

IMPORTANT NOTICE

This Prospectus has been seen and approved by the Directors and Promoter of HeveaBoard Berhad ("HeveaBoard"), and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no false or misleading statement or other facts the omission of which would make any statement herein false or misleading. The Directors of HeveaBoard hereby accept full responsibility for the profit and cash flow estimate and forecast that is included in this Prospectus and confirm that the profit and cashflow estimate and forecast have been prepared based on assumptions made as described in this Prospectus.

OSK Securities Berhad ("OSK"), being the Adviser and Underwriter, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the Public Issue (as defined herein) and is satisfied that the profit and cash flow estimate and forecast (for which the Directors of HeveaBoard are fully responsible) prepared for inclusion in this Prospectus have been stated by the Directors after due and careful enquiry and have been duly reviewed by the reporting accountants.

The Securities Commission ("SC") has approved the Public Issue and the approval of the SC shall not be taken to indicate that the SC recommends the issue and/or the listing of and quotation for the entire enlarged issued and paid-up share capital of HeveaBoard on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities").

The SC shall not be liable for any non-disclosure on the part of HeveaBoard and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

Bursa Securities shall not be liable for any non-disclosure on the part of HeveaBoard and takes no responsibility for the contents of this Prospectus, makes no representation as to its correctness or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus. Admission to the Official List of the Main Board of Bursa Securities is not to be taken as an indication of the merits of the Public Issue, HeveaBoard or of its ordinary shares.

INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT IN HEVEABOARD. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the form of application, has also been lodged with the Registrar of Companies ("ROC"). However, neither the SC nor the ROC takes any responsibility for its contents.

This Prospectus can also be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com.

The indicative timing of events leading up to the listing of and quotation for the entire enlarged issued and paid-up share capital and Warrants of HeveaBoard on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") is as follows:

Event	Tentative Dates
Issuance of this Prospectus/ Opening of the Public Issue	17 December 2004
Closing of the Public Issue	27 December 2004
Balloting of the applications	31 December 2004
Tentative date for despatch of notices of allotment to successful applicants	7 January 2005
Tentative listing date	10 January 2005

The application for the Public Issue will close at the time and date stated, or at such later date or dates as the Directors of HeveaBoard and the Underwriter may in their absolute discretion decide. Should the closing date of the application be extended, the dates for balloting, the despatch of notice of allotment and the listing of and quotation for the entire issued and paid-up share capital of HeveaBoard on the Main Board of Bursa Securities will be extended accordingly.

In the event the closing date of the application is extended the notice of the extension will be advertised in a widely circulated Bahasa Malaysia and English daily newspapers within Malaysia prior to the original closing date of the application.

Further information on the indicative timetable is set out in **Section 3.3** of this Prospectus.

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DEFINITIONS

Unless otherwise indicated or required by the context, the following abbreviations, words and expressions shall bear the following respective meanings throughout this Prospectus.

Act	: Companies Act 1965 including any statutory modification, amendment or re-enactment thereof for the time being in force
ADA	: Authorised Depository Agent
ADA Code	: ADA (Broker) Code
AFTA	: Asean Free Trade Area
ASEAN	: Association of South-East Asian Nations
ATM	: Automated Teller Machine
BNM	: Bank Negara Malaysia
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (165570-W) <i>(formerly known as Malaysian Central Depository Sdn Bhd)</i>
Bursa Securities	: Bursa Malaysia Securities Berhad (635998-W) <i>(formerly known as Malaysia Securities Exchange Berhad)</i>
BWSB	: Bocowood Sdn Bhd (521101-U)
CAD	: Computer Aided Design
CEPT	: Common Effective Preferential Tariff
CDS	: Central Depository System
CDS Account	: The account established by Bursa Depository for a depositor for the recording of deposit of securities and for dealing in such securities by the depositor
CEO	: Chief Executive Officer
CNC	: Computer Numerical Control Workstations
Deed Poll	: The document constituting the Warrants executed by the Company on 10 December 2004
DIN	: Deutsches Institut für Normung, a member body of the International Organisation for Standardisation
EBITDA	: Earnings before interest, tax, depreciation and amortisation
EI	: Exceptional Items
Entitled Shareholders	: Shareholders of the Company as at the Entitlement Date
Entitlement Date	: The date to be specified by the Company for the purpose of determining the persons entitled to the Warrants, which shall be a date before the Listing
EPS	: Earnings Per Share
FELDA	: Federal Land Development Authority

DEFINITIONS

FIC	:	Foreign Investment Committee
FRIM	:	Forest Research Institute Malaysia
FYE	:	Financial Year(s) Ended / Financial Year(s) Ending
GDP	:	Gross Domestic Product
HeveaBoard Group or the Group	:	HeveaBoard and its subsidiary companies, namely BWSB, HMSB, HPSB and HOSB
HeveaBoard or the Company	:	HeveaBoard Berhad (275512-A)
HeveaBoard Shares	:	Ordinary shares of RM1.00 each in HeveaBoard
HMSB	:	HeveaMart Sdn Bhd (103355-H)
HOSB	:	Hevea OSB Sdn Bhd (332001-D)
HPSB	:	HeveaPac Sdn Bhd (166282-W)
HW	:	HeveaWood Industries Sdn Bhd (177318-V)
Issue Date	:	The date of issue and allotment of Warrants
Issue Price	:	The issue price of RM2.00 per Issue Share
IMR Report	:	Independent Market Research Report prepared by ACNielsen (Malaysia) Sdn Bhd dated 12 March 2004, and any subsequent updates thereof
Issue Shares	:	The 15,040,000 new Shares in HeveaBoard to be issued pursuant to the Public Issue
Lami-OSB	:	Laminated Oriented Strand Board
Listing	:	The admission and the listing of and quotation for the entire enlarged issued and paid-up share capital of HeveaBoard of RM80,000,000 comprising 80,000,000 Shares on the Official List of the Main Board of Bursa Securities The admission and listing of and quotation for the 40,000,000 Warrants to be issued at no consideration to all Entitled Shareholders of HeveaBoard on a rights basis of one (1) new Warrant for every two (2) ordinary shares held as at the Entitlement Date on the Official List of Bursa Securities The admission and listing of and quotation for up to 40,000,000 new Shares arising from the exercise of Warrants on the Official List of the Main Board of Bursa Securities
Listing Requirements	:	Listing Requirements of Bursa Securities
Malaysian Public	:	Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organized under the laws of Malaysia
Market Day	:	Any day on which Bursa Securities is open for the trading of securities
MATRADE	:	Malaysia External Trade Development Corporation

DEFINITIONS

MDF	: Medium Density Fibreboard
MDI	: Methylene Diphenyl Isocyanate
MI	: Minority Interest
MIDA	: Malaysian Industrial Development Authority
MILOT	: Malaysian Institution of Lami-OSB Technology
MITI	: Ministry of International Trade and Industry
MTC	: Malaysian Timber Council
MTIB	: Malaysian Timber Industry Board
NAV	: Net Asset Value
NBV	: Net Book Value
NDP	: National Development Policy
NTA	: Net Tangible Assets
OSK	: OSK Securities Berhad (14152-V)
OSKH	: OSK Holdings Berhad (207075-U)
OSKVE	: OSK Venture Equities Sdn Bhd (505788-D)
OSKVI	: OSK Ventures International Berhad (201666-D)
PAT	: Profit After Tax
PBT	: Profit Before Tax
PE Multiple	: Price-Earnings Multiple
PIN	: Personal Identification Number
PMDI	: Polymeric Diphenylmethane Diisocyanate
Prescribed Security	: The securities of a company that are prescribed by Bursa Securities to be deposited in the CDS
Promoter	: HW
Public Issue	: The Public Issue of the Issue Shares to the eligible directors and employees of the Group, persons who have contributed to the success of the Group, Bumiputera investors nominated and approved by the MITI and the Malaysian public
PVAC	: Polyvinyl Acetate
PVC	: Polyvinyl Chloride
R&D	: Research and development

DEFINITIONS

RISDA	:	Rubber Industry Smallholders Development Authority
RM and sen	:	Malaysian Ringgit and sen respectively
ROC	:	Registrar of Companies
RTA	:	Ready-To-Assemble
Rules	:	Rules of Bursa Depository
SC	:	Securities Commission
SC Act	:	Securities Commission Act 1993
SC Guidelines	:	Policies and Guidelines on Issue/ Offer of Securities of the SC
Shares	:	Ordinary shares of RM1.00 each
UK	:	United Kingdom
UPM	:	Universiti Putra Malaysia
USA	:	United States of America
USD	:	United States Dollar
Warrant(s)	:	The warrants which will be issued pursuant to the Warrants Issue Each warrant carries the rights to subscribe by cash for one (1) new Share in HeveaBoard at the exercise price of RM2.00. The exercise price and the number of outstanding warrants are subject to adjustments in accordance with provisions of the Deed Poll
Warrants Issue	:	The 40,000,000 warrants which will be issued and allotted at no consideration to all Entitled Shareholders of HeveaBoard on a rights basis of one (1) new Warrant for every two (2) HeveaBoard Shares held as at the Entitlement Date

In this Prospectus, words denoting the singular shall include the plural number and vice versa, words denoting any gender shall include all genders, words denoting persons shall include natural persons, firms, companies, bodies corporate and unincorporated bodies, and a reference to a section is a reference to the relevant section of this Prospectus.

Unless otherwise indicated, any reference in this Prospectus to any legislation, statute or statutory provision is a reference to that legislation, statute or statutory provision for the time being, as amended or re-enacted, and to any repealed legislation, statute or statutory provision which it re-enacts (with or without modification).

Any reference to a time or day in this Prospectus shall be a reference to that time or day in Malaysia, unless otherwise stated.

