

**6. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL****6.1 PROMOTER AND SUBSTANTIAL SHAREHOLDERS****6.1.1 Substantial Shareholding in HeveaBoard**

Based on the Register of Substantial Shareholders of HeveaBoard as at 15 November 2004, being the last practicable date prior to printing of this Prospectus, the direct and indirect interests of the Promoter and substantial shareholders of HeveaBoard in the issued and paid-up share capital of HeveaBoard before and after the Public Issue are as follows:

Promoter	Before the Public Issue			After the Public Issue			Assuming full exercise of Warrants		
	Direct	Indirect	%	Direct	Indirect	%	Direct	Indirect	%
HW	27,075,000	-	41.7	27,075,000	-	33.8	40,612,500	-	33.8
<b>Substantial Shareholders #</b>									
Sanur Sdn Bhd	8,167,000	-	12.6	8,167,000	-	10.2	12,250,500	-	10.2
Wan Hassan bin Wan Abdul Rahman	6,300,000	-	9.7	6,300,000	-	7.9	9,450,000	-	7.9
OSKVE	5,833,000	-	9.0	5,833,000	-	7.3	8,749,500	-	7.3
Firama Holdings Sdn Bhd	3,380,000	27,075,000	5.2	3,380,000	27,075,000	4.2	5,070,000	40,612,500	4.2
Tenson Holdings Sdn Bhd	-	30,455,000	-	-	30,455,000	-	-	45,682,500	-
Yong Kian Seng @ Yoong Tein Seng	-	30,455,000	-	150,000	30,655,000	0.19	225,000	45,982,500	0.19
Yoong Hau Chun	-	30,455,000	-	150,000	30,655,000	0.19	225,000	45,982,500	0.19
Liang Chong Wai	-	27,075,000	-	150,000	27,075,000	0.19	225,000	40,612,500	0.19
Dato' Loo Swee Chew	-	27,075,000	-	150,000	27,075,000	0.19	225,000	40,612,500	0.19
Sung Lee Timber Trading Sdn Bhd	-	27,075,000	-	-	27,075,000	-	-	40,612,500	-
Datuk Nur Jazlan bin Mohamed	-	8,167,000	-	-	8,217,000	-	-	12,325,500	-
Nur Jasni bin Mohamed	-	8,167,000	-	-	8,217,000	-	-	12,325,500	-
Nur Jazman bin Mohamed	-	8,167,000	-	50,000	8,167,000	0.06	75,000	12,250,500	0.06
OSKVI	-	5,833,000	-	-	5,833,000	-	-	8,749,500	-
OSKH	-	5,833,000	-	-	5,833,000	-	-	8,749,500	-

**6. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL**

Substantial Shareholders #	Before the Public Issue			After the Public Issue			Assuming full exercise of Warrants		
	Direct	Indirect	%	Direct	Indirect	%	Direct	Indirect	%
	Ong Leong Huat @ Wong Joo Hwa	-	5,833,000	9.0 <sup>(a)</sup>	-	5,833,000	7.3 <sup>(b)</sup>	-	8,749,500
Mah Fah Victor Sdn Bhd	-	30,455,000	46.9 <sup>(b)</sup>	-	30,455,000	38.1 <sup>(b)</sup>	-	45,682,500	38.1 <sup>(b)</sup>
Dato' Seri Yong Tu Sang	-	27,075,000	41.7 <sup>(c)</sup>	150,000	27,075,000	33.8 <sup>(c)</sup>	225,000	40,612,500	33.8 <sup>(c)</sup>

**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 Ian 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 Kiam 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 Nur 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
- (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 substantial 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

# 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 to the HeveaBoard Shares allocated to them. Please refer to Section 3.8 of this Prospectus for further details.

## 6. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL

### 6.1.2 Profile of Promoter/substantial shareholders

#### 6.1.2.1 HW

HW is a Promoter and substantial shareholder of HeveaBoard. HW was incorporated in Malaysia under the Act on 3 January 1989. The principal activities of HW are investment holding and the development of industrial land. Some of the directors of HW namely Mr. Yong Kian Seng @ Yoong Tein Seng, Mr. Yoong Hau Chun, Dato' Seri Yong Tu Sang and Dato' Loo Swee Chew are also the directors of HeveaBoard and collectively have more than 75 years of knowledge and experience in the wood based industry. Please refer to **Section 6.2.2** for the profile of the abovesaid Directors.

