

**12. SUMMARY OF INDEPENDENT MARKET CONSULTANT'S REPORT**

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(Prepared for inclusion in this Prospectus)



Date: 10 DEC 2004

This Executive Summary has been prepared for inclusion in the Prospectus dated 17 DEC 2004 pursuant to the listing of HeveaBoard Berhad (“HeveaBoard”) on the Main Board of Bursa Malaysia Securities Berhad.

This Executive Summary has been prepared with the intention to provide an overview of the industry as well as the operations of the company within the industry. ACNielsen had conducted the research as an independent third party, basing its Independent Market Research Report on publicly available information and economic trends at the point in time when the Independent Market Research Report was prepared to indicate the future direction of the industry.

A handwritten signature in black ink, appearing to read 'Lee Joo Lee', written over a dotted line.

Lee Joo Lee

Executive Director, Customised Research

**ACNielsen (Malaysia) Sdn Bhd**

# Executive Summary

## 1.1 History

**HeveaBoard** was incorporated as a private limited company on 3 September, 1993, under the Companies Act 1965.

**HeveaBoard** is principally engaged in the business of manufacturing of particleboard and investment in subsidiaries involving down stream furniture manufacturing, trading and distribution of related products. The construction of its current manufacturing plant began on 1 August, 1994 and its first piece of particleboard was manufactured and rolled out on 17 April, 1996. Currently, the subsidiaries under **HeveaBoard** are, HeveaPac Sdn Bhd (“HeveaPac”), HeveaOSB Sdn Bhd (“HeveaOSB”), BocoWood Sdn Bhd and HeveaMart Sdn Bhd (“HeveaMart”) (“**HeveaBoard** and its subsidiaries, collectively, shall be referred to as the ‘**HeveaBoard Group**’ hereinafter”)

## 1.2 Business Overview and Principal Products

**HeveaBoard** is one of the leading particleboard manufacturers in Malaysia. **HeveaBoard** has a particleboard manufacturing plant with an installed annual capacity of 120,000 cubic meters that is located on a 10 acres site in Gemas, approximately 100 kilometres south of Seremban, Negeri Sembilan. The manufacturing plant, warehouse and office are constructed within the HeveaWood Industrial Park, which spans over a total area of 132 acres.

**HeveaBoard** supplies about 65% of its particleboard production to the local market, including half of which is supplied to one of its subsidiaries, HeveaPac for the manufacture of RTA furniture. Other local customers include decorative door manufacturers, speaker box manufacturers and a selected number of authorized distributors. In terms of exports, **HeveaBoard** caters mainly to direct end users of several large furniture manufacturing factories in China, India, Vietnam, Japan and the Philippines.

**HeveaBoard** was granted a manufacturing license with Pioneer Status Tax Incentive for 5 years by the Ministry of International Trade and Industry Malaysia (“MITI”), to produce plain and laminated particleboards on 21 March, 1994. The Pioneer Status expired in year 2002. **HeveaBoard** maintains a policy of placing heavy emphasis on Research and Development. Besides producing the normal E2, E1 and MUF grades particleboard, the company is a pioneer commercial producer in the region for

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the E0 and Super E0 particleboard which feature very low formaldehyde emission. These higher grade particleboard have been approved and certified to conform to the JAS / JIS quality standard set by the Japanese Housing Technology Board. The demand for this quality product is fast increasing in the developed countries especially Japan.

HeveaOSB, a wholly-owned subsidiary of **HeveaBoard** is currently dormant. Its intended business activity is the manufacture of particleboard and Lami-Oriented Strand Board ("Lami-OSB"). HeveaMart and BocoWood, were established to trade and distribute particleboard and MDF board.

HeveaPac, a fast growing subsidiary of **HeveaBoard**, is principally involved in the manufacturing of "Ready-To-Assemble" (RTA) furniture. The main material used in HeveaPac is particleboard supplied by **HeveaBoard**. HeveaPac products are marketed to various hypermarkets in the domestic and export markets.

### **1.2.1 Research & Development ("R&D")**

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

**HeveaBoard** is currently conducting joint research with government agencies such as Forest Institution of Malaysia ("FRIM") and University Putra Malaysia ("UPM"), while at the same time, is a proactive member of the Malaysia Timber Industry Board ("MTIB"), Malaysia Timber Council ("MTC") and Malaysian Institution of Lami-OSB Technology ("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.

Additionally, arising from its close working relationship with FRIM through its holding Company, **HeveaBoard** has also successfully secured a research grant of RM2.14 million from the Government of Malaysia under the Ministry of Science and Technology in 1999 for the research and development works on Lami-OSB to be carried out in **HeveaBoard**.

The ability of **HeveaBoard** 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 this close collaboration that **HeveaBoard** has pioneered the commercial development of the E0 and Super E0 particleboard which conforms to the strictest Japanese standards for formaldehyde emission available currently.

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The demand for the high-grade Super E0 particleboard is expected to boost the Group's performance.

The market trends towards products with lower formaldehyde emission can be seen from the recent European Panel Federation move to urge the wood-based panels industry to switch to E1 classification products. The goal was effectively to eliminate E2, which allows for slightly higher formaldehyde emission levels.

### 1.3 People

**HeveaBoard** Group has over 1,140 employees and some of its senior management team have been with the Group since its inception.

**HeveaBoard** believes in promoting teamwork where inter-department collaboration and cooperation is a common occurrence. The Group has also undertaken training and development programs to enhance the knowledge and skill level of its employees. The teamwork culture and emphasis on people development help to ensure the success of the Group as a whole.

### 1.4 Economic Outlook

Following a series of adverse events in the first half of 2003, industrial production has subsequently picked up sharply, accompanied by a strong rebound in global trade. In the second half of 2003, global GDP growth averaged nearly 6% at an annualised rate, the highest since late 1999. The latest World Output projections from IMF are as follows:

**Table 1 World Economic Outlook – Real GDP Annual Percent Change**

(%)	1997	1998	1999	2000	2001	2002	2003	2004	2005
World	4.2	2.8	3.7	4.7	2.4	3.0	3.9	4.6	4.4

*Source: IMF*

Other forward-looking indicators include the strengthening equity markets and pickup in business and consumer confidence, with global GDP growth expected at 4.6% in 2004, moderating to 4.4% in 2005. To date, the upturn is most rapid in the United States and emerging Asia, particularly in China.

The U.S. economy strengthened in the second half of 2003 as geopolitical uncertainties eased,

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monetary and fiscal policies remained highly stimulative. Growth was led by private consumption (which was spurred by tax cuts that boosted disposable incomes) as well as rebound in business investment as profits rose. Forward indicators point to a positive outlook, with GDP growth for the U.S. forecasted at 4.6% in 2004 and 3.9% in 2005.

The recovery in the Euro area is subdued and initially relied mainly on external demand. The pickup in global trade in the second half of 2003 has boosted exports, despite the stronger Euro. Growth is projected to increase to 1.75% in 2004 and 2.25% in 2005. The continued appreciation of the Euro and after effects of the Madrid bombing such as weakening confidence, could pose a challenge towards achieving stronger GDP growth.

Among the industrial countries, recovery will continue to be led by the U.S., where forward-looking indicators are the strongest, and there is more policy stimulus in the pipeline. This is despite a weak labour market and considerable excess capacity.

Other positive activities that have and will continue to aid the global economy towards a speedier recovery include:

- Continued accommodative policies such as the easing of the monetary policies of major countries;
- The resilience of the global financial infrastructure to a variety of substantial shocks; and
- Strengthening economic fundamentals in many countries, especially in Asia.

In the longer term, aggressive monetary and fiscal policy responses by major advanced economies and developing countries should bring world growth back on track, leading to increase economic activities. The Malaysian economy is expected to expand by 7% in 2004 (2003: 5.3%)<sup>1</sup>. This recovery was mainly driven by strong consumption spending and supported by the external demand, coupled with higher commodity prices following the general overall recovery in the global economy.

**HeveaBoard** trades with countries like China, India, Hong Kong, the Philippines, Japan and Vietnam. In 2004, these countries have been forecasted to grow by 8.5%, 6.8%, 5.5%, 4.5%, 3.4% and 7.0% respectively<sup>2</sup>. With such growth rates, there will be further evidence of increase in economic activities, such as the construction sector. In tandem with this, the demand for timber related products are expected to increase, barring any unforeseen circumstances.