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TABLE OF CONTENTS

1. CORPORATE DIRECTORY	1
2. PROSPECTUS SUMMARY	
2.1 HISTORY, BACKGROUND AND PRINCIPAL ACTIVITIES	4
2.2 OWNERSHIP AND MANAGEMENT	4
2.3 PRODUCTS, SERVICES AND OPERATIONS.....	10
2.4 RESEARCH AND DEVELOPMENT	10
2.5 PROFORMA CONSOLIDATED INCOME STATEMENTS OF THE HEVEABOARD GROUP	11
2.6 PROFORMA BALANCE SHEETS OF THE HEVEABOARD GROUP.....	13
2.7 RISK FACTORS.....	14
2.8 PRINCIPAL STATISTICS RELATING TO THE PUBLIC ISSUE	15
2.9 PROCEEDS OF THE PUBLIC ISSUE AND UTILISATION.....	16
2.10 CONSOLIDATED PROFIT ESTIMATE AND FORECAST.....	17
2.11 DIVIDEND FORECAST.....	18
2.12 WORKING CAPITAL, BORROWINGS, MATERIAL LITIGATION, MATERIAL COMMITMENT AND CONTINGENT LIABILITIES.....	18
3. DETAILS OF THE PUBLIC ISSUE	
3.1 INTRODUCTION	20
3.2 OPENING AND CLOSING OF PUBLIC ISSUE	21
3.3 INDICATIVE TIMETABLE	21
3.4 SHARE CAPITAL AND RIGHTS ATTACHING TO THE ISSUE SHARES	22
3.5 PURPOSE OF THE PUBLIC ISSUE	23
3.6 BASIS OF ARRIVING AT THE ISSUE PRICE	23
3.7 ALLOCATION OF THE ISSUE SHARES AND WARRANTS.....	24
3.8 ALLOCATION OF THE ISSUE SHARES TO THE ELIGIBLE DIRECTORS, EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF THE HEVEABOARD GROUP ..	24
3.9 BROKERAGE AND UNDERWRITING EXPENSES	25
3.10 SALIENT TERMS OF THE UNDERWRITING AGREEMENT.....	26
3.11 PROCEEDS FROM THE PUBLIC ISSUE AND UTILISATION.....	27
3.12 ESTIMATED LISTING EXPENSES	28
3.13 APPROVALS AND CONDITIONS FROM AUTHORITIES.....	28
4. RISK FACTORS	
4.1 NO PRIOR MARKET FOR HEVEABOARD SHARES	30
4.2 CAPITAL MARKET RISKS.....	30
4.3 BUSINESS RISKS	30
4.4 ECONOMIC AND POLITICAL CONSIDERATIONS	31
4.5 AVAILABILITY OF RAW MATERIALS	31
4.6 COMPETITION.....	31
4.7 IMPACT OF AFTA	32
4.8 DEPENDENCE ON KEY PERSONNEL.....	33
4.9 FUTURE CAPITAL INJECTIONS.....	33
4.10 INVESTMENT RISKS.....	33
4.11 CONTINUED CONTROL BY EXISTING SHAREHOLDERS	34
4.12 RELATED PARTY TRANSACTIONS	34
4.13 LITIGATION RISKS	34
4.14 PRODUCTION RISKS.....	34
4.15 UNDERWRITING RISKS	35
4.16 RELIANCE ON AND RELATIONSHIPS WITH MAJOR CUSTOMERS	35
4.17 ABSENCE OF LONG-TERM SALES CONTRACTS	34
4.18 FORWARD LOOKING STATEMENTS.....	36
4.19 FINANCING RISK.....	36
4.20 CURRENCY RISK.....	37
4.21 CHANGES IN GOVERNMENT REGULATIONS AND TECHNICAL BUILDING STANDARDS ..	37
4.22 ENVIRONMENTAL CONCERNS.....	37
4.23 ADEQUACY OF INSURANCE COVERAGE.....	38
4.24 ESTABLISHMENT OF A SECOND MANUFACTURING LINE	38

TABLE OF CONTENTS

5.	INFORMATION ON THE HEVEABOARD GROUP	
5.1	INFORMATION ON HEVEABOARD.....	40
5.2	SHARE CAPITAL.....	41
5.3	SUBSIDIARY COMPANIES.....	41
5.4	INFORMATION ON SUBSIDIARY COMPANIES.....	42
5.5	PUBLIC ISSUE.....	44
5.6	APPROVALS, LICENSES AND PERMITS.....	46
5.7	LANDED PROPERTIES.....	48
6.	INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL	
6.1	PROMOTER AND SUBSTANTIAL SHAREHOLDERS.....	51
6.2	DIRECTORS.....	65
6.3	AUDIT COMMITTEE.....	70
6.4	KEY MANAGEMENT AND TECHNICAL PERSONNEL.....	71
6.5	FAMILY RELATIONSHIPS AND ASSOCIATIONS.....	76
7.	BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE HEVEABOARD GROUP	
7.1	PRODUCTS, SERVICES AND OPERATIONS.....	77
7.2	PRINCIPAL MARKETS.....	82
7.3	MAJOR CUSTOMERS.....	83
7.4	MAJOR SUPPLIERS.....	84
7.5	AVAILABILITY OF RAW MATERIAL.....	84
7.6	PRODUCT QUALITY AND ACCREDITATION RECEIVED.....	85
7.7	MARKETING AND DISTRIBUTION STRATEGY.....	86
7.8	RESEARCH AND DEVELOPMENT.....	86
7.9	COMPETITIVE ADVANTAGE.....	88
7.10	EMPLOYEES.....	89
7.11	INTERRUPTIONS TO BUSINESS DURING THE PAST 12 MONTHS.....	90
7.12	ENVIRONMENTAL CONCERNS.....	90
7.13	RISK MANAGEMENT PLANS.....	90
8.	INDUSTRY OVERVIEW AND OUTLOOK	
8.1	OVERVIEW AND OUTLOOK OF THE MALAYSIAN ECONOMY.....	91
8.2	OVERVIEW AND OUTLOOK OF THE MALAYSIAN TIMBER INDUSTRY.....	92
8.3	OVERVIEW AND OUTLOOK OF THE WOOD-BASED MANUFACTURING INDUSTRY.....	93
8.4	OVERVIEW AND OUTLOOK OF THE PARTICLEBOARD INDUSTRY.....	95
8.5	FUTURE PROSPECTS OF THE PARTICLEBOARD INDUSTRY.....	95
8.6	GOVERNMENT LEGISLATION, POLICIES AND INCENTIVES.....	96
8.7	FUTURE PLANS AND STRATEGIES OF THE HEVEABOARD GROUP.....	98
9.	RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST	
9.1	DECLARATION BY ADVISERS.....	99
9.2	RELATED PARTY TRANSACTIONS WITH DIRECTORS AND/OR SUBSTANTIAL SHAREHOLDERS AND/OR A PERSON CONNECTED WITH A DIRECTOR AND/OR SUBSTANTIAL SHAREHOLDER.....	100
9.3	INTERESTS IN A SIMILAR TRADE.....	101
9.4	INTERESTS IN MATERIAL ASSETS ACQUIRED, DISPOSED OF OR LEASED.....	102

TABLE OF CONTENTS

10. FINANCIAL INFORMATION	
10.1 CONSOLIDATED INCOME STATEMENTS OF THE HEVEABOARD GROUP.....	103
10.2 DIRECTORS' DECLARATION ON FINANCIAL PERFORMANCE	106
10.3 WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES, MATERIAL COMMITMENT AND MATERIAL LITIGATION	107
10.4 CONSOLIDATED PROFIT ESTIMATE AND FORECAST.....	109
10.5 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT ESTIMATE AND FORECAST	113
10.6 CONSOLIDATED CASH FLOW ESTIMATE AND FORECAST	119
10.7 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED CASH FLOW ESTIMATE AND FORECAST.....	122
10.8 DIVIDEND FORECAST AND POLICY	128
10.9 SENSITIVITY ANALYSIS.....	128
10.10 ADDITIONAL DISCLOSURE ON TRADE DEBTORS	129
10.11 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS	130
11. ACCOUNTANTS' REPORT	136
12. SUMMARY OF INDEPENDENT MARKET CONSULTANT'S REPORT.....	176
13. LEGAL OPINION	185
14. DIRECTORS' REPORT	187
15. ADDITIONAL INFORMATION	
15.1 SHARE CAPITAL.....	188
15.2 ARTICLES OF ASSOCIATION	188
15.3 DIRECTORS AND SUBSTANTIAL SHAREHOLDERS	196
15.4 GENERAL.....	197
15.5 EXPENSES.....	197
15.6 MATERIAL LITIGATION	198
15.7 MATERIAL CONTRACTS	198
15.8 MATERIAL AGREEMENTS	199
15.9 MATERIAL COMMITMENT AND CONTINGENT LIABILITIES.....	204
15.10 PUBLIC TAKE-OVERS	204
15.11 CONSENTS.....	204
15.12 DOCUMENTS FOR INSPECTION.....	204
15.13 RESPONSIBILITY STATEMENTS.....	205
16. PROCEDURE FOR APPLICATION AND ACCEPTANCE	
16.1 OPENING AND CLOSING OF PUBLIC ISSUE	206
16.2 METHODS OF APPLICATION	206
16.3 GENERAL CONDITIONS FOR APPLICATIONS	206
16.4 APPLICATION USING APPLICATION FORMS.....	207
16.5 APPLICATION USING ELECTRONIC SHARE APPLICATION.....	210
16.6 APPLICATIONS AND ACCEPTANCES	215
16.7 CDS ACCOUNTS	216
16.8 NOTICE OF ALLOTMENT.....	216
16.9 LIST OF AUTHORISED DEPOSITORY AGENTS	217

I. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name	Address	Occupation	Nationality
Tan Sri Dato' Seri Mohamed bin Rahmat (Non-Independent Non-Executive Chairman)	No. 42, Jalan Setiajaya Bukit Damansara 50490 Kuala Lumpur	Company Director	Malaysian
Yong Kian Seng @ Yoong Tein Seng (Group Managing Director)	Lot 2711, Taman SEA Jalan Tok Ungku 70100 Seremban Negeri Sembilan Darul Khusus	Company Director	Malaysian
Yoong Hau Chun (Executive Director)	Lot 2711, Taman SEA Jalan Tok Ungku 70100 Seremban Negeri Sembilan Darul Khusus	Mechanical Engineer	Malaysian
Dato' Seri Yong Tu Sang (Non-Independent Non-Executive Director)	No. 2 Jalan SS2/76 47300 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian
Dato' Loo Swee Chew (Non-Independent Non-Executive Director)	Lot 444 Astana Golf Resort Jalan Sungei Lembing Lembing 25300 Kuantan Pahang Darul Makmur	Company Director	Malaysian
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak (Independent Non-Executive Director)	1054 Bukit Rasah Seremban Negeri Sembilan Darul Khusus	Advocate and Solicitor	Malaysian
Lim Kah Poon (Independent Non-Executive Director)	365, Jalan Sri Petaling 2 Sri Petaling 57000 Kuala Lumpur Wilayah Persekutuan	Chartered Accountant	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Lim Kah Poon	Chairman	Independent Non-Executive Director
Yong Kian Seng @ Yoong Tein Seng	Member	Group Managing Director
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	Member	Independent Non-Executive Director

COMPANY SECRETARIES : Mah Li Chen (MAICSA 7022751)
No. 33 Jalan BRP 4/6
Bukit Rahman Putra
Seksyen U20
40160 Shah Alam
Selangor Darul Ehsan

1. CORPORATE DIRECTORY

- : Kim Yi Hwa (MAICSA 7029686)
52 Jalan Wangsa Murni 9
Wangsa Melawati
53300 Kuala Lumpur
Wilayah Persekutuan
- REGISTERED OFFICE** : Lot 683, 5th Miles
Kuala Pilah Road
70400 Seremban
Negeri Sembilan Darul Khusus
Tel : 06-678 2829
Fax : 06-677 7167
- HEAD/MANAGEMENT OFFICE** : Lot 1941 & 1942, Batu 3
Jalan Tampin
73400 Gemas
Negeri Sembilan Darul Khusus
Tel : 07-948 3391
Fax : 07-948 3390
Website : www.heveaboard.com.my
Email (sales) : marketing@heveaboard.com.my
Email (general enquiries) : info@heveaboard.com.my
- SHARE REGISTRAR AND TRANSFER OFFICE** : Bina Management (M) Sdn Bhd (Company no. 50164-V)
Lot 10 The Highway Centre
Jalan 51/205
46050 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7784 3922
- PRINCIPAL BANKERS** : OCBC Bank (Malaysia) Berhad (Company no. 295400-W)
63-65 Jalan Datuk Bandar Tunggal
70000 Seremban
Negeri Sembilan Darul Khusus
Tel: 06-762 6217, 06-762 5482
- Malayan Banking Berhad (Company no. 3813-K)
Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Tel: 03-2070 8833
- AUDITORS AND REPORTING ACCOUNTANTS** : Horwath (AF1018)
Chartered Accountants
Level 16, Tower C
Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel: 03-2166 0000

1. CORPORATE DIRECTORY

- SOLICITORS FOR THE LISTING EXERCISE** : Messrs Adnan, Sundra & Low
Advocates and Solicitors
Level 11, Menara Olympia
8 Jalan Raja Chulan
50200 Kuala Lumpur
Tel: 03-2070 0466
- ADVISER AND UNDERWRITER** : OSK Securities Berhad (Company no. 14152-V)
20th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
Tel: 03-2162 4388
- INDEPENDENT MARKET RESEARCH CONSULTANT** : ACNielsen (Malaysia) Sdn Bhd (Company no. 10909-V)
19F Menara MPPJ
Jalan Tengah
46200 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7626 3833
- ISSUING HOUSE** : MIDF Consultancy and Corporate Services Sdn Bhd
(Company no. 11324-H)
12th Floor MIDF Building
195A, Jalan Tun Razak
50400 Kuala Lumpur
Tel: 03-2161 3355
- LISTING SOUGHT** : Main Board of Bursa Malaysia Securities Berhad

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2. PROSPECTUS SUMMARY

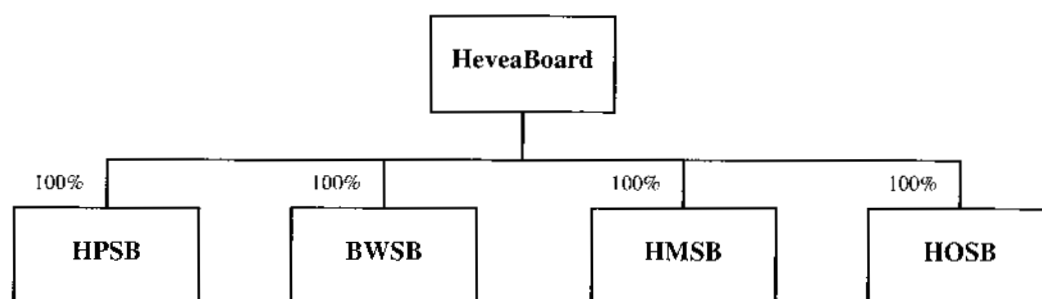
This section is only a summary of the salient information about the HeveaBoard Group and is derived from the full text of this Prospectus. Investors should read and understand the whole Prospectus prior to deciding whether to invest in the Issue Shares of HeveaBoard.

2.1 HISTORY, BACKGROUND AND PRINCIPAL ACTIVITIES

HeveaBoard was incorporated on 3 September 1993 under the Act as a private limited company under the name of HeveaBoard Sdn Bhd. The Company was subsequently converted into a public limited company on 16 February 2004 and adopted its present name.

HeveaBoard is principally involved in the manufacturing and trading of particleboard and wood-related products. Particleboard is essentially a reconstituted wood panel made of particles derived from rubberwood branches and wood waste, and is mainly used in the manufacture of furniture, speaker boxes and panels for flooring and doors.

The corporate group structure of the HeveaBoard Group as well as the principal activities of the individual subsidiaries are set out below:



Company	Principal activities
HPSB	Manufacture of RTA particleboard based furniture
BWSB	Trading and distribution of RTA furniture
HMSB	Retail sales of plain & laminated particleboard and trading of other panel wood products
HOSB	Currently dormant. The intended business activity is the manufacture of particleboard and Lami-OSB

As at the date of this Prospectus, the Company does not have any associated companies.

Detailed information on the history and business of the HeveaBoard Group is set out in **Section 5** of this Prospectus.

2.2 OWNERSHIP AND MANAGEMENT

Based on the Register of Members and Directors' Shareholdings of HeveaBoard as at 15 November 2004 being the last practicable date prior to the printing of this Prospectus, the direct and indirect interests of the Promoter, substantial shareholders, Directors and key management and technical personnel of the HeveaBoard Group in the issued and paid-up share capital of HeveaBoard after the Public Issue and assuming the full exercise of the Warrants are as follows:

2. PROSPECTUS SUMMARY

Designation	<----- After the Public Issue ----->				<----- Assuming full exercise of the Warrants ----->				
	<----- Direct ----->		<----- Indirect ----->		<----- Direct ----->		<----- Indirect ----->		
	Number of Shares	Percentage of share capital %	Number of Shares	Percentage of share capital %	Number of Shares	Percentage of share capital %	Number of Shares	Percentage of share capital %	
<u>Promoter and Substantial Shareholder</u>									
HW	-	27,075,000	33.8	-	-	40,612,500	33.8	-	-
<u>Substantial Shareholders #</u>									
Sanur Sdn Bhd	-	8,167,000	10.2	-	-	12,250,500	10.2	-	-
Wan Hassan bin Wan Abdul Rahman	-	6,300,000	7.9	-	-	9,450,000	7.9	-	-
OSKVE	-	5,833,000	7.3	-	-	8,749,500	7.3	-	-
Firama Holdings Sdn Bhd	-	3,380,000	4.2	27,075,000	33.8 ^(a)	5,070,000	4.2	40,612,500	33.8 ^(a)
Tenson Holdings Sdn Bhd	-	-	-	30,455,000	38.1 ^(b)	-	-	45,682,500	38.1 ^(b)
Yong Kian Seng @ Yoong Tein Seng	Group Managing Director	150,000	0.19	30,655,000	38.3 ^(c)	225,000	0.19	45,982,500	38.3 ^(c)
Yoong Hau Chun	Executive Director	150,000	0.19	30,655,000	38.3 ^(d)	225,000	0.19	45,982,500	38.3 ^(d)
Liang Chong Wai	-	150,000	0.19	27,075,000	33.8 ^(e)	225,000	0.19	40,612,500	33.8 ^(e)
Dato' Loo Swcc Chew	Non-Independent Non-Executive Director	150,000	0.19	27,075,000	33.8 ^(e)	225,000	0.19	40,612,500	33.8 ^(e)
Sung Lee Timber Trading Sdn Bhd	-	-	-	27,075,000	33.8 ^(a)	-	-	40,612,500	33.8 ^(a)

2. PROSPECTUS SUMMARY

Designation	<----- After the Public Issue ----->				<----- Assuming full exercise of the Warrants ----->				
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->		
	Number of Shares	Percentage of share capital %	Number of Shares	Percentage of share capital %	Number of Shares	Percentage of share capital %	Number of Shares	Percentage of share capital %	
Datuk Nur Jazlan bin Mohamed	-	-	8,217,000	10.3 ^(f)	-	-	12,325,500	10.3 ^(f)	
Nur Jasni bin Mohamed	-	-	8,217,000	10.3 ^(f)	-	-	12,325,500	10.3 ^(f)	
Nur Jazman bin Mohamed	-	50,000	8,167,000	10.2 ^(g)	75,000	0.06	12,250,500	10.2 ^(g)	
OSKVI	-	-	5,833,000	7.3 ^(h)	-	-	8,749,500	7.3 ^(h)	
OSKH	-	-	5,833,000	7.3 ^(h)	-	-	8,749,500	7.3 ^(h)	
Ong Leong Huat @ Wong Joo Hwa	-	-	5,833,000	7.3 ^(f)	-	-	8,749,500	7.3 ^(f)	
Mah Fah Victor Group Sdn Bhd	-	-	30,455,000	38.1 ⁽ⁱ⁾	-	-	45,682,500	38.1 ⁽ⁱ⁾	
Dato' Seri Yong Tu Sang	Non-Independent Non-Executive Director	150,000	27,075,000	33.8 ^(k)	225,000	0.19	40,612,500	33.8 ^(k)	
Directors #									
Tan Sri Dato' Seri Mohamed bin Rahmat	Non-Independent Non-Executive Chairman	150,000	800,000	1.0 ^(^)	225,000	0.19	1,200,000	1.0 ^(^)	
Yong Kian Seng @ Yoong Tein Seng	Group Managing Director	150,000	30,655,000	38.3 ^(e)	225,000	0.19	45,982,500	38.3 ^(e)	
Yoong Hau Chun	Executive Director	150,000	30,655,000	38.3 ^(d)	225,000	0.19	45,982,500	38.3 ^(d)	

