agreement.

(iii) If any of the following shall occur:

- (a) there shall have been such a change in national or international monetary, financial, political or economic conditions or in market condition (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regards to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or exchange control legislation or regulations or currency exchange rates or an occurrence as a result of an act or acts of God as would in its reasonable opinion materially prejudice the success of the offering of the underwritten Shares and their distribution or sale (whether in the primary market or in respect of dealings in the secondary market) or in the event of national disorder, outbreak of war or epidemic in the region or the world or the declaration of a state of national emergency; or
- (b) in the reasonable opinion of CIMB, the success of the Public Issue is seriously jeopardised by the Kuala Lumpur Composite Index falling below 600 points and remaining below 600 points for three (3) consecutive market days at any time between the date of the Underwriting Agreement and up to and including the Closing Date.

CIMB may, subject to prior consultation with Plenitude, at any time prior to or on the Closing Date:

- (aa) terminate the Underwriting Agreement by giving notice to the Company in the manner as set out in the Underwriting Agreement; or
- (bb) request for the Closing Date to be extended to such reasonable date as the Underwriters may decide.

6. RISK FACTORS

Prior to making an investment decision on the Public Issue, potential investors in the Company should carefully consider the following (which may not be exhaustive) in addition to all the other relevant information contained elsewhere in this Prospectus, before making an application.

6.1 No prior market for the Shares

Prior to the Public Issue, there was no public market for the Shares. No assurance can be given that an active market for the Shares will develop upon their listing on the Main Board of the KLSE and, if developed, that such a market will be sustained. The issue price of RM1.60 per Public Issue Share was 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 the Group, the market prices for shares of companies engaged in businesses similar to that of the Group and prevailing market conditions. There can be no assurance that the issue price of the Public Issue Shares will correspond to the price at which the Shares will trade on the Main Board of the KLSE upon or subsequent to their listing.

6.2 Capital market risks

As an investor of Plenitude, it is to be noted that Plenitude will be listed on the Main Board of the KLSE. The performance of the 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 largely 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 witnessed on KLSE, thus adding risks to the market price of the listed shares of Plenitude.

6.3 Business risks

The Group is involved in the development of properties and the ownership and management of a beach hotel and hence, is subject to certain risks inherent in the property and tourism industries. Risks inherent in the property market include the macro effects of a general downturn in the global and national economies, shortages of material and labour, increases in labour and material costs, entry of new players, changes in political, Government legislation, business and credit conditions, fluctuations in demand for residential and commercial properties, and unsatisfactory performance of contractors who undertake the Group's development projects. In addition to the above, the Group recognises the fact that sale of houses can be affected by movement of interest rates. The increase in interest rates could materially and adversely affect the house-buyers' intention and/or ability to purchase houses.

Risks inherent in the tourism industry particularly in relation to Penang where the Tanjung Bungah Beach Hotel is situated, includes political and environmental factors and the business environment. In addition, efforts to promote the tourism industry in Penang by the local authorities, together with business activities in Penang are also important factors to ensure that tourists/visitors continue to visit Penang.

Acknowledging the fact that the Group is operating in an ever-changing business environment, the Group endeavours to keep abreast with the latest development in the property development industry and has taken considerable steps to minimise these business risks which include, inter alia, the following:

- The Group has built an experienced, dedicated and dynamic management team for its property development operations and has engaged reputable architects, project engineers, quantity surveyors, landscape architects and advisers for its project development operations.

6. RISK FACTORS (CONT'D)

- Due to the cyclical nature of property development industry as well as its high dependence on the economic and political conditions in the country, the Group will continue to emphasise on the development of affordable housing catering to the middle income group. Nevertheless, the management of Plenitude will also venture into high-end residential properties and condominiums when such demand arises.
- In order to sustain the Group's future growth and profitability, the Group is actively acquiring landbanks in strategic locations. At present, the Group has approximately 2,018.81 acres (approximately 8.17 million sq.m.) of land for development which is sufficient to meet the Group's development needs for the next 15 years.

6.4 Political, economic and regulatory factors

Adverse developments in the political and economic conditions in Malaysia and the South-East Asian region could materially and adversely affect the prospects of the Group and the industry in which it operates. These include the risks of war, epidemic, global economic downturn and unfavourable change in the Government's policy such as the depreciation of the Ringgit, methods of taxation, currency exchange controls, licensing regulation, housing development laws and various Government policies including environmental regulations.