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<sup>1</sup> Economic Report 2004/2005.

<sup>2</sup> IMF World Economic Outlook, April 2004

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## 1.5 Industry Outlook

At the end of 2002, Malaysia maintained 19.5 million hectares or 59.5% of its land area under forest cover, of which 14.3 million hectares or 73.3% are permanent reserved forest<sup>3</sup>. Under the Sustainable Forest Management policy, Malaysia is committed to having a minimum of 50% of her land area under forest cover.

In 1980, the entire timber industry contributed approximately RM4.4 billion on revenue (export revenue) to the Malaysian economy, and this grew to RM8.9 billion in 1990. This industry experienced a slight drop in contribution in 1995 (RM6.4 billion), rising again to RM10.9 billion in 1997. This uptrend continued and saw the year 2000 recording a contribution of RM17.7 billion. However, with the threat of the global economic slowdown, year 2001 export dipped 19.2% to RM 14.3 billion. In 2003, export rebounded to record RM16.3 billion. The percentage of contribution from each sub-sector for 2003 is as follows –

- 29% Furniture (2002-28%)
- 25% Plywood (2002-25%)
- 14% Sawn Timber (2002-15%)
- 12% Timber Logs (2002-12%)
- 6% MDF (2002-6%)
- 2% Veneer (2002-3%)
- 4% Mouldings (2002-4%)

The timber industry comprises a wide range of activities covering both upstream and downstream activities. Some of the major products from this industry include timber logs, sawn timber, panel products, mouldings & joinery and furniture. **HeveaBoard** is involved in the panel products manufacturing. HeveaPac, one of its subsidiaries, is involved in the manufacturing of RTA furniture. In the recording of economic data, the manufacture of wood-based / timber-based products are classified under the manufacturing sector.

Substantial quantities of reconstituted panel products, particularly particleboard and MDF, are now being produced in several tropical countries in Asia and Latin America. Many new plants are now operational or soon will be to meet the expected surge in demand for such products. Reconstituted panel products will become increasingly important as limits on the growth of plywood production are

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reached and as more countries move further into downstream processing and attempt to utilise available resources more efficiently. These panels will substitute for plywood and sawnwood in many cases, resulting in decreasing or slower growth in production of these traditional tropical timber products in many countries.

The wood-based industry in Malaysia has been growing at an average rate of 10.2%<sup>4</sup> for the last 20 years up to 1999. The period of most impressive growth was between 1987 and 1996, with the highest growth recorded in 1993 of 42.9%. However, post 1997 when the Asian economic crisis hit the ASEAN countries, growth in the wood-based industry has been slower at an average of 5% (1997 – 2000). The main industries in Malaysia relating to the wood-based products industry are sawmilling, plywood/veneer manufacture, wood moulding and furniture manufacture or woodworking. Others include secondary and tertiary processing industries such as timber treatment plants, parquet flooring plants and others. In addition, Malaysia also produces a variety of wood based panels other than plywood. These include particleboard, blockboard and MDF board. Out of over 4,000 players in the timber industry, approximately 195 are involved in the panel based sector. Of the 195 panel products manufacturers, this can be further divided into plywood/veneer mills (177), MDF (7) and particleboard (11). The panel products category leads in terms of production output and value compared to the other categories in the timber industry.

**The Malaysian particleboard industry** emerged in the 1970s when there were shortages of plywood and sawn timber. The first particleboard mill in Malaysia was set up in 1974, using mixed hardwood as raw materials. More mills were subsequently established in the early 1990s when the utilisation of rubberwood gained prominence. In early 1990s, the MDF and particleboard industries were overwhelmed by surplus demand over supply, which attracted a number of players into that industry. As competition increased, manufacturers had to invest in higher capacity and modern plants in order to achieve economies of scale, as particleboard and MDF prices are competitive.

Particleboard was found to be suitable for a number of applications. Export earnings of particleboard by Peninsular Malaysia amounted to RM86.32 million in the year 2003. This represents about 81.8% of the total export value of particleboard by Malaysia.

In Malaysia, bigger industry players and players with good management strategies like **HeveaBoard**, are expected to be able to withstand peaks and lows of the panel board industry, emerging from the

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<sup>3</sup> Mid-Term Review of The Eighth Malaysia Plan 2001-2005

<sup>4</sup> Average based on wood-based industry output from 1977 – 1999. Between 1987 – 1996, the average growth was an impressive 19.8%.

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recessions as profitable as ever due to their large export customer base. Many of the casualties that have been recorded were smaller companies with capital restrictions.

The outlook seems extremely optimistic for larger players due to the government's active efforts in boosting the local economy, using manufacturing as an enabler. In the longer term, the United Nations have projected an increase in demand for timber-based products, with demand for sawn timber growing at 2.3% from 1990 – 2010 and panel products growing at 4.8% for the same period.

Currently, even though there is no shortage in demand, a major concern for Malaysia is the supply of raw materials. While Sarawak does not face any major supply problems, its counterparts in Peninsular Malaysia and Sabah face acute shortage problems as discussed earlier. Further industry consolidation is expected, with the eventual removal of the weaker operators from the industry. Ultimately, supply is the most important factor and the operators with ensured timber supplies and highly integrated operations are the ones that will remain. In order to mitigate the long term supply risk of rubberwood, **HeveaBoard** has intensified its R&D programme to utilize alternative species of plant and waste materials and at the same time increase the yield from each unit of raw material. **HeveaBoard** is also in the midst of negotiation to secure the long-term supply of rubberwood in other locations.

## 1.6 Future Prospects

As particleboard is mainly applied in the manufacture of furniture, its prospects can be very much correlated to the prospects of the wooden furniture industry. In 2003, the Malaysian furniture export market stood at RM5.78 billion in 2003. This is expected to increase further to RM6 billion and RM7 billion in 2004 and 2005 respectively. As a manufacturer of timber related products, this bodes well for **HeveaBoard**.

For the application of particleboard in the manufacture of doors, its prospects can be correlated to the prospects of the housing and property industry. In 2002 and 2003, there were 198,970 and 205,518 housing approvals respectively. Coupled with measures taken to promote home ownership through attractive financing packages, stamp duty waiver and others, it will help to boost the property industry and thus increase the application for doors.

In view of the increasing export value of wooden furniture and government support for the furniture industry, the prospect for the Malaysian furniture industry appears to be promising.

With growing scarcity of timber in the Asia Pacific region, it is expected that there will be a degree of



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substitution of plywood by other panel products such as particleboard and MDF. The world consumption of particleboard and MDF is anticipated to grow at 8.3% yearly. This is mainly because, unlike plywood, particleboard and MDF can be made from non-commercial small logs, branches or wood chips.

In reviewing the plans of **HeveaBoard** for the future and their current business strategies, the company can expect strong growth and profitability in the near to medium term. More specialised and value added products, such as E0 and Super E0, have been developed to cater for markets with more stringent environmental requirements and also for customers who are demanding higher grade products. As the current capacity of its plant is at its peak, **HeveaBoard** has embarked on an expansion plan involving the establishment of a second manufacturing line which will more than triple its current particleboard production capacity. Following the expected completion of the said manufacturing line in 2006, **HeveaBoard** will be better equipped to meet the demands for particleboard both local and abroad. Besides producing particleboard, the company also wishes to expand their revenue base through new product development.

**HeveaBoard** has remained focused on their core business which is the manufacture of and trading in panel products and placing emphasis to research and development of higher grade products with lower formaldehyde emission and improved properties. Overall, it will be the company's strong commitment to innovation, developing their people and productivity / efficiency improvements that will back them in facing the challenges ahead.