2. PROSPECTUS SUMMARY

	Designation	<----- After the Public Issue ----->				<----- Assuming full exercise of the Warrants ----->				
		<----- Direct ----->		<----- Indirect ----->		<----- Direct ----->		<----- Indirect ----->		
		Number of Shares	Percentage of share capital %	Number of Shares	Percentage of share capital %	Number of Shares	Percentage of share capital %	Number of Shares	Percentage of share capital %	
Dato' Seri Yong Tu Sang	Non-Independent Non-Executive Director	150,000	0.19	27,075,000	33.8 ^(k)	225,000	0.19	40,612,500	33.8 ^(k)	
Dato' Loo Swec Chew	Non-Independent Non-Executive Director	150,000	0.19	27,075,000	33.8 ^(e)	225,000	0.19	40,612,500	33.8 ^(e)	
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	Independent Non-Executive Director	-	-	-	-	-	-	-	-	
Lim Kah Poon	Independent Non-Executive Director	50,000	0.06	-	-	75,000	0.06	-	-	
<u>Key Management and Technical Personnel #</u>										
S. Ganasen Moorthi	General Manager	50,000	0.06	-	-	75,000	0.06	-	-	
Hew Mei Ying, Elaine	Chief Financial Officer	50,000	0.06	-	-	75,000	0.06	-	-	
Choi Kong Cheong	Plant Manager	30,000	0.04	-	-	45,000	0.04	-	-	
Siew Hong Kin	Process Manager	30,000	0.04	-	-	45,000	0.04	-	-	
Siew Chok Keong	Project Engineer	25,000	0.03	-	-	37,500	0.03	-	-	

2. PROSPECTUS SUMMARY

	Designation	<----- After the Public Issue ----->				<----- Assuming full exercise of the Warrants ----->			
		<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
		Number of Shares	Percentage of share capital %	Number of Shares	Percentage of share capital %	Number of Shares	Percentage of share capital %	Number of Shares	Percentage of share capital %
Yoong Li Yen	Sales and Marketing Manager	50,000	0.06	30,755,000	38.4 ^(b)	75,000	0.06	46,132,500	38.4 ^(b)
Peh Ju Chai	Executive Director of HPSB	2,130,000	2.7	-	-	3,195,000	2.7	-	-
Yee Kong Yin	Executive Director of HPSB	2,130,000	2.7	-	-	3,195,000	2.7	-	-
Ng Han Koon	R&D Manager	50,000	0.06	-	-	75,000	0.06	-	-
Ong Cheng Huat	Marketing Manager	50,000	0.06	-	-	75,000	0.06	-	-
Liew Kok Chee	BWSB Branch Manager	31,000	0.04	-	-	46,500	0.04	-	-

Notes:

^(a) Deemed interested by virtue of its substantial shareholdings in HW pursuant to Section 6A of the Act

^(b) Deemed interested by virtue of its substantial shareholdings in HW and Firama Holdings Sdn Bhd pursuant to Section 6A of the Act

^(c) Deemed interested by virtue of his substantial shareholdings in Tenson Holdings Sdn Bhd pursuant to Section 6A of the Act, his relationship with Tan Gek G @ Chen Yik Er, his spouse and his family members being the other shareholders of Tenson Holdings Sdn Bhd and by virtue of his relationship with Yoong Hau Chun, his son and Yoong Li Yen, his daughter

^(d) Deemed interested by virtue of his relationship with Yong Kian Seng @ Yoong Tein Seng, his father and Yoong Li Yen, his sister

^(e) Deemed interested by virtue of their substantial shareholdings in HW pursuant to Section 6A of the Act

^(f) Deemed interested by virtue of their shareholdings in Sanur Sdn Bhd pursuant to Section 6A of the Act, and by virtue of their relationship with Jazman bin Mohamed, their brother

^(g) Deemed interested by virtue of his shareholdings in Sanur Sdn Bhd pursuant to Section 6A of the Act

^(h) Deemed interested by virtue of its shareholdings in OSKVE pursuant to Section 6A of the Act

2. PROSPECTUS SUMMARY

Notes (cont'd):

- (i) Deemed interested by virtue of his substantial shareholdings in OSKH pursuant to Section 6A of the Act*
 - (j) Deemed interested by virtue of its substantial shareholdings in Firama Holdings Sdn Bhd pursuant to Section 6A of the Act*
 - (k) Deemed interested by virtue of his shareholdings in Sung Lee Timber Trading Sdn Bhd pursuant to Section 6A of the Act and his relationship with Datin' Seri Ng Ah Heng, his spouse, being the other shareholder of Sung Lee Timber Trading Sdn Bhd*
 - (l) Deemed interested by virtue of her relationship with Yong Kian Seng @ Yoong Tein Seng, her father and Yoong Hau Chun, her brother*
- # Includes the 3,740,000 Issue Shares which will be made available for application by the eligible directors, employees and persons who have contributed to the success of the Group, on the assumption that they will subscribe in full for the HeveaBoard Shares allocated to them. Please refer to **Section 3.8** of this Prospectus for further details.*
- ^ Assuming that Tan Sri Dato' Seri Mohamed bin Rahmat subscribes for the 800,000 Issue Shares pursuant to the MITI allocated portion of the Public Issue*

Details of the Promoter, substantial shareholders, Directors, and key management and technical personnel of the HeveaBoard Group and their direct and indirect interests in the issued and paid-up share capital of the HeveaBoard Group are set out in **Section 6** of this Prospectus.

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2. PROSPECTUS SUMMARY

2.3 PRODUCTS, SERVICES AND OPERATIONS

HeveaBoard manufactures various grades of particleboard and wood-related products for both the local and overseas markets. The Group operates from two (2) principal locations in Negeri Sembilan Darul Khusus; Gemas, from where it operates its particleboard manufacturing plant, and in Seremban, from where it carries out its RTA furniture manufacturing activities.

The Group has also commenced preliminary work on a second manufacturing line which will significantly increase the existing particleboard production capacity of HeveaBoard once it becomes fully operational in two years time.

For further details of the products, services and operations of the Group, please refer to **Section 7.1** of this Prospectus.

2.4 RESEARCH AND DEVELOPMENT

The R&D activities of the Group are primarily geared towards the enhancement of product quality, the development of new products, the improvement of the manufacturing process and the efficient utilisation of raw materials.

Previously, HeveaBoard has conducted joint research with government agencies such as FRIM and UPM, while at the same time, is a proactive member of MTIB, MTC and MILOT. HeveaBoard is a founding member of MILOT, and its collaboration with these parties culminated in the development of Lami-OSB for which MILOT has filed a patent with the registrar of patent in Malaysia.

Additionally, with the collaboration with FRIM, HW secured a research grant of RM2.14 million from the Government of Malaysia under the Ministry of Science and Technology in 1999 for the R&D works on Lami-OSB to be carried out in HeveaBoard.

HeveaBoard ability to keep abreast with global product and market developments also owe much to the close working relationship it enjoys with world renowned Japanese and European process technology firms such as Mitsui Chemical Asia Limited, Bayer AG, Dynea and Dieffenbacher GmBH. In fact, it is from these close collaborations that HeveaBoard has pioneered the commercial development of the E0 and Super E0 particleboard which conforms to the strictest Japanese standards for formaldehyde emission.

Further details on the R&D efforts of the Group are set out in **Section 7.8** of this Prospectus.

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2. PROSPECTUS SUMMARY

2.5 PROFORMA CONSOLIDATED INCOME STATEMENTS OF THE HEVEABOARD GROUP

The following table sets out the proforma consolidated income statements of the HeveaBoard Group for the past five (5) FYE 31 December 2003 and the six (6) months financial period ended 30 June 2004. The consolidated income statements are presented for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in **Section 11** of this Prospectus.

	←----- FYE 31 December ----->					6 months financial period ended 30 June 2004 RM'000
	1999	2000	2001	2002	2003	
	RM'000	RM'000	RM'000	RM'000	RM'000	
Gross Revenue	50,221	53,111	51,660	79,762	106,334	70,240
EBITDA	15,319	19,544	17,239	23,839	25,930	13,330
<i>(Less)/Add:</i>						
Depreciation	(4,018)	(3,660)	(4,637)	(5,236)	(5,754)	(3,273)
Goodwill amortisation	(483)	(483)	(483)	(501)	(501)	(284)
Interest expense	(4,364)	(3,809)	(3,322)	(2,653)	(2,096)	(761)
Interest income	472	323	333	359	9	3
PBT	6,926	11,915	9,130	15,808	17,588	9,015
Tax expense	(1,868)	(4,001)	(3,283)	(3,143)	(3,069)	(1,709)
PAT	5,058	7,914	5,847	12,665	14,519	7,306
Weighted average no. of ordinary shares assumed to be in issue	56,000	60,405	61,000	61,000	61,011	64,960
Gross EPS(sen)	12.4	19.7	15.0	25.9	28.8	* 13.9
Net EPS(sen)	9.0	13.1	9.6	20.8	23.8	* 11.2

Note:

* The Gross EPS and Net EPS were computed by dividing the PBT and PAT respectively for the six (6) months financial period ended 30 June 2004 by the weighted average number of ordinary shares in issue during the period. The Gross EPS and Net EPS computed were not annualised.