Apart from HeveaBoard, the following are the other subsidiaries of HW as at 15 November 2004:

Company	Date of incorporation	Principal activities	Effective equity interest
Nuboard-Mah Fah JV Sdn Bhd	18.07.1990	Dormant	79%
Gemas Ria Sdn Bhd	11.11.1983	Investment holding	100%
Heveasaws Sdn Bhd	03.09.1993	Dormant	100%

As at 15 November 2004, the directors of HW and their respective shareholdings are as follows:

Name of Director	Shareholdings				Nationality
	Direct	%	Indirect	%	
Dato' Seri Yong Tu Sang	-	-	1,583,113	15.8 <sup>(a)</sup>	Malaysian
Dato' Loo Swee Chew	1,583,113	15.8	-	-	Malaysian
Yong Kian Seng @ Yoong Tein Seng	-	-	5,250,661	52.6 <sup>(b)</sup>	Malaysian
Liang Chong Wai	1,583,113	15.8	-	-	Hong Kong
Yoong Hau Chun	105,540	1.1	5,145,121	51.5 <sup>(c)</sup>	Malaysian
Yong Hin Siong (Alternate director to Dato' Seri Yong Tu Sang)	-	-	-	-	Malaysian

Notes:

<sup>(a)</sup> Deemed interested by virtue of his substantial shareholdings in Sung Lee Timber Trading Sdn Bhd in accordance with Section 6A of the Act

<sup>(b)</sup> Deemed interested by virtue of his substantial shareholdings in Tenson Holdings Sdn Bhd and Firama Holdings Sdn Bhd in accordance with Section 6A of the Act, and by virtue of his relationship with Tan Gek G @ Chen Yik Er, his spouse, and his family members being the other substantial shareholders of Tenson Holdings Sdn Bhd and by virtue of his relationship with Yoong Hau Chun, his son

<sup>(c)</sup> Deemed interested by virtue of his relationship with Yong Kian Seng @ Yoong Tein Seng, his father

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## 6. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL

As at 15 November 2004, the substantial shareholders of HW are as follows:

Name of person/company	----- Shareholdings ----->				Place of incorporation /Nationality
	Direct	%	Indirect	%	
Tenson Holdings Sdn Bhd	3,166,228	31.7	1,978,893	19.8 <sup>(a)</sup>	Malaysia
Liang Chong Wai	1,583,113	15.8	-	-	Hong Kong
Firama Holdings Sdn Bhd	1,978,893	19.8	-	-	Malaysia
Sung Lee Timber Trading Sdn Bhd	1,583,113	15.8	-	-	Malaysia
Dato' Loo Swee Chew	1,583,113	15.8	-	-	Malaysian
Yong Kian Seng @ Yoong Tein Seng	-	-	5,250,661	52.6 <sup>(b)</sup>	Malaysian
Yoong Hau Chun	105,540	1.1	5,145,121	51.5 <sup>(c)</sup>	Malaysian
Mah Fah Victor Group Sdn Bhd	-	-	1,978,893	19.8 <sup>(d)</sup>	Malaysia
Dato' Seri Yong Tu Sang	-	-	1,583,113	15.8 <sup>(d)</sup>	Malaysian

Notes:

- <sup>(a)</sup> Deemed interested by virtue of its substantial shareholdings in Firama Holdings Sdn Bhd in accordance with Section 6A of the Act
- <sup>(b)</sup> Deemed interested by virtue of his substantial shareholdings in Tenson Holdings Sdn Bhd and Firama Holdings Sdn Bhd in accordance with Section 6A of the Act, and by virtue of his relationship with Tan Gek G @ Chen Yik Er, his spouse and his family members, being the other substantial shareholders of Tenson Holdings Sdn Bhd and by virtue of his relationship with Yoong Hau Chun, his son
- <sup>(c)</sup> Deemed interested by virtue of his relationship with Yong Kian Seng @ Yoong Tein Seng, his father
- <sup>(d)</sup> Deemed interested by virtue of his substantial 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

### 6.1.2.2 Sanur Sdn Bhd

Sanur Sdn Bhd was incorporated in Malaysia under the Act on 8 January 1986. The principal activity of Sanur Sdn Bhd is investment holding.