13. LEGAL OPINION

(Prepared for inclusion in this Prospectus)

**ADNAN SUNDRA & LOW**  
ADVOCATES & SOLICITORS  
NOTARY PUBLIC  
COMMISSIONER FOR OATHS

DATO' MADNAN BIN DATUK SHUAMB, DSSJ, DSSK  
SUNDRA MOORTHY  
DATO' LOW CHEE CHION, DSSJ  
CHIN CHOU YING  
NG YUKE MUT  
WONG CHIN CHIN  
DEEPAK SADASIVAN  
RAMESH SATHASIVAM  
ADRIAN CHEE MENG YANG  
LOW KENG SIONG

FADZILAH MOHD PIUS  
EYWIN TAN WENG HUNG  
LENNIE ONG PEI YEE  
NORLIZA NOOR SHAHD  
JUSTINE GOH SOO HSIEN  
MURNI ZUYATI BTE ZULKIFLI AZIZ  
GAN KOK LING  
TAN SOOK JIN  
LIM FIJANG WEE  
CHEAH SIN CHIN  
HOW TZE YEN  
BRIAN SONG WEI KAR  
AUDREY CHAN SU LINN  
SEET WAN SING  
HONEY YEE PSECK LEAN

**PEGUAMBELA & PEGUAMCARA**  
**PENYAKSI AWAM**  
**PESURUHJAYA SUMPAN**

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SURAT KAMI: HEVE/20030167/WCC/SWK

Tarikh:

1 December 2004

SURAT TUAN:

**HEVEBOARD BERHAD**  
Lot 1942, Batu 3, Jalan Tampin  
73400 Gemas,  
Negeri Sembilan Darul Khusus  
Malaysia

Dear Sirs,

**RE: HEVEBOARD BERHAD ("COMPANY")**  
**PROPOSED LISTING OF THE ENTIRE ENLARGED ISSUED AND PAID UP**  
**SHARE CAPITAL OF THE COMPANY ON THE MAIN BOARD OF THE BURSA**  
**MALAYSIA SECURITIES BERHAD ("PROPOSED LISTING")**

1. We refer to the above matter.
2. It is, amongst others, a condition for the approval by the Securities Commission for the Proposed Listing that a legal opinion be rendered on whether Tan Sri Dato' Seri Mohamed bin Rahmat ("Tan Sri") is deemed interested in the shares of the Company under Section 6A of the Companies Act, 1965.
3. The issue of whether Tan Sri is deemed interested in the shares of the Company under Section 6A of the Companies Act, 1965 is a question of fact.
4. Hence, in rendering this opinion, we have not relied on any other facts and/or documents save for the following statutory declarations:-
  - (a) statutory declaration by Tan Sri dated 26.07.2004; and
  - (b) statutory declaration by the shareholders cum directors of Sanur Sdn Bhd, namely, Datuk Nur Jazlan bin Mohamed, Nur Jazman bin Mohamed and Nur Jasni bin Mohamed dated 26.07.2004.

(The aforesaid declarations are hereinafter collectively referred to as the "Statutory Declarations".)

13. LEGAL OPINION

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ADNAN SUNDRA & LOW, Peguambela & Peguamcara

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5. Based on the assumption that the facts stated therein the Statutory Declarations are true and accurate and on the basis of the Statutory Declarations, it would appear that Tan Sri does not have any deemed interest in the shares of the Company under Section 6A of the Companies Act, 1965.

Yours faithfully,



14. DIRECTORS' REPORT

**HeveaBoard**

**HeveaBoard Berhad** (275512A)

Lot 1942, Batu 3, Jalan Tampin, 73400 Gemas, NSDK, Malaysia.

Tel: 607-948 4743 ~ 948 4746 Fax: 607-948 5192 , 948 3390

E-mail: info@heveaboard.com.my



JAPANESE INDUSTRIAL STANDARD  
WP MY 03 01



CERTIFIED TO MS ISO 9001  
REGISTRATION NO. AR2045



**Registered Office:**  
Lot 683, 5<sup>th</sup> Miles  
Kuala Pilah Road  
70400 Seremban  
Negeri Sembilan Darul  
Khusus

10 December 2004

**The Shareholders**  
**HeveaBoard Berhad**

Dear Sir/Madam,

On behalf of the Board of Directors of HeveaBoard Berhad ("HeveaBoard"), I report that after making due enquiries in relation to the interval between 30 June 2004, being the date to which the last audited accounts of the HeveaBoard Group have been made up, and 10 December 2004, being a date not earlier than fourteen days before the issue of this Prospectus:

- (i) the business of the Group has, in the opinion of the Board of Directors of HeveaBoard, been satisfactorily maintained;
- (ii) in the opinion of the Board of Directors of HeveaBoard, no circumstances have arisen since the last audited accounts of the HeveaBoard Group which have adversely affected the trading or the value of the assets of the HeveaBoard Group;
- (iii) the current assets of the HeveaBoard Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) save as disclosed in this Prospectus, no contingent liabilities have arisen by reason of any guarantee or indemnity given by the HeveaBoard Group;
- (v) the Board of Directors of HeveaBoard are not aware of any default or any known events that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of the HeveaBoard Group since the last audited accounts of the HeveaBoard Group; and
- (vi) save as disclosed in the Accountants' Report set out in **Section 11** of this Prospectus, there have been no material changes to the published reserves or any unusual factors affecting the profits of the HeveaBoard Group since the last audited accounts of the Company.

Yours faithfully  
For and on behalf of the Board of Directors of  
**HeveaBoard Berhad**

**Yong Kian Seng @ Yoong Tein Seng**  
Group Managing Director

## 15. ADDITIONAL INFORMATION

### 15.1 SHARE CAPITAL

- (i) No shares will be allotted on the basis of this Prospectus later than twelve (12) months after the date of issue of this Prospectus.
- (ii) There are no founder, management or deferred shares in HeveaBoard. As at the date of this Prospectus, there is only one class of shares in HeveaBoard, namely, ordinary shares of RM1.00 each, all of which rank pari passu with one another.
- (iii) Other than the new HeveaBoard Shares to be issued pursuant to the exercise of the 40,000,000 Warrants, no capital of the Company or any of its subsidiary companies is under option or agreed conditionally or unconditionally to be put under option. Please refer to **Section 5.5.1** for the salient terms of the Warrants.
- (iv) No person has been or is entitled to be given an option to subscribe for any share, stock, debenture or other security of the HeveaBoard Group.
- (v) There is no scheme involving the employees of the HeveaBoard Group in the capital of the HeveaBoard Group, except for the pink form allocation pursuant to the Public Issue.
- (vi) Save as disclosed in this Prospectus, no shares, debentures, outstanding warrants, options, convertible securities or uncalled capital of the HeveaBoard Group have been or are proposed to be issued as partly or fully paid-up, in cash or otherwise than in cash, within the two (2) years preceding the date of this Prospectus.

### 15.2 ARTICLES OF ASSOCIATION

The following provisions are reproduced from the Company's Articles of Association which comply with the Listing Requirements of Bursa Securities and Rules of Bursa Depository:

#### 15.2.1 Transfer of Shares

The provisions in the Company's Articles of Association in respect of the arrangements for transfer of the securities and restrictions on their free transferability are as follows:

##### Article 39

The transfer of any listed Securities or class of listed Securities of the Company shall be made by way of book entry by the Bursa Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act, but subject to subsection 107C(2) of the Act and any exemption that may be made from compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of Securities.

##### Article 40

The instrument of transfer of any shares in the Company shall be executed by or on behalf of the transferor and the transferee and the transferor shall be deemed to remain the holder of the share until the transferee's name is entered in the Register as the holder of that share and/or the Record of Depositors, as the case may be.

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**15. ADDITIONAL INFORMATION**

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Article 41

The Directors may decline to register any instrument of transfer of shares which are not fully paid (whether these are quoted or otherwise). Subject to the Act, the Listing Requirements, the Central Depositories Act and the Rules, if the Directors refuse to register a transfer they shall send to the transferee written notice of the refusal and reasons therefor.

Article 42

Subject to the Listing Requirements and the Rules, the transfer of any Securities may be suspended at such time and for such period(s) as the Directors may from time to time determine.

Article 43

The Bursa Depository may, in its absolute discretion, refuse to register any transfer that does not comply with the Central Depositories Act and the Rules.

Article 44

Subject to the Central Depositories Act and the Rules, any member may transfer all or any of its Securities by instrument in writing in the form prescribed and approved by Bursa Securities and the Share Registrar (as the case may be). Subject to these Articles, there shall be no restriction on the transfer of fully paid-up shares except where required by law. All transfers of Deposited Securities shall be effected in accordance with the Act, the Central Depositories Act and the Rules.

Article 45

Subject to the Act, the Company may charge a fee not exceeding RM3.00 or such other amount as the law may allow the Company to charge (excluding any stamp duty and other charges payable) on the registration of each probate or letter of administration, certificate of death, stop notice, power of attorney or other document relating to or affecting the title to any shares or other Securities, or otherwise for making any entry in the Register or any other register affecting the title to any shares or other Securities.