The proforma consolidated income statements were prepared after taking into account the relevant adjustments that the Reporting Accountants considered necessary, assuming that the Group had been in existence throughout the years/period under review, and subject to the bases and assumptions as set out below:

- (a) that the acquisition of the entire issued and paid-up share capital of HPSB, HMSB, HOSB and BWSB by HeveaBoard had been in effect throughout the financial years/period under review;
- (b) the proforma consolidated results are prepared based on the audited financial statements of HeveaBoard, HPSB, HMSB, HOSB and BWSB;

2. PROSPECTUS SUMMARY

- (c) the financial year ends of HeveaBoard, HPSB, HMSB and HOSB throughout the periods under review include the FYE 31 December 1999 to 2003 and the six (6) months financial period ended 30 June 2004. The FYE of BWSB included the 18 months period ended 31 December 2001 and the FYE 31 December 2002, 31 December 2003 and the six (6) months financial period ended 30 June 2004;
- (d) the audited financial statements of BWSB were prepared for the 18 months period from its date of incorporation on 20 July 2000 to 31 December 2001. For the purpose of preparing the proforma group results, the audited results of BWSB have been time apportioned to coincide with the accounting periods of HeveaBoard for the period ended 31 December 2000 and 2001 respectively. BWSB started its operations on 1 December 2000; and
- (e) all significant intra-group transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

There were no extraordinary or exceptional items in the audited financial statements of the HeveaBoard Group for the past five (5) FYE 31 December 2003 and for the six (6) months financial period ended 30 June 2004.

The HeveaBoard Group's audited financial statements for the past five (5) FYE and for the financial period ended 30 June 2004 have not been subjected to any audit qualification. Detailed information on the proforma consolidated income statements of the HeveaBoard Group is set out in **Section 11** of this Prospectus.

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2. PROSPECTUS SUMMARY

2.6 PROFORMA BALANCE SHEETS OF THE HEVEABOARD GROUP

The following table sets out a summary of the proforma consolidated balance sheets of the HeveaBoard Group as at 30 June 2004, for illustrative purposes only, to show the effects of the Public Issue and assuming the full exercise of the Warrants, on the assumption that the Listing was completed on 30 June 2004 and that the Warrants will be converted upon maturity, and should be read in conjunction with the notes and assumptions to the proforma balance sheets of the HeveaBoard Group as set forth in **Section 10.11** of this Prospectus.

	As at 30 June 2004 RM'000	Adjustment I After Pre- IPO Dividend RM'000	Proforma I After Adjustment I and Public Issue RM'000	Proforma II After Proforma I and Warrants RM'000
Non-Current Assets				
Property, plant and equipment	92,444	92,444	109,524	109,524
Other investment	95	95	95	95
Goodwill on consolidation	3,128	3,128	3,128	3,128
	<u>95,667</u>	<u>95,667</u>	<u>112,747</u>	<u>112,747</u>
Current assets				
Inventories	21,347	21,347	21,347	21,347
Trade receivables	16,638	16,638	16,638	16,638
Other receivables, deposits & prepayment	4,793	4,793	4,793	4,793
Tax refundable	61	61	61	61
Cash and bank balances	728	728	10,728 *	90,728
Total current assets	<u>43,567</u>	<u>43,567</u>	<u>53,567</u>	<u>133,567</u>
Less: Current liabilities				
Trade payables	13,846	13,846	13,846	13,846
Other payables & accruals	15,314	19,056	19,056	19,056
Amount owing to related parties	1,589	1,589	1,589	1,589
Short term borrowing	7,881	7,881	7,881	7,881
Bank overdrafts	8,060	8,060	8,060	8,060
Provision for taxation	1,983	1,983	1,983	1,983
Total current liabilities	<u>48,673</u>	<u>52,415</u>	<u>52,415</u>	<u>52,415</u>
Net current (liabilities)/assets	(5,106)	(8,848)	1,152	81,152
	<u>90,561</u>	<u>86,819</u>	<u>113,899</u>	<u>193,899</u>
Financed by:-				
Share capital	64,960	64,960	80,000	120,000
Share premium	-	-	12,040	52,040
Retained profits	11,112	7,370	7,370	7,370
Shareholders' equity	<u>76,072</u>	<u>72,330</u>	<u>99,410</u>	<u>179,410</u>
Non-current liabilities				
Hire purchase payables	1,960	1,960	1,960	1,960
Deferred taxation	12,529	12,529	12,529	12,529
	<u>90,561</u>	<u>86,819</u>	<u>113,899</u>	<u>193,899</u>
Number of ordinary shares in issue ('000)	<u>64,960</u>	<u>64,960</u>	<u>80,000</u>	<u>120,000</u>
NTA per ordinary share (RM)	<u>1.12</u>	<u>1.07</u>	<u>1.20</u>	<u>1.47</u>

Note:

- * RM10.0 million has been earmarked for the repayment of bank borrowings obtained by the HeveaBoard Group subsequent to 30 June 2004. The RM10.0 million has been included in the cash and bank balances for the purpose of the Proforma Consolidated Balance Sheets

2. PROSPECTUS SUMMARY

2.7 RISK FACTORS

Prospective investors, prior to making an investment in the Issue Shares, should carefully consider the following risk factors (which may not be exhaustive), in addition to the other information contained elsewhere in this Prospectus. The information in this Prospectus may contain forward-looking statements that involve risks and uncertainties, and as such, may differ materially from the actual results of the Company.

The key risk factors (which may not be exhaustive) that may affect the HeveaBoard Group's future financial performance are as follows:

- (i) No prior market for HeveaBoard Shares
- (ii) Capital market risks
- (iii) Business risks
- (iv) Economic and political considerations
- (v) Availability of raw materials
- (vi) Competition
- (vii) Impact of AFTA
- (viii) Dependence on key personnel
- (ix) Future capital injections
- (x) Investments risks
- (xi) Continued control by existing shareholders
- (xii) Related party transactions
- (xiii) Litigation risks
- (xiv) Production risks
- (xv) Underwriting risks
- (xvi) Reliance on and relationships with major customers
- (xvii) Absence of long-term sales contracts
- (xviii) Forward looking statements
- (xix) Financing risk
- (xx) Currency risk
- (xxi) Changes in government regulations and technical building standards
- (xxii) Environmental concerns
- (xxiii) Adequacy of insurance coverage
- (xxiv) Establishment of a second manufacturing line

For details on these risk factors, please refer to **Section 4** of this Prospectus.

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2. PROSPECTUS SUMMARY

2.8 PRINCIPAL STATISTICS RELATING TO THE PUBLIC ISSUE

The following statistics relating to the Public Issue are derived from the full text of this Prospectus and should be read in conjunction with that text.

2.8.1 Share Capital

	RM
<i>Authorised</i>	
500,000,000 Shares	<u>500,000,000</u>
<i>Issued and fully-paid up share capital as at the date of this Prospectus</i>	
64,960,000 Shares	64,960,000
<i>To be issued pursuant to the Public Issue</i>	
15,040,000 Shares	<u>15,040,000</u>
<i>Enlarged issued and fully paid-up share capital</i>	
80,000,000 Shares	80,000,000
<i>Assuming full exercise of the Warrants</i>	
40,000,000 Shares	<u>40,000,000</u>
<i>Enlarged issued and fully paid-up share capital after the exercise of the Warrants</i>	
120,000,000 Shares	<u>120,000,000</u>

2.8.2 Classes of Shares and Ranking

There is only one (1) class of shares in HeveaBoard being ordinary shares of RM1.00 each.

The Issue Shares issued pursuant to the Public Issue shall rank pari passu in all respects with the existing issued and paid-up Shares in HeveaBoard, including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of this Prospectus.

A total of 40,000,000 new Warrants will be issued and allotted at no consideration to the Entitled Shareholders of HeveaBoard on a rights basis of one (1) new Warrant for every two (2) HeveaBoard Shares held as at the Entitlement Date. Assuming all the Warrants are subsequently exercised, the issued and paid-up share capital of HeveaBoard will increase by RM40,000,000 to RM120,000,000.

The salient terms of the Warrants including the ranking of the new HeveaBoard Shares upon conversion of the Warrants are set out in **Section 5.5.1** of this Prospectus.

2.8.3 Issue Price

The Issue Price for each Issue Share RM2.00

2. PROSPECTUS SUMMARY

2.8.4 Market Capitalisation

80,000,000 ordinary shares, based on the issue price of RM2.00 per Issue Share	160,000,000
40,000,000 warrants at no consideration to the Entitled Shareholders of HeveaBoard on a rights basis of one (1) new Warrant for every two (2) HeveaBoard Shares held as at the Entitlement Date	-
Market capitalisation of HeveaBoard upon Listing	<u>160,000,000</u>

2.8.5 Proforma Consolidated NTA as at 30 June 2004

Proforma consolidated NTA (RM'000) (after the Public Issue but before the full exercise of Warrants)	96,282
Proforma consolidated NTA per Share (after the Public Issue but before the full exercise of Warrants)	1.20
Premium of Issue Price over proforma consolidated NTA per Share (sen)	0.80
Premium of Issue Price over proforma consolidated NTA per Share (%)	66.7

Details of the proforma consolidated balance sheets of the HeveaBoard Group are set out in **Section 10.11** of this Prospectus.

2.9 PROCEEDS OF THE PUBLIC ISSUE AND UTILISATION

The total gross proceeds from the Public Issue of RM30,080,000 is expected to be fully utilised for the core business of the Group within twelve (12) months from the date of Listing.