The outlook of the property market especially in the medium and low cost segments, is encouraging with the Government's initiatives to improve the property-related sector. These include measures such as the lowering of interest rate, waiving and granting discount on stamp duty for purchasing property with certain range of values, and revision of stamp duty rate on instruments of transfer of property. In addition, increasing financial institutions' willingness to grant financing for purchase of properties also encourages growth in the property sector.

Nonetheless, no assurance could be given that any change to these factors would not have any material adverse impact on the Group's business.

6.5 Financial Risk

(a) Borrowings

Based on the Group's audited balance sheet as at 30 June 2003, total bank borrowings of the Group was approximately RM31.980 million or gearing of 11.22%.

The Group plans to utilise RM17.0 million of the proceeds raised from the Public Issue towards the repayment of bank borrowings after which the Group's total bank borrowings will be lowered to RM14.980 million or gearing of 4.47%. This augurs well for the Group's future performance as the Group will be less exposed to the cost of borrowings. In addition, with its low gearing position after the Public Issue, the Group is expected to have greater financing capability from financial institutions if the need arises in the future. However, there is no assurance that the Group may be able to obtain such financing and/or financing at the Group's present rate in the future.

6. RISK FACTORS (CONT'D)

(b) Restrictive covenants

Credit facility agreements which were entered into by the Group with banks or financiers are bound to contain certain positive and negative covenants which may limit the Group's operating and financing flexibility. The aforesaid covenants are of a nature which is commonly contained in credit facility agreements in Malaysia. Any act by the Group falling within the ambit or scope of such covenants will require the consent of the relevant bank/financier. A breach of such covenants may give rise to a right by the bank/financier to terminate the relevant credit facility and/or enforce any security granted in relation to that credit facility. The Directors are aware of such covenants and shall take all precautions necessary to prevent any such breach.

6.6 Competition

The Group faces competition from various developers including private and public listed companies and potential new entrants which have development projects in the vicinities of the Group's landbanks. The Group's hotel operations are also subject to competition from local and regional hotel operators.

At present, the Group's development projects are well-dispersed throughout Peninsular Malaysia, namely in Johor Bahru, Johor Darul Takzim; Sepang, Selangor Darul Ehsan; Sungai Petani, Kedah Darul Aman and Kuala Lumpur, Wilayah Persekutuan. The Group's beach hotel is located in Tanjung Bungah, Penang. The ability of the Group to retain and/or increase its market share and differentiate from its competitors is dependent upon its ability to provide quality and timely delivery of properties to its customers, unique development concepts, offer affordable pricing and undertake development projects that meet the needs of house-buyers. The Group also emphasises on marketing and planning by constantly reviewing its development and marketing strategy in response to ever-changing economic condition and market demand in the property development industry.

Apart from property development industry, the competitiveness of the hotel industry is dependent upon, among others, quality of the services provided, location of the hotel and facilities available in the hotel. Although the Group aims to increase its market share in the property and hotel sectors in the future, no assurance is given that the Group will be able to increase/maintain its existing competitiveness and/or market share in the future.

6.7 Control by substantial shareholders

Subsequent to the Public Issue, Hashimah binti Ismail, Khadijah binti Abdul Khalid, Ong Bee Kuan and Zukarnine Shah bin Zainal Abidin will effectively own, directly and indirectly, approximately 66.57% of the Company's issued and paid-up share capital. As a result, these substantial shareholders will be able to exercise some extent of influence on the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law, covenants and/or by the relevant authorities.

6.8 Dependency on contractors/suppliers

The Group's development projects are entirely built by external contractors/suppliers. These contractors/suppliers are appointed based on the quality of the contractors' work, suppliers' materials and the cost of their services/materials. The Group has developed good working relationships with most of its major contractors/suppliers.

6. RISK FACTORS (CONT'D)

The Group adopts systematic measures to minimise risk of dependency on certain contractors and/or suppliers. Summaries of such measures are as follows:

- (a) The Group adopts an open tender system in selecting contractors and suppliers. The selection is made after due consideration of the contractors'/suppliers' experience, track record and qualification; and
- (b) The Group takes additional step by ensuring that its contractors are not awarded with contracts more than they are capable to undertake. The management of the Group believes that this is a crucial step to ensure that the Group's projects will complete promptly and have good quality.