Article 46

Subject to the Rules, the Register may be closed for such periods as the Directors may from time to time determine provided that such register shall not be closed for more than 30 days in any year. The Company shall before it closes such register:

- (1) give notice of such intended book closure (in the case of the Register) in accordance with Section 160 of the Act; and
- (2) give notice of such intended closure to Bursa Securities at least 12 Market Days before the intended date of such closure including in such notice, such date, the reason for such closure and the address of the share registry at which documents will be accepted for registration; and
- (3) publish in a daily newspaper circulating in Malaysia, a notice of such intended closure including the information to be included in the notice referred to in Article 46(2);

At least three (3) clear Market Days prior notice shall be given to the Bursa Depository to enable the Bursa Depository to prepare the appropriate Record of Depositors.

**15. ADDITIONAL INFORMATION**Article 47

- (1) The Company shall be entitled to destroy:
  - (a) any instrument of transfer which has been registered at any time after 7 years from the date of its registration;
  - (b) any dividend mandate or any variation or cancellation of it or any notification of change of address, at any time after 7 years from the date of the recording;
  - (c) any share certificate which has been cancelled, at any time after 7 years from the date of its cancellation; and
  - (d) any other document on the basis of which any entry in the Register is made, at any time after 7 years from the date such entry in the Register was first made in respect of such document.
  
- (2) Every entry in the Register purporting to have been made on the basis of an instrument of transfer or other document destroyed under Article 47(1) shall be conclusively deemed to have been duly and properly made and that:
  - (a) every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered;
  - (b) every share certificate so destroyed was a valid certificate duly and properly cancelled; and
  - (c) every other document destroyed under Article 47(1) was a valid and effective document in accordance with its recorded particulars in the books or records of the Company.
  
- (3) The provisions of Articles 47(1) and (2) shall be subject to the following:
  - (a) any document may only be destroyed in good faith and without express notice to the Company that the preservation of such document was relevant to any claim;
  - (b) nothing in such provisions shall be construed to impose on the Company any liability in respect of the destruction of any such document earlier than provided for in Article 47(1) or in any case where the conditions in such Article have not been fulfilled;
  - (c) references to the destruction of any document include references to its disposal in any manner; and
  - (d) references to documents include (without limitation) any records or copies of documents stored on microfilm, microfiche, any electronic database or any other system of data recording and storage.

Article 48

Subject to the Act, every entry in the Register, purporting to have been made on the basis of an instrument of transfer or other document in good faith by the Company shall be conclusively deemed to have been duly and properly made including (without limitation) where:

- (1) the instrument of transfer or other document is obtained or created fraudulently or is otherwise void, voidable or otherwise unenforceable; or
  
- (2) the Company or any of its Directors or officers may have notice that such instrument of transfer was signed, executed and/or delivered by the transferor or other authorised person in blank as to the name of the transferee or the particulars of the shares transferred or otherwise made defectively.

## 15. ADDITIONAL INFORMATION

and any person who becomes the registered holder of any shares by reason of any such entry shall be entitled to be recognised as the registered holder of such shares, and the Company, its Directors and/or other officers shall not be liable to any person by reason of any such entry being made.

### Article 49

Neither the Company nor any of its Directors shall be liable for any transfer of shares effected by the Bursa Depository

#### 15.2.2 Transmission of shares

The provisions in the Company's Articles of Association in respect of the arrangements for transmissions of the securities and restrictions on their free transferability are as follows:

### Article 52

#### Transmission of Securities from Foreign Register

- (1) Where:
- (a) the Securities of the Company are listed on an Approved Market Place; and
  - (b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) (No. 2) Act 1998, as the case may be, under the Rules in respect of such Securities,

the Company shall, upon request of a Securities holder, permit a transmission of Securities held by such Securities holder from the register of holders maintained by the Foreign Register, to the register of holders maintained by the share registrar of the Company in Malaysia ('Malaysian Register') subject to the following conditions:

- (i) there shall be no change in the ownership of such Securities; and
  - (ii) the transmission shall be executed by causing such Securities to be credited directly into the Securities Account of such Securities holder.
- (2) For the avoidance of doubt, no Company which fulfils the requirements of paragraphs (a) and (b) of Article 52(1) shall allow any transmission of Securities from the Malaysian Register into the Foreign Register.

### Article 53

In accordance with the Rules or as the Bursa Depository may determine, in the case of the death of a Member, the heir(s) or legal personal representative(s) or administrator(s) of the deceased shall be the only person(s) recognised by the Company and/or the Bursa Depository as having the title to the Member's interest in the shares but nothing herein contained shall release the estate of a deceased Member from any liability in respect of any share held by the deceased Member.



**15. ADDITIONAL INFORMATION**Article 54

The entitlement of a person becoming entitled to a share in consequence of the death, bankruptcy or mental disorder of a Member to elect either to have his name entered as the holder of such share in the Record of Depositors or to have the name of some person nominated by him entered in the Record of Depositors as a holder of such shares shall be subject to and in accordance with the Rules or as the Bursa Depository may determine. The Directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share, and if such notice is not complied with within 30 days of the date of such notice, the Directors may then withhold payment of all dividends, bonuses or other moneys payable in respect of the share until the requirements of such notice have been complied with. All the limitations, restrictions and provisions of these Articles relating to right to transfer and registration of transfers of shares available to the Directors and/or the Bursa Depository before the death, bankruptcy or mental disorder of the Member shall continue to be applicable and available to them. Where the share is a Deposited Security, a transfer or withdrawal of such shares may be carried out by the person becoming so entitled in accordance with the Rules or as the Bursa Depository may determine.

Article 55

A person becoming entitled to a share by reason of the death, bankruptcy or mental disorder of the holder or by operation of law shall, subject to and in accordance with the Rules or as the Bursa Depository may determine, be entitled to the rights to which he would be entitled as the holder of the share.

**15.2.3 Remuneration of Directors**

The provisions in the Company's Articles of Association in respect of remuneration of the Directors are as follows:

Article 107

Subject to these Articles, the fees of the Directors shall from time to time be determined by the Company in general meeting PROVIDED ALWAYS:

- (1) Directors' fees payable to Directors not holding any executive office in the Company shall be a fixed sum and shall not be payable by a commission on or percentage of profits or turnover;
- (2) salaries payable to Directors holding executive office in the Company may not include a commission on or a percentage of turnover;
- (3) all fees payable to Directors shall be deemed to accrue from day to day;
- (4) fees payable to Directors shall not be increased except pursuant to a resolution passed by the Company in general meeting, where notice of the proposed increase has been given in the notice convening the meeting; or
- (5) any fee paid to an alternate Director shall be agreed between him and his appointer and shall be deducted from his appointer's remuneration.

Article 108

The Directors may be paid all travelling, hotel and other expenses, properly incurred by them in attending and returning from meetings of the Directors or any committee of Directors or general or other meetings of the Company or in connection with the business of the Company.

## 15. ADDITIONAL INFORMATION

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### Article 109

The Directors may grant special remuneration to any Director who (on request by the Directors) is willing to:

- (1) render any special or extra services to the Company; or
- (2) to go or reside outside his country of domicile or residence in connection with the conduct of any of the Company's affairs.

Such special remuneration may be paid to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be paid in a lump sum or by way of salary, or by a percentage of profits, or by all or any of such methods but shall not include (where such special remuneration is paid by way of salary) a commission on or a percentage of turnover.

### **15.2.4 Voting and borrowing powers of Directors**

The provisions in the Company's Articles of Association dealing with the powers of the Directors in proposals, arrangements or contracts in which they are interested, in particular the voting powers and their borrowing powers exercisable by them and how much such borrowing powers can be varied are as follows:

### Article 121

Except as provided by Article 124, the Directors may exercise all the powers of the Company to borrow any sum or sums from any person, bank, firm or company and to mortgage or charge its undertaking, property and uncalled capital, and any part thereof and to issue debentures and other Securities, whether as primary or collateral security for any debt, liability or obligation of the Company, its Subsidiaries or any other party. The Directors may guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon with power to the Directors to indemnify the guarantors from or against liability under their guarantees by means of a mortgage or hypothecation of or charge upon any property and asset of the Company or otherwise. The Directors may exercise all the powers of the Company to guarantee and give guarantees or indemnities for payment of money, the performance of contracts or obligations or for the benefit or interest of the Company or its Subsidiaries.