The total gross proceeds from the Public Issue is expected to be utilised for the following purposes:

Purpose	Note	RM'000	Expected Time Frame for Utilisation of Proceeds
Repayment of bank borrowings	(i)	10,000	Within twelve (12) months after Listing
Balance of 15% downpayment for the second manufacturing line	(ii)	17,080	Within twelve (12) months after Listing
Estimated listing expenses *		<u>3,000</u>	Within six (6) months after Listing
		<u>30,080</u>	

Notes:

* Any surplus in the estimated listing expenses will be utilised for the working capital of HeveaBoard

(i) Repayment of bank borrowings

RM10.0 million has been earmarked for the repayment of bank borrowings obtained subsequent to 30 June 2004 as part settlement for the 15% downpayment of the contract sum for the second manufacturing line.

2. PROSPECTUS SUMMARY*(ii) Balance of 15% downpayment for the second manufacturing line*

HeveaBoard is required to pay a 15% downpayment, equivalent to approximately RM27.10 million (based on Euro 5.67 million at the exchange rate of RM4.78:Euro 1) to Dieffenbacher GmbH + Co. KG for the second manufacturing line. A 5% downpayment equivalent to approximately RM9.0 million was paid to Dieffenbacher GmbH + Co. KG on 6 October 2004. In respect of the remaining 10%, the Group intends to utilise approximately RM17.080 million of the listing proceeds for settlement of the same. Further details pertaining to the second manufacturing line may be found in Section 8.7 of this Prospectus.

The proceeds arising from the exercise of the Warrants during the period between the 2nd anniversary of the Issue Date of the Warrants and the date falling five (5) years of the Issue Date, both dates inclusive, will be utilised for the future expansion plans and additional working capital requirements of the Group.

Detailed information on the utilisation of proceeds is set out in **Section 3.11** of this Prospectus.

2.10 CONSOLIDATED PROFIT ESTIMATE AND FORECAST

The following sets out a summary of the profit estimate and forecast for the FYE 31 December 2004 and 2005 respectively, and should be read in conjunction with the accompanying notes and assumptions included in the consolidated profit estimate and forecast in **Sections 10.4** and **10.5** of this Prospectus.

	December 2004 estimate RM'000	December 2005 forecast RM'000
Gross revenue	160,012	194,645
PBT	22,509	23,546
Less : Tax expense	(5,321)	(5,456)
PAT	17,188	18,090
Enlarged number of shares	80,000	80,000
Weighted average number of shares	65,001 [^]	80,000
Gross EPS (RM) *	0.35	0.29
Net EPS (RM) *	0.26	0.23
Gross PE Multiple based on Issue Price of RM2.00 per Share (times) *	5.8	6.8
Net PE Multiple based on the Issue Price of RM2.00 per Share (times) *	7.7	8.8

Notes:

[^] Assuming that the Listing is completed at the end of December 2004

* Calculation is based on the weighted average number of shares

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2. PROSPECTUS SUMMARY

2.11 DIVIDEND FORECAST

The following table sets out a summary of the dividend forecast for the FYE 31 December 2005 and should be read in conjunction with the accompanying notes included in the dividend forecast set out in **Section 10.8** of this Prospectus.

FYE 31 December 2005

Gross dividend (%)	6.0
Dividend yield* (%)	3.0
Net dividend cover [#]	5.23

Notes:

* Based on the issue price of RM2.00

Based on the forecasted consolidated PAT for the FYE 2005 of RM18.09 million and dividend less tax at 28%

2.12 WORKING CAPITAL, BORROWINGS, MATERIAL LITIGATION, MATERIAL COMMITMENT AND CONTINGENT LIABILITIES

2.12.1 Working Capital

As at 15 November 2004, being the last practicable date prior to the printing of this Prospectus, the Directors of HeveaBoard are of the opinion that, after taking into account the forecast consolidated cash flows, banking facilities available and the net proceeds to be raised from the Public Issue, the HeveaBoard Group will have sufficient working capital for a period of twelve (12) months from the date of this Prospectus.

2.12.2 Borrowings

As at 15 November 2004, being the last practicable date prior to the printing of this Prospectus, the Group's total borrowings amounted to the following:

	As at 30 June 2004 (Audited) RM'000	As at 15 November 2004 (Unaudited) RM'000
Short term		
Interest bearing	15,940	34,316
Long term		
Interest bearing	1,959	2,987
	<u>17,899</u>	<u>37,303</u>

The HeveaBoard Group has not defaulted on payments of either interest and/or principal sums in respect of any borrowings throughout the past one (1) financial year and the subsequent financial period thereof up to 15 November 2004 being the last practicable date prior to the printing of this Prospectus.

2.12.3 Material Litigation

As at 15 November 2004, being the last practicable date prior to the printing of this Prospectus, neither HeveaBoard or its subsidiaries is engaged in any material litigation, either as plaintiff or defendant. The Directors of HeveaBoard are not aware of any proceedings pending or threatened against the Company or its subsidiaries, or any fact likely to give rise to any proceedings that may materially and adversely affect the financial position or business of the HeveaBoard Group.

2. PROSPECTUS SUMMARY**2.12.4 Material Commitment**

Save as disclosed below, as at 15 November 2004, being the last practicable date prior to the printing of this Prospectus, there is no material commitment for capital expenditure incurred or known to be incurred by HeveaBoard or its subsidiaries, which may have a material and adverse impact on the results and business of the HeveaBoard Group.

	As at 15 November 2004 RM '000
Approved and contracted for:	
- Contract sum for the second manufacturing line	<u>171,684 *</u>
Approved but not contracted for:	
- Construction cost and local supplies for the second manufacturing line	33,000
- Upgrading and improvement works on the manufacturing plant of HPSB	<u>3,200</u>
	<u>36,200</u>

Note:

* *Excludes the 5% downpayment paid on 6 October 2004 to Dieffenbacher GmbH + Co. KG of approximately RM9.0 million*

2.12.5 Contingent Liabilities

Save as disclosed below, as at 15 November 2004, being the last practicable date prior to the printing of this Prospectus, there is no material contingent liabilities incurred by HeveaBoard or its subsidiaries, which may have a substantial impact on the financial position of the Group.

	As at 15 November 2004 RM '000
Corporate guarantee given to financial institutions for banking facilities and hire purchase facilities granted to a subsidiary	27,513

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3. DETAILS OF THE PUBLIC ISSUE

3.1 INTRODUCTION

This Prospectus is dated 17 December 2004.

A copy of this Prospectus has been registered with the SC and lodged with the ROC, and neither the SC nor the ROC takes any responsibility for its contents.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act 1991, Bursa Securities has prescribed HeveaBoard Shares and the Warrants as prescribed securities. In consequence thereof, the Issue Shares and Warrants will be deposited directly with Bursa Depository and any dealings in these shares and warrants will be carried out in accordance with the Securities Industry (Central Depositories) Act 1991 and the Rules of Bursa Depository. No share certificates will be issued to successful applicants.

On 23 August 2004, approval was obtained from the SC in respect of the listing of HeveaBoard on the Main Board of Bursa Securities. The approval of the SC shall not be taken to indicate that the SC recommends the Issue Shares and/or the Warrants and/or the listing of HeveaBoard on the Main Board of Bursa Securities. Investors are advised to make their own individual assessment on the merits and risks of any investment in the Company.

An application will be made to Bursa Securities for admission to the Official List of the Main Board of Bursa Securities and for permission to deal in and the listing of and quotation for the entire issued and fully paid-up Shares of the Company, including the Issue Shares, the Warrants and the new Shares arising from the exercise of the Warrants. Any allotment and allocation made on an application to subscribe for securities pursuant to this Prospectus shall be void if the permission is not applied for in the form for the time being required by the exchange before the third day on which the exchange is open after the date of issue of this Prospectus or the permission is not granted before the expiration of six (6) weeks from the issue of this Prospectus or such longer period as may be specified by the SC, provided that the applicant is notified by or on behalf of the exchange within the six (6) weeks or such longer period as may be specified by the SC. These Shares and Warrants will be admitted to the Official List of the Main Board of Bursa Securities and official quotation will commence after receipt of confirmation from Bursa Depository that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been dispatched to all successful applicants.

Acceptance of application will be conditional upon permission being granted by Bursa Securities to deal in and for the listing of and quotation for the entire issued and fully-paid up Shares of the Company, including the Issue Shares, the Warrants and the new Shares arising from the exercise of the Warrants. Accordingly, monies paid in respect of any application accepted will be returned without interest if the said permission is not granted.

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

Pursuant to the Listing Requirements, HeveaBoard needs to have at least 25% of the issued and paid-up share capital of the Company in the hands of public shareholders and a minimum number of 1,000 public shareholders holding not less than 100 Shares each upon admission to the Main Board of Bursa Securities. HeveaBoard is expected to achieve this at the point of Listing. However, in the event that this requirement is not met pursuant to the Public Issue, HeveaBoard may not be allowed to proceed with the Listing. In the event therefore, monies paid in respect of all applications will be returned without interest.

3. DETAILS OF THE PUBLIC ISSUE

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

The distribution of this Prospectus and the sale of the Issue Shares are subject to Malaysian law. HeveaBoard and OSK take no responsibility for the distribution of this Prospectus and/or Public Issue or sale of the Issue Shares outside Malaysia which may be restricted by law in other jurisdictions. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an issue to sell or an invitation of an issue to buy any Issue Shares in any jurisdiction in which such issue or invitation is not authorised or lawful or to any person to whom it is unlawful to make such issue or invitation.

The SC and Bursa Securities assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the Official List of the Main Board of Bursa Securities is not to be taken as an indication of the merits of HeveaBoard, its Shares and/or the Warrants.

If you are in any doubt about this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.

3.2 OPENING AND CLOSING OF PUBLIC ISSUE

Applications will be accepted from 10.00 a.m. on 17 December 2004 and will close at 5.00 p.m. on 27 December 2004 or for such later period or periods as the Directors of HeveaBoard and the Underwriter may in their absolute discretion mutually decide. Late applications will not be accepted.