Notwithstanding the above, no assurance can be given that should any of these contractors/suppliers be unable to deliver to the satisfaction of the Group, the operations of the Group will not be significantly affected. The Board is however of the opinion that should its contractors/suppliers be unable to provide satisfactory services to the Group, the Group has no difficulties to identify suitable contractors/suppliers to undertake the Group's projects.

6.9 Dependence on key personnel

The Group believes that its continued success will depend, to a significant extent, upon the abilities and continued efforts of its existing Directors and key management. The loss of any of the Group's Directors and key management could adversely affect the Group's ability to compete effectively in the property development and hotel industries. However, efforts are being made to groom the younger members of the key management to gradually assume more responsibility. This is to ensure that there would be a continuation of key management personnel in the future. The Group will strive to continue attracting and retaining skilled personnel to ensure successful operations of the Group.

6.10 Supply of prime landbank

The Group presently has a total landbank of approximately 2,018.81 acres (approximately 8.17 million sq.m.) which is strategically dispersed in various town/states of Peninsular Malaysia namely Johor Bahru, Johor Darul Takzim; Sepang, Selangor Darul Ehsan; Sungai Petani, Kedah Darul Aman and Kuala Lumpur, Wilayah Persekutuan. The Directors of the Company are of the opinion that the life span of the Group's current development projects is expected to last for another 15 years and hence, sufficient for the Group's present needs. Notwithstanding the above, there is no assurance that the Group will be able to acquire such new landbank at reasonable cost in future in order to sustain its future profitability beyond the expected life span of the existing landbank of 15 years. To mitigate the above risk, the Directors of the Company intend to continuously seek other land in prime locations for future development.

6.11 Implementation of planned developments

The life span of the Group's current development projects is expected to last for another 15 years. The Group has already planned its development projects for the whole course of the time period. However, depending on market forces and any conditions which may be imposed by the regulatory authorities, no assurance can be given that the Group's future development projects will be implemented as presently planned. The Board will however be mindful of protecting shareholders' interests when making any changes to the Group's future planned development projects.

6. RISK FACTORS (CONT'D)

6.12 Re-planning of approved development plans

The Group has re-planned two (2) of the three (3) major projects undertaken by the Group, namely part of Bandar Perdana and Taman Desa Tebrau into green townships without industrial properties. The Group had submitted the revised plans of the projects to the relevant authorities which are now pending approval. There is no assurance that the revised development plans will be approved by the authorities as planned. Notwithstanding the above, the management of the Group believes that the replanning will not affect the progress of developing Bandar Perdana and Taman Desa Tebrau.

6.13 Delay in completion of development projects

Development projects are subject to various regulatory approvals and the timely completion of a development project is dependent on many external factors such as obtaining approvals as scheduled, securing construction materials in adequate amounts, favourable weather condition, favourable credit terms and satisfactory performance of contractors. Any delays in the completion of projects may adversely affect the Group's profitability and reputation. To mitigate the risk mentioned above, the management of the Group monitors the development projects closely to minimise any delay in completion of projects. However, no assurance can be given that these factors will not lead to delays in the completion of the Group's development projects.

6.14 New business

To diversify the Group's income source, the Group acquired a beach hotel in Penang during the year 2001. The hotel industry is a new business of which the Group was not involved in previously. Although the Group had recruited experienced personnel to manage the beach hotel, there is no assurance that the Group will be able to successfully operate the new business. Notwithstanding the above, the Group is confident that it will be able to successfully enter into the hotel industry.

6.15 Insurance coverage on assets

The Group is aware of the adverse consequences arising from inadequate insurance coverage that could affect its business operations. In ensuring such risks are maintained to the minimum, the Group reviews and strives to obtain adequate coverage for its assets and development projects on a continuous basis.

The Group has taken up fire and other insurance policies. Details of the Group's material insurance policies are set out in Section 18.7 of this Prospectus.

6.16 Profit forecast

The profit forecast of the Group, as set out in Section 14.2 of this Prospectus, is based on assumptions that are subject to uncertainties and contingencies. Because of the subjective judgements and inherent uncertainties of forecasts and because events and circumstances frequently do not occur as expected, there can be no assurance that the profit forecast as set out herein will be realised and actual results may be materially different from that shown. This is especially so under current economic conditions which make forecasting extremely difficult.

Investors are deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the profit forecast.