### Article 122

The Directors shall not borrow any money or mortgage or charge any of the Company's or its Subsidiaries' undertaking, property or any uncalled capital, or to issue debentures and other Securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

### Article 140

Subject to these Articles, the Directors may regulate their proceedings as they think fit. A Director may, and the Secretary at the request of a Director shall, call a meeting of the Directors. Questions arising at a meeting shall be decided by a majority of votes. In the case of an equality of votes, the Chairman of the meeting shall, subject to Article 143, have a second or casting vote.

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## 15. ADDITIONAL INFORMATION

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### Article 143

When 2 Directors form a quorum, the Chairman of a meeting at which only such a quorum is present, or at which only 2 Directors are competent to vote on the question at issue, shall not have a casting vote.

### Article 147

Except as otherwise provided by these Articles, a Director shall not vote at a meeting of Directors or of a committee of Directors on any resolution concerning any contract, proposed contract, arrangement or other matter in which he has, directly or indirectly, a personal interest or duty which is material and which conflicts or may conflict with the interests of the Company unless his interest or duty arises only because the case falls within one or more of the following paragraphs:

- (1) in a case where the contract or proposed contract relates to any loan to the company – that he has guaranteed or joined in guaranteeing the repayment of the loan or any part of the loan; or
- (2) in a case where the contract or proposed contract has been or will be made with or for the benefit of or on behalf of a Related Corporation - that he is a Director of that corporation.

A Director shall not be counted in the quorum present at a meeting in relation to a resolution on which he is not entitled to vote.

### Article 148

Where proposals are under consideration concerning or relating to the terms of employment, consultancy or other services of or to be provided by Directors to or with the Company or any body corporate in which the Company is interested or other related matters, the proposals may be divided and considered in relation to each Director separately and (provided he is not for another reason precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own.

### Article 149

If a question arises at a meeting of Directors or of a committee of Directors as to the right of a Director to vote, the question may, before the conclusion of the meeting, be referred to the Chairman of the meeting and his ruling in relation to any Director other than himself shall be final and conclusive.

#### **15.2.5 Changes in capital or variation of class rights**

The provisions in the Company's Articles of Association as to the changes in capital or variation of class rights, which are as stringent as those provided in the Companies Act, 1965 are as follows:

### Article 70

Without prejudice to the rights attached to any existing shares or class of shares, the Company in general meeting may by ordinary resolution increase its capital by the creation of shares of such nominal amounts, and carrying such rights and restrictions, as the resolution specifies provided that where the capital of the Company consists of shares of different monetary denominations, voting rights (if specified in such resolution) shall be prescribed in such a manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable.

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**15. ADDITIONAL INFORMATION**

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Article 71

All new shares shall be subject to the same provisions as to the payment of calls, lien, transfer, transmission, forfeiture and otherwise as the shares in the existing share capital.

Article 66

The Company may by ordinary resolution:

- (1) consolidate and divide all or any of its share capital into shares of larger amount;
- (2) (subject to Section 62(1) of the Act) subdivide its existing shares or any of them into shares of smaller amount; or
- (3) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

Article 67

Subject to any direction by the Company in general meeting, if any consolidation or subdivision and consolidation of shares results in Members being entitled to any issued shares of the Company in fractions, the Directors may deal with such fractions as they may determine including (without limitation), selling the shares to which Members are so entitled for such price as the Directors may determine and paying and distributing to the Members entitled to such shares in due proportions the net proceeds of such sale.

Article 69

The Company may by special resolution reduce its share capital and any capital redemption reserve or share premium account in any manner authorised by law.

Article 12

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may (subject to Sections 55 and 65 of the Act and whether or not the Company is being wound up) be varied or abrogated with:

- (1) the consent in writing of the holders of three-fourths of the issued shares of that class within 2 months of the meeting, shall be valid and effectual as a special resolution carried at the meeting; or
- (2) the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

To every such separate general meeting, the provisions of these Articles relating to general meetings shall *mutatis mutandis* apply, except that the necessary quorum shall be 2 persons at least holding or representing by proxy one-third of the issued shares of the class (but so that if at any adjourned meeting of such holders, a quorum is not present, the holders present, shall form a quorum), and any holder of shares of the class present in person or by proxy may demand a poll.

## 15. ADDITIONAL INFORMATION

### Article 14

Subject to Section 65 of the Act, the rights attached to any class shall not (unless otherwise provided by the terms of issue of such shares) be deemed to be varied by the creation or issue of further shares ranking in any respect *pari passu* with that class.

### 15.3 DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

- (i) The names, addresses and occupations of the Directors of HeveaBoard are set out in **Section 1** of this Prospectus.
- (ii) A Director of HeveaBoard is not required to hold any qualification shares in HeveaBoard unless otherwise so fixed by the Company in general meeting.
- (iii) None of the Directors or key management and technical personnel of the HeveaBoard Group is or has been involved in any of the following events, whether in or outside Malaysia:
  - (a) a petition under any bankruptcy or insolvency law filed (and not struck out) against such director or personnel or any partnership in which he was a partner, or any corporation of which he was a director or key personnel;
  - (b) a charge and/or conviction in criminal proceedings, or is a named subject of pending criminal proceedings; or
  - (c) a subject of any order, judgement or ruling of any court of competent jurisdiction, tribunal or regulatory authority permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.
- (iv) Save as disclosed in **Section 6.2.4** of this Prospectus, there has been no amounts and benefits that have been or are intended to be paid or given to the Promoter, Directors and substantial shareholders of HeveaBoard within the two (2) years preceding the date of this Prospectus.
- (v) The details of the Directors' and substantial shareholders' direct and indirect interests in the shares in HeveaBoard before and after the Public Issue are set forth in **Sections 6.1.1** and **6.2.1** of this Prospectus.
- (vi) Save as disclosed in **Section 6.2.5** of this Prospectus, none of the Directors and substantial shareholders of HeveaBoard has any interest, direct or indirect, in any contract or arrangement subsisting as at the date of this Prospectus which is significant in relation to the business of the HeveaBoard Group taken as a whole.
- (vii) Save for the risk factors highlighted in **Section 4** of this Prospectus, the Directors and substantial shareholders of HeveaBoard are not aware of any material information, including trading factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect the profits of the HeveaBoard Group.

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**15. ADDITIONAL INFORMATION**

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**15.4 GENERAL**

- (i) Save as disclosed in **Section 5.7 and 9.2** of this Prospectus, no property has been acquired or is proposed to be acquired, and save as disclosed in **Section 3.9, 3.11 and 3.12** of this Prospectus, no preliminary expenses are to be repaid, by HeveaBoard in contemplation of the Public Issue.
- (ii) The nature of the HeveaBoard Group's business and the names of all corporations which are deemed to be related to the HeveaBoard Group by virtue of Section 6 of the Act are disclosed in the **Section 5, 6 and 9** of this Prospectus.
- (iii) The time of the opening of the Public Issue is set out in **Section 16** of this Prospectus.
- (iv) The amount payable in full on application is RM2.00 per Issue Share.
- (v) The Public Issue and the Warrants Issue are being issued by the Company subject to the terms and conditions of this Prospectus. Please refer **Section 5.5.1** for the salient terms of the Warrants.
- (vi) No person has an option or is entitled to be given an option to subscribe for any share, stock, debenture or other security of the HeveaBoard Group.
- (vii) As at the date of this Prospectus, the Company and its subsidiaries do not have any outstanding convertible debt securities.
- (viii) Save as disclosed in this Prospectus, no capital of HeveaBoard has been issued or is proposed to be issued, whether partly or fully paid-up, otherwise than for cash within the two (2) years preceding the date of this Prospectus.
- (ix) Save as disclosed in this Prospectus, no capital of HeveaBoard has been issued or is proposed to be issued for cash within the two (2) years preceding the date of this Prospectus.
- (x) The name and address of the auditors are set out in **Section 1** of this Prospectus.
- (xi) The HeveaBoard Group has not established any place of business outside Malaysia.
- (xii) The manner in which copies of this Prospectus together with the official Application Forms and envelopes may be obtained is set forth in **Section 16** of this Prospectus.
- (xiii) Save as disclosed in **Section 6** of this Prospectus, there are no persons who, directly or indirectly, jointly or severally, exercise control over the HeveaBoard Group and the voting capital in HeveaBoard.