3.3 INDICATIVE TIMETABLE

The indicative timing of events leading up to the Listing is set out below:

Event

Issuance of this Prospectus / Opening of the Public Issue	17 December 2004
Closing of the Public Issue	27 December 2004
Balloting of the applications	31 December 2004
Tentative date for despatch of notices of allotment to successful applicants	7 January 2005
Tentative listing date	10 January 2005

The application for the Public Issue will close at the time and date stated, or at such later date or dates as the directors of HeveaBoard and the Underwriter may in their absolute discretion decide. Should the closing date of the application be extended, the dates for balloting, the despatch of notice of allotment and the listing of and quotation for the entire issued and paid-up share capital of HeveaBoard on the Main Board of Bursa Securities will be extended accordingly.

In the event the closing date of the application is extended the notice of the extension will be advertised in a widely circulated Bahasa Malaysia and English daily newspapers within Malaysia prior to the original closing date of the application.

3. DETAILS OF THE PUBLIC ISSUE

3.4 SHARE CAPITAL AND RIGHTS ATTACHING TO THE ISSUE SHARES

	RM
<i>Authorised</i>	
500,000,000 Shares	500,000,000
<i>Issued and fully-paid up share capital as at the date of this Prospectus</i>	
64,960,000 Shares	64,960,000
<i>To be issued pursuant to the Public Issue</i>	
15,040,000 Shares	15,040,000
<i>Enlarged issued and fully paid-up share capital</i>	
80,000,000 Shares	80,000,000
<i>Assuming full exercise of the Warrants</i>	
40,000,000 Shares	40,000,000
<i>Enlarged issued and fully paid-up share capital after the exercise of the Warrants</i>	
120,000,000 Shares	120,000,000

The Issue Price of RM2.00 per Issue Share is payable in full upon application.

Class of shares and ranking

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

Subject to any special rights attaching to any share which may be issued by HeveaBoard in the future, the shareholders of HeveaBoard 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 HeveaBoard as dividends and other distributions, and the whole of any surplus in the event of liquidation of HeveaBoard, such surplus to be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with HeveaBoard articles of association.

Each shareholder shall be entitled to vote at any general meeting of HeveaBoard in person, by proxy or by attorney, and, on a show of hands, every person present who is a shareholder, or a representative, proxy or attorney of a shareholder, shall have one vote, and on a poll, every shareholder present in person, by proxy, by attorney or by duly authorised representative shall have one vote for each ordinary share held. A proxy may but need not be a member of HeveaBoard and he need not be an advocate, an approved company auditor or a person approved by the ROC. Save for an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, each shareholder shall be entitled to appoint one representative or proxy or attorney to attend and vote at any general meeting.

Pursuant to the Public Issue, a total of 40,000,000 new Warrants will be issued and allotted at no consideration to the Entitled Shareholders of HeveaBoard on a rights basis of one (1) new Warrant for every (2) HeveaBoard Shares held as at the Entitlement Date. Assuming all the Warrants are subsequently exercised, the issued and paid-up share capital of HeveaBoard will increase by RM40,000,000 to RM120,000,000.

The salient terms of the Warrants including the ranking of the new HeveaBoard shares upon conversion of the Warrants are set out in **Section 5.5.1** of this Prospectus.

3. DETAILS OF THE PUBLIC ISSUE

3.5 PURPOSE OF THE PUBLIC ISSUE

The purposes of the Public Issue are as follows:

- (i) to obtain the listing of and quotation for the entire issued and paid-up share capital of HeveaBoard on the Main Board of Bursa Securities;
- (ii) to provide the HeveaBoard Group with access to the capital market to raise funds for future expansion and growth;
- (iii) to enhance the stature of the HeveaBoard Group in the marketing of its products and services, and to retain, and attract new, skilled employees;
- (iv) to provide an opportunity for the Malaysian public and eligible employees of the HeveaBoard Group to participate in the equity and in the continuing growth of the Company; and
- (v) to enhance the HeveaBoard Group's corporate image in Malaysia as well as overseas.

3.6 BASIS OF ARRIVING AT THE ISSUE PRICE

The Issue Price of RM2.00 per Issue Share was determined and agreed upon by HeveaBoard and OSK, as the Adviser and Underwriter, after taking into consideration the following factors:

- (i) Based on the issued and paid-up share capital of HeveaBoard before the Public Issue and using the estimated PAT for the FYE 31 December 2004 of RM17,188,082, the net EPS is 0.26. The Issue Price of RM2.00 represents a net PE Multiple of 7.7 times;
- (ii) Based on the enlarged issued and paid-up share capital of HeveaBoard after the Public Issue and using the forecasted PAT for the FYE 31 December 2005 of RM18,089,888, the net EPS is 0.23. The Issue Price of RM2.00 represents a net PE Multiple of 8.8 times;
- (iii) the proforma consolidated NTA per Share of RM1.20 based on the proforma consolidated balance sheet of HeveaBoard (before the exercise of the Warrants) as at 30 June 2004. The Issue Price represents a premium of RM0.80 per Share or 66.7% above the proforma consolidated NTA per Share;
- (iv) the new Warrants to be issued and allotted at no consideration to the Entitled Shareholders of HeveaBoard on a rights basis of one (1) new Warrant for every two (2) HeveaBoard Shares held as at the Entitlement Date;
- (v) the HeveaBoard Group's operating and financial history and conditions as outlined in **Section 10** of this Prospectus;
- (vi) the future prospects of the HeveaBoard Group and the industry as outlined in **Section 8** of this Prospectus; and
- (vii) the prevailing market conditions.

However, investors should also note that the market price of the Issue Shares upon subsequent Listing on the Main Board of Bursa Securities are subject to the vagaries of market forces and other uncertainties, which may affect the price of the said shares. Investors should bear in mind the risk factors set forth in **Section 4** of this Prospectus before deciding on whether or not to invest in the Issue Shares.

The exercise price of RM2.00 for the Warrants was determined after considering various market information including the future profitability and expansion plans of the HeveaBoard Group.

3. DETAILS OF THE PUBLIC ISSUE

3.7 ALLOCATION OF THE ISSUE SHARES AND WARRANTS

The Public Issue of a total of 15,040,000 Shares at an Issue Price of RM2.00 per Share shall be subject to the terms and conditions of this Prospectus and, upon acceptance, will be allocated in the following manner :-

- (a) 3,740,000 new HeveaBoard Shares representing approximately 4.7% of the enlarged share capital of 80,000,000 HeveaBoard Shares have been reserved for eligible directors, employees and persons who have contributed to the success of the HeveaBoard Group;
- (b) 7,300,000 new HeveaBoard Shares representing approximately 9.1% of the enlarged share capital of 80,000,000 HeveaBoard Shares have been reserved for Bumiputera investors nominated and approved by the MITI; and
- (c) 4,000,000 new HeveaBoard Shares representing 5.0% of the enlarged share capital of 80,000,000 HeveaBoard Shares are available for application by the Malaysian public, companies, societies, co-operatives and institutions.

Up to 7,740,000 Shares, comprising the Shares under paragraphs (a) and (c) have been fully underwritten by the Underwriter listed in **Section 1**. The Shares in respect of paragraph (b) is not underwritten. Any Shares in respect of paragraph (a) not subscribed for will be made available for application by the Malaysian public.

The basis of allocation shall take into account the desirability of distributing the Issue Shares to a reasonable number of applicants with a view to broadening the shareholding base of the Company to meet the public spread requirements, and to establishing a liquid and adequate market in the Shares. Applicants will be selected in a manner to be determined by the Directors of the Company.

In the event of an overall under-subscription of the Public Issue, all the Shares not applied for under (a) and (c) will be made available for subscription by the Underwriter in accordance with the terms and conditions specified in the underwriting agreement dated 10 December 2004 ("Underwriting Agreement").

A total of 40,000,000 new Warrants will be issued and allotted at no consideration to the Entitled Shareholders of HeveaBoard on a rights basis of one (1) new Warrant for every (2) HeveaBoard Shares held as at the Entitlement Date.

The salient terms of the Warrants are set out in **Section 5.5.1** of this Prospectus.

3.8 ALLOCATION OF THE ISSUE SHARES TO THE ELIGIBLE DIRECTORS, EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF THE HEVEABOARD GROUP

The eligible Directors, employees and persons who have contributed to the success of the HeveaBoard Group have been allocated a total of 3,740,000 Issue Shares.

The total number of persons eligible for the allocation is 535, comprising the following:

Category	No. of persons
Directors of HeveaBoard	6
Employees	398
Persons who have contributed to the success of the Group (including suppliers and customers)	131
	535

3. DETAILS OF THE PUBLIC ISSUE

The criteria of allocation for the above mentioned Issue Shares are as follows:

- (i) The employee must be a confirmed full time employee and on the payroll of the company or of an eligible subsidiary;
- (ii) The number of shares allocated are based on the seniority, position, length of service and contribution made to the Group; and
- (iii) The eligible directors based on the discretion of the Company, as follows:

Name	Designation	Pink Form Allocation (No. of Ordinary Shares in HeveaBoard)
Tan Sri Dato' Seri Mohamed bin Rahmat	Non-Independent Non-Executive Chairman	150,000
Yong Kian Seng @ Yoong Tein Seng	Group Managing Director	150,000
Yoong Hau Chun	Executive Director	150,000
Dato' Seri Yong Tu Sang	Non-Independent Non-Executive Director	150,000
Dato' Loo Swee Chew	Non-Independent Non-Executive Director	150,000
Lim Kah Poon	Independent Non-Executive Director	50,000

The number of shares reserved for each category of employees is as follows:

Category	No. of shares reserved for each category of employee
Managing Director	150,000
Executive Director	150,000
Non-Executive Directors	500,000
Senior Management and Advisor	550,000
Managers and Senior Executives	432,000
Executives, Supervisors and Officers	485,000
Technicians, Line Leaders, Senior Clerks and Assistant Leaders	107,000
Operators, Mechanics and Junior Clerks	327,000
Others	56,000

Any of the 3,740,000 new HeveaBoard Shares allotted based on the above criteria but not taken up by the respective allottees will be made available for application by the Malaysian Public under the Public Issue.