As at 15 November 2004, the Directors and substantial shareholders of Sanur Sdn Bhd and their respective shareholdings are as follows:

Name of person/company	----- Shareholdings ----->				Nationality
	Direct	%	Indirect	%	
Datuk Nur Jazlan bin Mohamed	333,334	33.34	-	-	Malaysian
Nur Jasni bin Mohamed	333,333	33.33	-	-	Malaysian
Nur Jazman bin Mohamed	333,333	33.33	-	-	Malaysian

## 6. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL

### 6.1.2.3 OSKVE

OSKVE, a wholly owned subsidiary of OSKVI, was incorporated in Malaysia under the Act on 18 February 2000. The principal activity of OSKVE is to undertake venture capital investments in high technology and high growth companies.

OSKVE, as part of its business as a venture capital company, has shareholdings in various entities. However, for the purposes of the consolidated accounts, these investments are not deemed to be subsidiaries or associated companies because the investments were acquired with the objective of achieving capital appreciation through the subsequent disposal of investments.

As at 15 November 2004, the substantial shareholders of OSKVE and their respective shareholdings are as follows:

Name of person/company	<----- Shareholdings ----->				Place of incorporation /Nationality
	Direct	%	Indirect	%	
OSKVI	10,000,000	100.0	-	-	Malaysia
OSKH	-	-	10,000,000	100.0 <sup>(a)</sup>	Malaysia
Ong Leong Huat @ Wong Joo Hwa	-	-	10,000,000	100.0 <sup>(b)</sup>	Malaysian

Notes:

<sup>(a)</sup> Deemed interested by virtue of its substantial shareholdings in OSKVI pursuant to Section 6A of the Act

<sup>(b)</sup> Deemed interested by virtue of his substantial shareholdings in OSKH pursuant to Section 6A of the Act

As at 15 November 2004, the Directors of OSKVE and their respective shareholdings are as follows:

Name of Director	<----- Shareholdings ----->				Nationality
	Direct	%	Indirect	%	
Ong Leong Huat @ Wong Joo Hwa	-	-	10,000,000	100.0 <sup>(a)</sup>	Malaysian
Dato' Nik Mohamed bin Nik Yahya	-	-	-	-	Malaysian

Note:

<sup>(a)</sup> Deemed interested by virtue of his substantial shareholdings in OSKH pursuant to Section 6A of the Act

### 6.1.2.4 Firama Holdings Sdn Bhd

Firama Holdings Sdn Bhd was incorporated in Malaysia under the Act on 3 November 1983 under the name of Firama (Sabah) Sdn Bhd. The Company adopted its present name on 3 May 1986. The principal activity of Firama Holdings Sdn Bhd is investment holding and the trading, repairing, and servicing of transport and heavy equipment.

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As at 15 November 2004, the substantial shareholders of Firama Holdings Sdn Bhd and their respective shareholdings are as follows:

Name of person/company	<----- Shareholdings ----->				Place of incorporation /Nationality
	Direct	%	Indirect	%	
Tenson Holdings Sdn Bhd	2,391,500	32.0	-	-	Malaysia
Mah Fah Victor Group Sdn Bhd	4,554,000	61.0	-	-	Malaysia
LTM Holdings Sdn Bhd	450,000	6.0	-	-	Malaysia
Yong Kian Seng @ Yoong Tein Seng	-	-	6,945,500	93.0 <sup>(a)</sup>	Malaysian

Note:

<sup>(a)</sup> Deemed interested by virtue of his substantial shareholdings in Tenson Holdings Sdn Bhd and Mah Fah Victor Group Sdn Bhd, pursuant to Section 6A of the Act, and by virtue of his relationship with his family members, being the other substantial shareholders of Tenson Holdings Sdn Bhd and Mah Fah Victor Group Sdn Bhd