**15.5 EXPENSES**

- (i) There have been no commissions, discounts, brokerages or other special terms granted to or paid by the HeveaBoard Group within the two (2) years preceding the date of this Prospectus in connection with the issue or sale of any shares in or debentures of the HeveaBoard Group for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscription for, any shares in or debentures of the HeveaBoard Group, and no Director or Promoter of the HeveaBoard Group, or expert, is entitled to receive any such payment.
- (ii) Expenses 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 amounting to approximately RM3.0 million will be borne by the HeveaBoard Group.

## 15. ADDITIONAL INFORMATION

- (iii) No amount or benefit has been paid or given within the two (2) years preceding the date of this Prospectus, nor is it intended to be so paid or given, to any Promoter of HeveaBoard.
- (iv) Underwriting commission and brokerage fee is payable by HeveaBoard in respect of the Issue Shares at the rate of 1.75% and 1.0% of the Issue Shares respectively.

### 15.6 MATERIAL LITIGATION

As at 15 November 2004, being the last practicable date prior to the printing of this Prospectus, the HeveaBoard Group is not engaged in any material litigation and/or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the HeveaBoard Group, and the Directors of HeveaBoard are not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the financial position or business of the HeveaBoard Group.

### 15.7 MATERIAL CONTRACTS

Save as disclosed below, there are no contracts which are or may be material (not being contracts entered into in the ordinary course of business) which have been entered into by the HeveaBoard Group within the two (2) years preceding the date of this Prospectus.

- (i) Master Energy Service Agreement dated 7 April 2003 between Mensilin Holdings Sdn Bhd ("MHSB") and HeveaBoard in relation to energy efficiency project ("Project") under the Malaysian Industrial Energy Efficiency Improvement Project Demonstration Project Management Scheme with regard to the replacement of oil fired drying system with wood waste fired drying system. The total project cost shall be itemised as the tender award cost as per the project award agreement, which shall be entered into, by MHSB and the supplier for the project before the commencement of the implementation of the Project.
- (ii) Research and Development Agreement dated 5 December 2003 between the Malaysian Forestry Research and Development Board who are represented by the FRIM of Kepong, Kuala Lumpur and HeveaBoard where HeveaBoard and FRIM agreed to collaborate in the research and development of PMDI bonded based wood composite panel ("Project") to, amongst others, optimise the manufacturing process for PMDI based particleboard and to enhance the market share of Malaysian particleboard in the Japanese market. HeveaBoard agreed to contribute a total sum of RM100,000 for the duration of the agreement as consultation fees to finance the research and development costs, charges and expenses including travelling and miscellaneous purchases related to the Project incurred by FRIM officers under the agreement. The agreement took effect from 1 January 2003 and has expired on 30 June 2004.
- (iii) A contract dated 6 October 2004 between Dieffenbacher GmbH + Co. KG and HeveaBoard for the design, supply and installation of equipment as well as commissioning of a particleboard plant for a total contract sum of Euro 37.8 million.
- (iv) Underwriting Agreement dated 10 December 2004 between OSK, as the Underwriter, and HeveaBoard for the underwriting of up to a maximum of 7,740,000 new HeveaBoard Shares. Please refer to **Section 3.9** and **3.10** for further details of the same.
- (v) Deed Poll executed by HeveaBoard dated 10 December 2004 governing and constituting the 40,000,000 Warrants.

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**15. ADDITIONAL INFORMATION**

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**15.8 MATERIAL AGREEMENTS**

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 agreement (including but not limited to shareholders' agreements, agreements underlying the basis of the HeveaBoard Group's business, supplier agreements and customer agreements), or informal arrangement or understanding, entered into by the HeveaBoard Group.

- (i) The Group has entered into material hire purchase agreements with Public Finance Berhad, RHB Leasing Sdn Bhd, AmFinance Bhd, Sime Credit (Malaysia) Sdn Bhd, RHB Delta Finance Berhad, EON Finance Berhad, Orix Credit Malaysia Sdn Bhd and Affin-ACF Finance Berhad for a total facility amount of RM13.3 million to finance the purchase of HPSB, HMSB and HeveaBoard motor vehicles and machinery.
- (ii) HPSB has entered into a tenancy agreement with Nuboard-Mah Fah JV Sdn Bhd on 28 February 2004 to rent all that piece of land held under HSD 53677 PT414 situated in Mukim Rantau, District of Seremban, comprising an area of approximately 9.8 acres or thereabouts together with a factory building known as PT 414 Kawasan Perindustrian Sg. Gadut, KM 11 Jalan Tampin, 71450 Seremban, Negeri Sembilan and all other buildings erected thereon at a rental rate of RM33,000 per month, with an option being granted to HPSB to purchase the property at a total consideration of RM7.5 million.
- (iii) HeveaBoard ("Guarantor") has entered into guarantee and indemnity agreements with RHB Leasing Sdn Bhd, RHB Delta Finance Berhad, SimeCredit (Malaysia) Sdn Bhd, Orix Credit Malaysia Sdn Bhd and Affin-ACF Finance Berhad ("Guarantee Parties") to guarantee the punctual payment of all sums of the money which may be due or become due to the above Guarantee Parties under the hire purchase agreements made between HPSB and the Guarantee Parties up to a maximum aggregate amount of RM8.0 million.
- (iv) The Group has purchased material insurance policies from various insurers as follows:
  - (a) Fire Insurance Policy No: FIR-F0087352-SN from Overseas Assurance Corporation (Malaysia) Berhad made in favour of HeveaBoard from 11 May 2004 till 10 May 2005 for the insured sum of RM42,600,000 which includes the coverage of 3 storey office block and factory buildings constructed of steel support and corrugated metal, excluding retaining walls, foundation and logyard, plant and machinery, equipment, storage silos, stock in trade, furniture and office equipment and processing centre complete with accessories situated at Lot 1941 and 1942, Kawasan Perindustrian HeveaWood, Batu 3, Jalan Tampin 73400 Gemas, Negeri Sembilan.
  - (b) Public Liability Policy No: LPL-L0011917-SN from Overseas Assurance Corporation (Malaysia) Berhad made in favour of HeveaBoard for the insured sum of RM1 million for any one accident and unlimited insured sum in respect of any one period of insurance from 13 May 2004 till 12 May 2005.
  - (c) Personal Accident Policy No: APG/01273019/14/01 (KNA) Group PA from AXA Affin Assurance Berhad made in favour of HeveaBoard for the insured sum of RM 7,710,000 from 1 January 2004 till 31 December 2004 for the coverage of death, permanent disablement, temporary total disablement, medical reimbursement and fatal accident cash relief of 222 employees.