3.9 BROKERAGE AND UNDERWRITING EXPENSES

Brokerage relating to the Issue Shares are payable by the Company at the rate of 1.0% of the Issue Price of RM2.00 per Share in respect of successful applications which bear the stamp of OSK, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or the Issuing House.

Underwriting commission is payable by the Company to the Underwriter at a rate of 1.75% of the Issue Price for each of the 4,000,000 new HeveaBoard Shares made available to the Malaysian Public and for each of the unsubscribed portion of the 3,740,000 new HeveaBoard Shares made available for application by the eligible Directors, employees and persons who have contributed to the success of the Group.

The Company shall bear all expenses such as brokerage and underwriting commissions, registration fees relating to the Public Issue together with all other expenses and fees incidental to the listing of and quotation for the entire issued and paid-up share capital of HeveaBoard on the Main Board of Bursa Securities estimated at RM3.0 million.

3. DETAILS OF THE PUBLIC ISSUE

3.10 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

The Underwriting Agreement dated 10 December 2004 between HeveaBoard and OSK (as Underwriter) ("Underwriting Agreement"), contains clauses as set out below which may allow them to withdraw from its obligations under the Underwriting Agreement.

The obligations of OSK to underwrite the Issue Shares is conditional upon the fulfillment and/or satisfaction of the following:-

- (a) Bursa Securities having agreed in principle to the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company;
- (b) the registration with the SC of this Prospectus in accordance with the requirements under Section 41 of the SC Act together with copies of all documents required for submission under Section 42 of the SC Act; and
- (c) the lodgement with the ROC of this Prospectus in accordance with Section 43 of the SC Act;

If any of the above said conditions are not satisfied on or before the Closing Date, the Underwriter shall thereupon be entitled to terminate the Underwriting Agreement by notice in writing delivered to the Company and in that event the Underwriter shall be released and discharged from its obligations provided that in such event the Company shall remain liable for the payment of the costs and expenses referred to in Clause 13 of the Underwriting Agreement.

The Underwriter may also terminate its obligations under the Underwriting Agreement (except for the liability of the Company in the payment of costs and expenses referred to in Clause 13 of the Underwriting Agreement incurred prior to or in connection with such termination) if in the reasonable opinion of the Underwriter any of the following events shall have occurred:-

- (i) any breach by the Company of any of its representations, warranties, obligations or undertakings under the Underwriting Agreement;
- (ii) there is withholding of information of a material nature from the Underwriter which is required to be disclosed pursuant to the Underwriting Agreement;
- (iii) any material adverse change at any time hereafter up to and including the Closing Date;
- (iv) The Kuala Lumpur Composite Index is trading below 780 points;
- (v) any event or series of events beyond the reasonable control of the Underwriter (including without limitation acts of government, fire, explosion, flooding, civil commotion, acts of war or sabotage) which has or will have the effect of making any material part of the Underwriting Agreement incapable of performance with its terms; and
- (vi) that there shall have been such a major and fundamental change in national or international monetary, financial or political conditions or exchange control or currency exchange rates as would in the reasonable opinion of the Underwriter prejudice materially the success of the issue and offering of the new Shares and its distribution or sale (whether in the primary market or in respect of dealings in the secondary market).

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3. DETAILS OF THE PUBLIC ISSUE**3.11 PROCEEDS FROM THE PUBLIC ISSUE AND UTILISATION**

The total gross proceeds from the Public Issue of RM30,080,000 is expected to be fully utilised for the core business of the Group within twelve (12) months from the date of Listing.

The total gross proceeds from the Public Issue is expected to be utilised for the following purposes:

Purpose	Note	RM'000	Expected Time Frame for Utilisation of Proceeds
Repayment of bank borrowings	(i)	10,000	Within twelve (12) months after Listing
Balance of 15% downpayment for the second manufacturing line	(ii)	17,080	Within twelve (12) months after Listing
Estimated listing expenses *		<u>3,000</u>	Within six (6) month after Listing
		<u>30,080</u>	

Notes:

* Any surplus in the estimated listing expenses will be utilised for the working capital of HeveaBoard

(i) Repayment of bank borrowings

RM10.0 million has been earmarked for the repayment of bank borrowings obtained subsequent to 30 June 2004 as part settlement for the 15% downpayment of the contract sum for the second manufacturing line.

(ii) Balance of 15% downpayment for the second manufacturing line

HeveaBoard is required to pay a 15% downpayment, equivalent to approximately RM27.10 million (based on Euro 5.67 million at the exchange rate of RM4.78:Euro 1) to Dieffenbacher GmbH + Co. KG for the second manufacturing line. A 5% downpayment equivalent to approximately RM9.0 million was paid to Dieffenbacher GmbH + Co. KG on 6 October 2004. In respect of the remaining 10%, the Group intends to utilise approximately RM17.080 million of the listing proceeds for settlement of the same. Further details pertaining to the second manufacturing line may be found in Section 8.7 of this Prospectus.

The proceeds arising from the exercise of the Warrants during the period between the 2nd anniversary of the Issue Date of the Warrants and the date falling 5 years from the Issue Date, both dates inclusive, will be utilised for the future expansion plans and additional working capital requirements of the Group.

There is no minimum subscription to be raised from the Public Issue.

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3. DETAILS OF THE PUBLIC ISSUE

3.12 ESTIMATED LISTING EXPENSES

The expenses of the Listing are estimated at approximately RM3.0 million, with the following estimated breakdown:

	RM
Professional fees	780,000
Fees of the authorities	140,500
Underwriting	270,900
Brokerage fee	300,800
Printing and advertising fees	500,000
Issuing house's fees	180,000
Miscellaneous	827,800
Total *	<u>3,000,000</u>

Note:

* Any surplus in the estimated listing expenses will be utilised for the working capital of HeveaBoard

3.13 APPROVALS AND CONDITIONS FROM AUTHORITIES

The listing scheme for HeveaBoard was approved by the SC vide its letter dated 23 August 2004. Additionally, the SC had vide its letter dated 23 November 2004 taken note of HeveaBoard proposed revision in the utilization of proceeds.

MITI's approval for the same was obtained vide its letters dated 8 July 2004, 20 August 2004 and 29 November 2004.

The SC, under the FIC Guidelines on the Acquisition of Interests, Mergers and Takeovers by Local and Foreign Interests, has no objections to the following equity structure of HeveaBoard in relation to the Listing:

	Before the Public Issue (%)	After the Public Issue (%)
Bumiputera	25.70	30.00
Non-Bumiputera	67.71	64.65
Foreign	6.59	5.35
	<u>100.00</u>	<u>100.00</u>

The SC's approval for the Listing of HeveaBoard on the Main Board of Bursa Securities is subject to the following terms and conditions:-

Conditions Imposed	Status of Compliance
(i) Liang Chong Wai is to furnish to the SC with the details of his interest, directorships and/or shareholdings in companies/businesses in Malaysia (other than the HeveaBoard Group) before the issuance of this Prospectus. With regards to the companies/businesses outside Malaysia in which he has an interest, directorships and/or shareholdings, Liang Chong Wai is to submit a declaration to the SC as to whether these companies are involved in similar activities as the HeveaBoard Group or may give rise to a conflict of interest situation;	Met

3. DETAILS OF THE PUBLIC ISSUE

Conditions Imposed	Status of Compliance
(ii) HeveaBoard is to disclose in the listing Prospectus the legal opinion by Messrs Adnan, Sundra & Low opining that Tan Sri Dato' Seri Mohamed bin Rahmat has no deemed interest in the shares in HeveaBoard despite his sons' interest in HeveaBoard through Sanur Sdn Bhd;	Met. Please refer to Section 13 of this Prospectus. The statutory declarations referred to in the said legal opinion have been made available as documents for public inspection.
(iii) HeveaBoard is to disclose the status of the utilization of the listing proceeds in its quarterly and annual reports until the proceeds are fully utilized;	Noted. To be complied with upon implementation
(iv) HeveaBoard is to disclose the following matters in the listing Prospectus:	
(a) The relationship between OSK, OSKVE and the HeveaBoard Group and the justifications to support OSK's views that there is no conflict of interest arising from this relationship;	Disclosed. Please refer to Section 9.1 of this Prospectus
(b) The risks arising from the lack of long-term contacts with its customers, the risks arising from the relatively short term relationship it has with its top ten customers and the steps taken/to be taken to mitigate the risks; and	Disclosed. Please refer to Section 4.16 and Section 4.17 of this Prospectus
(c) The debtors position and ageing analysis, and for debtors amounts exceeding the credit periods, comments by the directors of HeveaBoard on the recoverability of the amounts;	Disclosed. Please refer to Section 10.10 of this Prospectus
(v) HeveaBoard is to ensure that 30% of its enlarged share capital is allocated to Bumiputera investors approved by MITI;	To be met upon Listing
(vi) OSK is to provide the SC with the status of compliance with the National Development Policy requirement upon completion of the flotation exercise; and	Noted. To be complied with upon implementation
(vii) HeveaBoard is to fully comply with all the relevant requirements pertaining to the implementation of the listing proposal as specified in the SC's Policies and Guidelines on Issue/Offer of Securities.	Noted. To be complied with upon implementation.

MITI's approval for the Listing is subject to the following terms and conditions:-

Conditions Imposed	Status of Compliance
(i) approval from the SC for the listing scheme and for compliance with the FIC Guidelines on Acquisition of Assets, Mergers and Takeovers; and	Met
(ii) the allocation of the 7,300,000 new HeveaBoard Shares reserved for Bumiputera investors, representing approximately 9.1% of the enlarged issued and paid-up share capital of HeveaBoard is subject to the approval of MITI. The allocation will be made subsequent to the SC's approval for Listing.	Met
(iii) MITI has agreed to recognize the ownership of 16,727,000 HeveaBoard Shares representing 20.9% of the enlarged issued and paid-up ordinary share capital of HeveaBoard as Bumiputera ownership. In addition, only 70% of the abovementioned approved Bumiputera Shares is allowed to be disposed in stages within six (6) months after Listing, while the remaining 30% may only be disposed with prior approval of MITI.	Noted. To be complied with upon implementation