6. RISK FACTORS (CONT'D)

6.17 Future prospects

Certain statements in this Prospectus are based on historical data which may not be reflective of future results and other statements which are forward-looking in nature and are subject to uncertainties and contingencies. All forward-looking statements are based on estimates and assumptions made by the Company, and although believed to be reasonable by the Board, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, inter-alia, general economic and business conditions, competition, the impact of new laws and regulations affecting the Group and the industry, changes in interest rates and changes in foreign exchange rate. In the light of these and other uncertainties, the inclusion of a forward-looking statement in this Prospectus should not be regarded as a representation or warranty by the Company or its advisers that the plans and objectives of the Group will be successfully achieved.

6.18 Delay in or abortion of the listing exercise

The listing exercise is exposed to the risk that it may fail or be delayed should the following events occur:

- (i) the placees under the private placement fail to subscribe to the portion of the Public Issue Shares allocated to them and new placees cannot be found to subscribe to this portion;
- (ii) the Underwriters exercising their rights pursuant to the Underwriting Agreement, discharging themselves from their obligation thereunder; and
- (iii) the Company is unable to meet the public spread requirements, which is at least 25% of the issued and paid-up share capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each upon completion of the Public Issue and at the point of listing.

Although the Directors of Plenitude will endeavour to ensure compliance by Plenitude of the listing requirements by the various authorities, no assurance can be given that the above-mentioned factors will not cause a delay in or abortion of the listing exercise.

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7. INDUSTRY OVERVIEW AND OUTLOOK

7.1 Overview and Outlook of the Malaysian Economy

After experiencing sluggish growth in 2001, the Malaysian economy rebounded strongly in 2002. Higher growth in 2002 bolstered optimism for a stronger economic performance in 2003 in anticipation of an improved world economic outlook. The prospect for a global economic recovery was, however, affected by recent geopolitical developments, in particular the war in Iraq, sporadic incidences of militancy and outbreak of the Severe Acute Respiratory Syndrome ("SARS"). During the second quarter, consumer and business sentiments in regional economies were particularly affected by the anxiety of a probable prolonged and widespread SARS epidemic that curtailed transport and tourism-related activities besides trade and investment flows.

Against this adverse global environment and concerns of further weakening of the already sluggish global economy, the Government has put in place a package of broad-based pro-growth measures in May 2003. The Package of New Strategies, apart from providing immediate relief for the SARS-affect sectors, was to address structural and organisational issues towards sustaining economic growth in the medium and longer term. The strategic measures introduced boosted confidence necessary to stimulate domestic consumption and investment. In addition, the short war in Iraq and the quick containment of SARS provided the much-needed relief for the economy to ride over the difficult times and remain on tract to a firmer growth trajectory.

Malaysia's sound economic fundamentals and expansionary fiscal and accommodative monetary policies, supplemented by the Government's proactive stimulus package, have helped to sustain high growth in the real gross domestic product ("GDP"). After expanding 4.5% in the first half and with prospects of sustained growth in the second half, the economy is set to achieve its targetted growth of 4.5% this year, higher than the 4.1% achieved in 2002.

The economy is expected to be driven by stronger domestic demand reinforced by a modest pick-up in external demand in the second half of the year. Exports will continue to be buoyed by global economic recovery and the upturn in electronics, especially in information technology-related products and equipment. On the domestic front, consumer spending continues to pick up, on account of favourable export earnings and high commodity prices, positive wealth effect from better stock market performance as well as rising consumer confidence. All sectors registered positive growth with manufacturing and services driving the economy.

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.

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, targetted to achieve a stronger GDP growth of 5.5%-6% for 2004.

(Source: Economic Report 2003/2004)

7. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

7.2 Overview and Outlook of the Property Market

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.

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. Next was the agricultural sector accounting for 16.0%, followed by the commercial sector (7.4%), development land sector (3.8%) and the industrial sector (2.6%). There was no change in the ranking of these sectors in their contribution to the volume of transactions compared to the previous year (2001). In terms of value, the residential sector was still the key sector making up 54.7% of value of transactions in the market. This was followed by the commercial sector with 16.7%.

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 residential sector, the main sector driving the property market, is expected to remain active in the year ahead (2003) although slower activity may be seen in the earlier months. The strong demand for affordable houses of RM150,000 and below, accounting for 74.7% of the volume of transactions, should continue the following year (2003).