**15. ADDITIONAL INFORMATION**

- (d) Fire Material Damage Insurance Policy No: W-F-A4-AG-000076 (Endorsement Nos. W-F-A4-AG-000076\*001-014) from Tokio Marine Insurans (Malaysia) Berhad made in favour of HPSB for the insured sum of RM29,238,198 from 26 December 2003 till 25 December 2004 which includes the coverage of single storey buildings excluding foundations, stock in trade, plant and machinery, office equipment and office furniture situated at P.T 414, Kawasan Perindustrian Sungai Gadut, KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan and machineries and equipment of HPSB.
- (e) Houseowner/Householder policy no. CFH-F0016315-NI from Maybank General Assurance Berhad in favour of HeveaBoard for the insured sum of RM280,000 from 23 May 2004 till 22 May 2005 in respect of the lands held under HSD 8429 to HSD 8432, PT 2584 to PT 2587 respectively, all of Mukim Gemas, Daerah Tampin.
- (v) HPSB has entered into an oral agreement to grant a sub-tenancy of the office and warehouse bearing postal address PT 414 Kawasan Perindustrian Sungai Gadut, KM 11, Jalan Tampin, 71450 Seremban to BWSB for rental of RM5,000 and RM10,000 per month respectively, commencing on 1 December 2000.
- (vi) HPSB has entered into a Sale and Purchase Agreement dated 3 March 2004 (as supplemented on 22 April 2004) with Yoong Leok Kee Corporation Sdn Bhd to purchase the land held under HS (D) 45057 PT 406 Mukim Rantau, District of Seremban, measuring approximately 10 acres, together with five (5) buildings erected thereon, for a purchase consideration of RM6.0 million.
- (vii) HPSB has entered into a Sale and Purchase Agreement dated 23 July 2004 with Nuboard-Mah Fah JV Sdn Bhd to purchase a piece of land held under HS(D) 53677 Lot PT 414, situated in Mukim Rantau, District of Seremban, measuring approximately 9.8 acres, together with a factory building known as PT 414 Kawasan Perindustrian, Sg. Gadut, KM11, Jalan Tampin, 71450 Seremban, Negeri Sembilan and all other buildings erected thereon, for a purchase consideration of RM7.5 million.
- (viii) Banking Facilities Agreement dated 10 September 2004 between HSBC Bank Malaysia Berhad ("HSBC") and HPSB in respect of the credit facility known as "Business Premises Financing" of RM3.0 million to part finance the purchase of the land held under under HS(D) 45057 PT 406 in Mukim Rantau, District of Seremban, finance import/export bills with an overall limit of RM3.0 million and a guarantee line for the issuance of Bank Guarantee/Performance Bonds of RM500,000. The banking facility is secured by:-
- (a) a first party registered charge for RM6.5 million over the said land;
  - (b) corporate guarantee dated 10 September 2004 issued by HeveaBoard in favour of HSBC as security for the repayment of the RM 6.5million granted by HSBC to HPSB;
  - (c) trade financing agreement between HPSB and HSBC dated 10 September 2004 whereby HSBC shall have a pledge by way of security on the Documents and Goods of HPSB (as therein defined) until all the Secured Moneys (as therein defined) are paid; and
  - (d) an indemnity by HPSB in favour of HSBC dated 10 September 2004 in consideration of HSBC giving or continuing to give guarantees from time to time at HPSB's request for guaranteeing HPSB's liabilities to 3<sup>rd</sup> parties.

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**15. ADDITIONAL INFORMATION**


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- (ix) Letter of Offer dated 7 September 2004 from OCBC Bank (Malaysia) Berhad to HPSB in respect of additional banking facilities of RM13.0 million comprising overdraft (RM1.0 million), 10 years term loan (RM5.0 million), letters of credit (sight/term 120 days), trust receipts (120 days), bankers acceptance (120 days), bills of exchange purchased documentary (120 days), shipping guarantees, letters of guarantee and foreign currency trade finance (120 days) (RM4.0 million), bills of exchange purchased documentary (120 days) (RM2.0 million) and foreign exchange line for spot and forward contracts not exceeding 6 months in multi-currencies (RM1.0 million). The said term loan is to be utilized to part finance the acquisition of the land held under HSD 53677, PT 414 Mukim Rantau. The banking facility is secured by a first party first fixed charge for up to RM6.0 million (Overdraft and Tradeline) and first party second fixed charge for up to RM5.0 million over a piece of industrial land with factory buildings held under HS(D) 53677, PT 414, Mukim Rantau and a corporate guarantee from HeveaBoard.
- (x) Banking Facilities Agreement dated 20 July 2004 between Malayan Banking Berhad ("MBB") and HeveaBoard, in respect of overdraft facilities, bank guarantee facility, trust receipts facility and bankers acceptance facility in the aggregate principal amount of RM4.5 million granted by MBB to HeveaBoard. The banking facility is secured by way of:
- (a) existing legal charge registered on 28/5/1996 for RM160,000.00 over four (4) units of single storey semi-detached houses known as Nos. 2584 to 2587, Taman Sungei Gemas, 73400 Gemas, Negeri Sembilan Darul Khusus held under Leasehold Titles H.S.(D) 8429 to 8432, PT Nos. 2584 to 2587, Mukim Gemas, Daerah Tampin, Negeri Sembilan;
  - (b) legal charge for RM4.340 million over four (4) units of single storey semi-detached houses known as Nos. 2584 to 2587, Taman Sungei Gemas, 73400 Gemas, Negeri Sembilan Darul Khusus held under Leasehold Titles H.S.(D) 8429 to 8432, PT Nos. 2584 to 2587, Mukim Gemas, Daerah Tampin, Negeri Sembilan; and
  - (c) legal charge for RM4.5 million over two (2) adjoining parcels of vacant industrial lands held under Leasehold Titles H.S.(D) 10476, PT 4578 and H.S.(D) 10478, PT 4577, both in the Town of Gemas, District of Tampin, Negeri Sembilan Darul Khusus;
- (xi) Banking Facilities Agreement dated 26 September 1994 between Bank Bumiputra Malaysia Bhd (now known as Bumiputra-Commerce Bank Berhad) ("BCB") and HeveaBoard, in respect of letter of credit to part finance 75% of the purchase (import) of machinery and equipment for manufacturing of melamine and laminated particleboard, shipping guarantee to obtain delivery of machinery imported through the letter of credit pending receipt of shipping documents and term loan (RM25.0 million for conversion of bills amount drawn under the letter of credit and letter of credit issued by Hong Kong Bank in respect of purchase of Hydraulic Hot Press from Raute Processing Machinery OY, Finland costing USD1,781,100 (approximately RM4.8 million) and an overdraft of RM5.0 million to supplement HeveaBoard working capital requirements. The banking facility is secured by a first legal charge over the land and building erected or to be erected on Lot No. 1941 and Lot No. 1942 both in Mukim of Gemas, District of Tampin, Negeri Sembilan, a debenture over all the fixed and floating assets both present and future and a corporate guarantee by HW. The facilities have been fully settled as at the date of this Prospectus.

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**15. ADDITIONAL INFORMATION**


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- (xii) Banking Facilities Agreement dated 18 July 1996 between Bank Bumiputra Malaysia Bhd (now known as Bumiputra-Commerce Bank Berhad) (“BCB”) and HeveaBoard, which consist of an overdraft of RM3.0 million to supplement HeveaBoard working capital requirements and banker’s acceptance of RM2.0 million for financing of local sales/export and local purchase. The banking facility is secured by a second legal charge over the land and building erected or to be erected on HSD 10474, Lot No. 1941 and Geran 73788 Lot No. 1942 both in Mukim Gemas, District of Tampin, Negeri Sembilan, a debenture over all the fixed and floating assets both present and future and a corporate guarantee by HW.

*Note: Pursuant to the vesting certificate issued on 6 March 2000 all present and future rights, title and interest of BCB in the Agreement, the debenture and the corporate guarantee was vested in Danaharta Urus Sdn Bhd (“DUSB”) from 1 January 2000.*

- (xiii) Banking Facilities Agreement (“Agreement”) dated 30 September 1996 between OCBC Bank (Malaysia) Berhad (“OCBC”) and HeveaBoard, in respect of an overdraft of RM4,000,000 as working capital for the HeveaBoard business in manufacturing and trading of particleboard and wood related products, letters of credit and trust receipts to facilitate and finance the import and local purchase of HeveaBoard raw materials, bankers acceptances to finance the purchase and sale/distribution of HeveaBoard particleboard and wood related products, bills of exchange purchase documentary to negotiate local and foreign documentary bills, shipping guarantees and letter of guarantee of RM2,000,000 as performance bonds and to guarantee payment to government, statutory bodies and private companies). The banking facility is secured by a third party first fixed charge of RM6,000,000 over all that 6 lots of vacant industrial land of freehold nature held under Lot No. 1943, 1944, PT 4185, PT 4186, PT 4187 and PT 4188 with title Nos. Geran 73790 (formerly CT 14353), Geran 73792 (formerly CT 14354, HS(D) 10469, HS(D) 10470, H.S(D) 10471 and HS(D) 10472 located in Mukim Gemas, District of Tampin, Seremban respectively; and a corporate guarantee by HW.
- (xiv) Banking Facilities Agreement dated 7 May 1997 between OCBC Bank (Malaysia) Berhad (“OCBC”) and HeveaBoard, in respect of letters of credit/trust receipts to facilitate and finance the import and local purchase of HeveaBoard raw materials, bankers acceptances to finance the purchase and sale/distribution of HeveaBoard particleboard and wood related products, bills of exchange purchase documentary to negotiate local and foreign documentary bills, shipping guarantees to enable HeveaBoard to take delivery of goods under the bank’s letters of credit prior to the arrival of the original shipping documents and letter of guarantee as performance bonds and to guarantee payment to government, statutory bodies and private companies. The banking facility is secured by a third party second fixed charge of RM3,000,000 over all that 6 lots of vacant industrial land of freehold nature held under Lot No. 1943, 1944, PT 4185, PT 4186, PT 4187 and PT 4188 with title Nos. Geran 73790 (formerly CT 14353), Geran 73792 (formerly CT 14354), HS(D) 10469, HS(D) 10470, HS(D) 10471 and HS(D) 10472 located in Mukim Gemas, District of Tampin, Seremban respectively and a corporate guarantee by HW.
- (xv) Banking Facilities Agreement dated 26 November 1997 between OCBC Bank (Malaysia) Berhad (“OCBC”) and HeveaBoard, in respect of an overdraft against outport cheques to advance against outport cheques sent for collection for the limit of RM1,000,000, which was subsequently reduced to RM500,000, vide letter dated 27 June 1998 from OCBC to HeveaBoard. The banking facility is secured by a corporate guarantee from HW.