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

7.3 Overview and Outlook of Each States where the Group Operates**7.3.1 Johor Darul Takzim**

There was greater transaction activity in the property market (in year 2002 as compared to year 2001), contributed largely by the residential sector. The high number of sales in the residential market brought about mainly by the stamp duty waiver that contributed 11,553 transactions led to the more active market. The number of residential transactions including transactions involving stamp duty was 35,883 and that altered total number of transactions to 47,237. The other sectors also performed better than last year (2001). All sectors rebounded after contractions in both the number and value of transactions in the previous year (2001).

In the residential sector, prices and rentals for conventional units were mixed with increases in good locations. However, apartments and condominiums fell in prices and rentals. The occupancy rate of purpose-built offices picked up slightly at the expense of lowered rentals. Another contributing factor was the small amount of fully occupied purpose-built space coming on-stream for the year.

7. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

In isolation of the stamp duty waived sales, the performance of the residential sector was similar to the previous year (2001). However, there was a slight drop of 1.1% in the number and 3.7% in the value of transactions. The district of Johor Bahru is still the most active district, contributing to more than half (57.7%) of the number of residential transactions. It experienced a marginal rise of 1.0% in the number of transactions over last year (2001).

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

7.3.2 Selangor Darul Ehsan

Overall, the property market in Selangor for the year (2002) showed an improvement in transaction activity over last year (2001), driven primarily by the huge increase in transactions in the primary residential property sector. However, without taking into account transactions that have been waived from stamp duty, residential market activity registered a drop of 13.5% in volume and a reduction of 10.2% in value of transactions. This could be due to the greater activity in the primary residential sector as purchasers were attracted not only by the waiver and incentives offered by developers but also a preference for new units.

In the residential property market, the number of transactions increased by 78.0% to a total of 74,368 transactions. The big increase was influenced by the waiver of stamp duty that contributed 38,252 transactions.

Analysis of residential transactions that were not involved with the stamp duty waiver proved the residential market continued to be resilient, with affordable properties still putting in a good performance; units priced between RM100,000 to RM200,000 formed 37.4% of the market, whilst those between RM100,000 to RM150,000 formed 21.5% of the market, compared to 23.2% last year.

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

7.3.3 Kedah Darul Aman

In 2002, the number of transactions in the state was 19,497 with a worth of RM2,084.63 million. The number of transactions has decreased by 11.2% to 19,497. This does not include the 5,604 transactions under the stamp duty waiver for residential properties estimated by REHDA.

The residential sector maintained its lead as the most active sector in the property market in 2002, accounting for 71.7% of the overall number of transactions. The number of residential transactions was 13,972 with a worth of RM1,153.72 million. Transaction activity has however, took a negative turnaround of 12.3% and 6.8% respectively after recording better growth rates of 8.7% in number and 9.4% in value last year (2001). This has not included the number of transactions under the stamp duty waiver.

Analysis of the residential market activity, excluding the transactions exempted from the stamp duty, showed that Kuala Muda and Kulim were still the most active districts, contributing 42.8% (5,984) and 22.5% (3,144) respectively to total number of transactions. Demand for houses showed an increase of 8.1% in Kota Setar but slackened in Kuala Muda and Kulim by 11.2% and 23.0% respectively compared to the previous year (2001). Less active districts like Pendang, Yan and Bandar Baru also recorded increases in the number of transactions.

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

7. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

7.3.4 Kuala Lumpur

The property market was highly active mainly due to the stamp duty waiver on properties offered by developers in the residential sector. Even without taking into account the waiver, there was greater activity as the number and value of transactions increased by 5.2% and 22.7% respectively to 10,480 with a worth of RM3,026.54 million underpinned by a better demand for properties in the residential sector.

The residential property market received a tremendous boost from the implementation of the stamp duty waiver for the duration of six months from January to June of 2002. Low interest rates for housing loans as well as the various incentives provided by housing developers and a preference for new units also encouraged more purchasers to buy. As at the end of the year, new units offered for sale by developers totalled 9,236 units of which 4,996 units or 54.1% were sold. Apartments/condominiums formed the bulk of the new units with 7,115 units or 77.0% of the newly launched units and registered sales of 55.8%.

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

7.4 Tourism and Hotel Resort Industry

Tourist arrivals were sustained at a monthly average of 1 million arrivals but declined to 0.8 million in March 2003 due mainly to the onset of SARS. The SARS impact, with the issue of the World Health Organisation travel advisory beginning in mid-March, was more concentrated among tourist arrivals from Singapore and Hong Kong. It is largely anticipated that the SARS impact on tourism would be reduced on the second half of the year.

(Source: Bank Negara Malaysia-Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2003 dated 28 May 2003)

On 21 May 2003, the Malaysian Government had unveiled a RM7.3 billion stimulus package aimed at helping Malaysians to mitigate the impact of the SARS outbreak, the Iraq war and lethargic world economic conditions. The measures of the stimulus package which are aimed at helping the tourism industry, includes the following:

- (i) Increasing the Tourism Infrastructure Fund by RM500 million;
- (ii) Exempting service tax on complimentary rooms provided by hotel operators, commencing from 1 June 2003;
- (iii) Providing a five (5) percent discount on monthly electricity bills to hotel operators from 1 June 2003 to 31 December 2003;
- (iv) Exempting Human Resource Development Fund levy for travel agencies and hotels beginning 1 June 2003 to 31 December 2003;
- (v) Exempting service tax for hotels and restaurants from 1 June 2003 to 31 December 2003 to increase private sector consumption; and
- (vi) To stimulate private consumption by increasing the disposable income of the public, the Employers Provident Fund contribution by employees will be reduced from eleven (11) percent to nine (9) percent for a period of one (1) year beginning 1 June 2003 and that a half-month bonus will be provided to all Government employees.

(Source : Extracted from the New Strategies towards Stimulating the Nation's Economic Growth published by the Economic Planning Unit, Prime Minister's Department, Malaysia dated 21 May 2003)

7. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

7.5 Government Legislation, Policies and Incentives

The government has introduced certain 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. Apart from regulating the property sector, these Acts also aim to improve the industry by providing consultancy, quality accreditation, research and development and promoting the usage of high technology as well as manpower training services.

Under the Eighth Malaysian Plan, the development of low-cost housing will be expedited to ensure that those who are eligible will be provided houses, either for rent or sale. In this regard, there will be a change in the implementation strategy, whereby the Federal Government will be involved directly in the selection of suitable locations to expedite construction and to reduce the problem of mismatch between supply and demand for houses. The state governments will handle the sales as well as the arrangements for end-financing with the financial institutions and will continue to be responsible for the selection of buyers or renters. A revolving fund will be established to finance the project.

(Source: Eighth Malaysian Plan)

As mentioned in Section 7.1 above, measures introduced by the Malaysian Government pursuant to the stimulus package with the aim of helping the property development industry, amongst others, are as follows:

- (i) For new buyers and first time owners of houses costing below RM100,000 and bought between 1 June 2003 to 31 May 2004, the Government will provide a subsidy on interest payment of three (3) percent for the first year or interest free loan on deposit of 10% on housing loans obtained from Bank Simpanan Nasional or a cash payment of RM600 for loans obtained from other financial institutions;
- (ii) For new buyers and first time owners of houses costing between RM100,000 to RM180,000 and bought between 1 June 2003 to 31 May 2004, the Government will provide a tax relief on interest payments of RM5,000 for the year 2002, RM3,000 for the year 2003 and RM2,000 for the year 2005;
- (iii) Real property gains tax will be exempted for a period of one (1) year from 1 June 2003;
- (iv) Stamp duty exemption will be given on loan documents relating to purchase of residential houses costing not more than RM180,000 per unit from housing developers, government agencies or cooperatives on condition that the sale and purchase agreement is executed within a one (1) year period from 1 June 2003; and
- (v) Foreign interests will be allowed to acquire landed properties exceeding RM150,000 per unit. Further, the threshold level for acquisitions by foreign and Malaysian interests which is exempted from the FIC's approval will be raised from RM5 million to RM10 million.

(Source: Extracted from the New Strategies towards Stimulating the Nation's Economic Growth published by the Economic Planning Unit, Prime Minister's Department, Malaysia dated 21 May 2003)

7. INDUSTRY OVERVIEW AND OUTLOOK (CONT'D)

7.6 Barriers to Entry and Competition

The barriers to entry into the property development sector are low as residential building is of low technology with the technology rarely changing. Due to the low barriers to entry, there are many players in the market, making the sector a highly competitive industry. The success of a market player in this sector is largely dependent on the size and location of its landbanks, the product type/mix, the development concept, the product quality and the reputation of the developer.

Based on the above, although the barriers to enter into the property development industry is low, it takes years of experience and large financial commitments to become a successful property developer. In addition, the nature of property development business which requires upfront large capital outlay and the return which will only materialise at a later date makes the industry a risky business to be involved in. As such, due to the requirements and nature of the business, the property market is saturated with no player dominating the entire property sector.

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