**15. ADDITIONAL INFORMATION**

- (xvi) Banking Facilities Agreement dated 10 December 1997 between OCBC Bank (Malaysia) Berhad (“OCBC”) and HeveaBoard, in respect of letters of credit/trust receipts to facilitate and finance the import and local purchase of HeveaBoard raw materials), bankers’ acceptances to finance the purchase and sale/distribution of HeveaBoard particleboard and wood related products, bills of exchange to negotiate local and foreign documentary bills, shipping guarantees to enable HeveaBoard to take delivery of goods under the bank’s letters of credit prior to the arrival of the original shipping documents and letter of guarantee as performance bonds and to guarantee payment to government, statutory bodies and private companies. The banking facility is secured by a third party fourth fixed charge of RM2,000,000 over all that 6 lots of vacant industrial land of freehold nature held under Lot No. 1943, 1944, PT 4185, PT 4186, PT 4187 and PT 4188 with title Nos. Geran 73790 (formerly CT 14353), Geran 73792 (formerly CT 14354), HS(D) 10469, HS(D) 10470, HS(D) 10471 and HS(D) 10472 located in Mukim Gemas, District Tampin, Seremban respectively and a corporate guarantee from HW.
- (xvii) Letter of Offer dated 1 October 2004 from OCBC Bank (Malaysia) Berhad (“OCBC”) to HeveaBoard in respect of additional credit facility of RM9.0 million. The said credit facility has been utilized to pay part of the 15% downpayment as required under the contract entered into between HeveaBoard and Dieffenbacher GmbH + Co. KG as set out in Section 15.7(iii) of the Material Contracts section. The credit facility is secured by a charge of RM9.0 million over fixed deposits in the name of Dato’ Loo Swee Chew and Mr. Yong Kian Seng @ Yoong Tein Seng jointly with Mr. Yoong Hau Chun together with a Cash Deposit Agreement duly executed in the Bank’s favour.
- (xviii) Proposed scheme of arrangement (“Scheme”) pursuant to section 176 of the Act between Nuboard-Mah Fah JV Sdn Bhd (In Liquidation) (“Nuboard”) and its respective scheme creditors and its members and HeveaBoard, as the promoter of the Scheme which was approved by the scheme creditors and members on 27 January 2003. On 20 January 2004, the Scheme was sanctioned by the Court (“Court Sanction”) to be implemented as per the terms set out in the explanatory statement to the scheme creditors and members (“Explanatory Statement”) issued pursuant to section 177 of the Act on 19 December 2002.

*Note: Pursuant to a letter dated 17 February 2004 from HeveaBoard to HW and in consideration of RM 1.00 paid by HW to HeveaBoard, HW has on 18 February 2004 subscribed for 10,000,000 ordinary shares of RM0.50 each in Nuboard (“Shares”) at a total consideration of RM5.0 million and assumed all HeveaBoard obligations and rights arising from the Nuboard Scheme of Arrangement. The proceeds from the subscription of the Shares was utilized to settle the indebtedness due and owing to the creditors of Nuboard.*

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**15. ADDITIONAL INFORMATION**

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**15.9 MATERIAL COMMITMENT AND CONTINGENT LIABILITIES**

As at 15 November 2004, being the last practicable date prior to the printing of this Prospectus, and save as disclosed in **Section 2.12.4** and **10.3**, the Directors of HeveaBoard are not aware of any material capital commitment contracted or known to be contracted by the HeveaBoard Group which, upon becoming enforceable, may have a material impact on the financial position of the HeveaBoard Group.

Further, the Directors of HeveaBoard are not aware of any contingent liabilities incurred by the HeveaBoard Group that, upon becoming enforceable, may have a material impact on the financial position of the HeveaBoard Group, save as disclosed under **Section 2.12.5** and **10.3** of this Prospectus.

**15.10 PUBLIC TAKE-OVERS**

During the last financial year and the current financial year, there were no:

- (i) public take-over offers by third parties in respect of the HeveaBoard Group's shares; and
- (ii) public take-over offers by the HeveaBoard Group in respect of other companies' shares.

**15.11 CONSENTS**

- (i) The written consents of the Adviser and Underwriter, Auditors, Solicitors, Principal Bankers, Registrars, Issuing House and Company Secretary to the inclusion in this Prospectus of their names in the form and context in which their names appear have been given before the issue of this Prospectus, and have not subsequently been withdrawn.
- (ii) The written consent of the Reporting Accountants to the inclusion in this Prospectus of their name, the Accountants' Report, and letter relating to the consolidated profit and cashflow estimate and forecast as well as the proforma consolidated balance sheets in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus, and has not subsequently been withdrawn.
- (iii) The written consent of the Independent Market Consultant to the inclusion in this Prospectus of their name, and the Executive Summary of the IMR Report in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus, and have not subsequently been withdrawn.

**15.12 DOCUMENTS FOR INSPECTION**

Copies of the following documents may be inspected at the registered office of the HeveaBoard Group during office hours for a period of twelve (12) months from the date of this Prospectus:

- (i) Memorandum and Articles of Association of HeveaBoard;
- (ii) The Accountants' Report and Directors' Report as included in **Sections 11** and **14** of this Prospectus, respectively;
- (iii) The Reporting Accountants' letters relating to the consolidated profit and cash flow estimate and forecast for the FYE 31 December 2004 and 2005, and the proforma consolidated balance sheets of the HeveaBoard Group as at 30 June 2004 referred to in **Sections 10.5, 10.7** and **10.11** respectively, of this Prospectus;

## 15. ADDITIONAL INFORMATION

- (iv) The legal opinion (including the statutory declarations stated therein) referred to in **Section 13** of this Prospectus;
- (v) The letters of consents referred to in **Section 15.11** of this Prospectus;
- (vi) The audited accounts of the HeveaBoard Group for the five (5) FYE 31 December 2003 and the six (6) months financial period ended 30 June 2004;
- (vii) The Deed Poll relating to the 40,000,000 Warrants to subscribe for Shares in the capital of HeveaBoard;
- (viii) The service contracts for the Directors and key management and technical personnel;
- (ix) The valuation report referred to by Messrs. CH Williams, Talhar & Wong, an independent registered valuer as referred to in **Section 9.2(b)** of this Prospectus;
- (x) The Executive Summary of the IMR Report referred to in **Section 12** of this Prospectus; and
- (xi) The material contracts and material agreements referred to in **Sections 15.7 and 15.8** respectively.

### 15.13 RESPONSIBILITY STATEMENTS

- (i) This Prospectus has been seen and approved by the Directors and Promoter of HeveaBoard, and they collectively and individually accept full responsibility for the accuracy of the information contained herein, and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, there is no false or misleading statement, or other fact the omission of which would make any statement herein false or misleading. The Directors hereby accept full responsibility for the consolidated profit and cash flow estimate and forecast included in this Prospectus and confirm that the consolidated profit and cash flow estimate and forecast has been prepared based on the assumptions made.
- (ii) OSK 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 and the HeveaBoard Group and is satisfied that the consolidated profit and cash flow estimate and forecast (for which the Directors of HeveaBoard are fully responsible) prepared for inclusion in this Prospectus has been stated by the Directors of HeveaBoard after due and careful enquiry and has been duly reviewed by the Reporting Accountants.

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