As at 15 November 2004, the Directors of Firama Holdings Sdn Bhd and their respective shareholdings are as follows:

Name of Director	<----- Shareholdings ----->				Nationality
	Direct	%	Indirect	%	
Yong Kian Seng @ Yoong Tein Seng	-	-	6,945,500	93.0 <sup>(a)</sup>	Malaysian
Wan Hassan bin Wan Abdul Rahman	-	-	-	-	Malaysian

Note:

<sup>(a)</sup> Deemed interested by virtue of his substantial shareholdings in Tenson Holdings Sdn Bhd and Mah Fah Victor Group Sdn Bhd, pursuant to Section 6A of the Act, and by virtue of his relationship with his family members, being the other substantial shareholders of Tenson Holdings Sdn Bhd and Mah Fah Victor Group Sdn Bhd

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## 6. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL

### 6.1.2.5 Tenson Holdings Sdn Bhd

Tenson Holdings Sdn Bhd was incorporated in Malaysia under the Act on 22 July 1977 under the name of Victor Earthmover Sdn Bhd. The Company adopted its present name on 19 March 1982. The principal activity of Tenson Holdings Sdn Bhd is investment holding.

Apart from HW, Tenson Holdings Sdn Bhd does not have any subsidiaries that are not within the proforma HeveaBoard Group.

As at 15 November 2004, the substantial shareholders of Tenson Holdings Sdn Bhd and their respective shareholdings are as follows:

Name of person	<----- Shareholdings ----->				Nationality
	Direct	%	Indirect	%	
Yong Kian Seng @ Yoong Tein Seng	400,000	20.0	1,600,000	80.0 <sup>(a)</sup>	Malaysian
Tan Gek G @ Chen Yik Er	400,000	20.0	1,600,000	80.0 <sup>(b)</sup>	Malaysian
Yoong Li Xian	200,000	10.0	1,800,000	90.0 <sup>(c)</sup>	Malaysian
Yoong Li Bing	200,000	10.0	1,800,000	90.0 <sup>(c)</sup>	Malaysian
Yoong Li Mian	200,000	10.0	1,800,000	90.0 <sup>(c)</sup>	Malaysian
Yoong Hau Chun	400,000	20.0	1,600,000	80.0 <sup>(c)</sup>	Malaysian
Yoong Li Yen	200,000	10.0	1,800,000	90.0 <sup>(c)</sup>	Malaysian

Notes:

- <sup>(a)</sup> Deemed interested by virtue of his relationship with Tan Gek G @ Chen Yik Er, his spouse and his family members, being the other substantial shareholders of Tenson Holdings Sdn Bhd
- <sup>(b)</sup> Deemed interested by virtue of her relationship with Yong Kian Seng @ Yoong Tein Seng, her spouse, and her children, being the other substantial shareholders of Tenson Holdings Sdn Bhd
- <sup>(c)</sup> Deemed interested by virtue of their relationships with Yong Kian Seng @ Yoong Tein Seng, their father, Tan Gek G @ Chen Yik Er, their mother and their family members, being the other substantial shareholders of Tenson Holdings Sdn Bhd

As at 15 November 2004, the directors of Tenson Holdings Sdn Bhd and their respective shareholdings are as follows

Name of Director	<----- Shareholdings ----->				Nationality
	Direct	%	Indirect	%	
Yong Kian Seng @ Yoong Tein Seng	400,000	20.0	1,600,000	80.0 <sup>(a)</sup>	Malaysian
Tan Gek G @ Chen Yik Er	400,000	20.0	1,600,000	80.0 <sup>(b)</sup>	Malaysian
Yoong Hoi Yen	-	-	2,000,000	100.0 <sup>(c)</sup>	Malaysian
Yoong Hau Chun	400,000	20.0	1,600,000	80.0 <sup>(c)</sup>	Malaysian
Yoong Li Mian	200,000	10.0	1,800,000	90.0 <sup>(c)</sup>	Malaysian
Yoong Li Yen	200,000	10.0	1,800,000	90.0 <sup>(c)</sup>	Malaysian

Notes:

- <sup>(a)</sup> Deemed interested by virtue of his relationship with Tan Gek G @ Chen Yik Er, his spouse and his family members, being the other substantial shareholders of Tenson Holdings Sdn Bhd
- <sup>(b)</sup> Deemed interested by virtue of her relationship with Yong Kian Seng @ Yoong Tein Seng, her spouse, and her children, being the other substantial shareholders of Tenson Holdings Sdn Bhd

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Notes (Cont'd):

<sup>(c)</sup> Deemed interested by virtue of their relationships with Yong Kian Seng @ Yoong Tein Seng, their father, Tan Gek G @ Chen Yik Er, their mother and their family members, being the other substantial shareholders of Tenson Holdings Sdn Bhd

### 6.1.2.6 Sung Lee Timber Trading Sdn Bhd

Sung Lee Timber Trading Sdn Bhd was incorporated in Malaysia under the Act on 7 August 1978. The principal activity of Sung Lee Timber Trading Sdn Bhd is logging and timber trading.

As at 15 November 2004, the substantial shareholders and directors of Sung Lee Timber Trading Sdn Bhd and their respective shareholdings are as follows:

Name of person/company	<----- Shareholdings ----->				Nationality
	Direct	%	Indirect	%	
Dato' Seri Yong Tu Sang	300,000	60.0	-	-	Malaysian
Datin' Seri Ng Ah Heng	200,000	40.0	-	-	Malaysian

### 6.1.2.7 OSKVI

OSKVI was incorporated in Malaysia on 5 December 2003 under the Act as a public limited company. OSKVI is an investment holding company. Its wholly-owned subsidiaries OSKVE and OSK Technology Ventures Sdn Bhd, are principally involved in the venture capital business, including incubating high technology and high growth companies, while another wholly-owned subsidiary, OSK Private Equity Management Sdn Bhd, is principally involved in the management of investments in securities of venture companies.

The substantial shareholders of OSKVI and their respective shareholdings as at 15 November 2004 are as follows:

Names	<----- Shareholdings ----->				Place of incorporation /Nationality
	Direct	%	Indirect	%	
OSKH	843,442,300	56.2	-	-	Malaysia
Ong Leong Huat @ Wong Joo Hwa	3,000,000	0.2	843,442,300	56.2 <sup>(a)</sup>	Malaysian

Note:

<sup>(a)</sup> Deemed interested by virtue of his substantial shareholdings in OSKH pursuant to Section 6A of the Act

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## 6. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL

The Directors of OSKVI and their respective shareholdings as at 15 November 2004 are as follows:

Name of Director	<----- Shareholdings ----->				Nationality
	Direct	%	Indirect	%	
Dato' Nik Mohamed Din bin Datuk Nik Yusoff	3,000,000	0.2	-	-	Malaysian
Ong Leong Huat @ Wong Joo Hwa	3,000,000	0.2	843,442,300	56.2 <sup>(a)</sup>	Malaysian
Wong Chong Kim	3,000,000	0.2	600,000	0.04 <sup>(b)</sup>	Malaysian
Yap Yuh Foh, Eddie	375,000	0.02	-	-	Malaysian
Tan Sri Datuk Dr. Omar bin Abdul Rahman	-	-	-	-	Malaysian
Foo San Kan	-	-	-	-	Malaysian
Dato' Abdul Azim bin Mohd. Zabidi	-	-	-	-	Malaysian

Notes:

- <sup>(a)</sup> Deemed interested by virtue of his substantial shareholdings in OSKH pursuant to Section 6A of the Act
- <sup>(b)</sup> Deemed interested by virtue of his substantial shareholdings in Harmony Chime Sdn Bhd pursuant to Section 6A of the Act

### 6.1.2.8 OSKH

OSKH was incorporated as a public limited company under the Act on 1 November 1990 and its shares were listed on the Main Board of Bursa Securities on 31 May 1991. OSKH is an investment holding company. The principal activities of the OSKH Group consist of stockbroking, underwriting and placement of securities, corporate finance and advisory, investment and management of properties, property development, nominee services, investment research, investment management services, unit trust management, futures trading, capital financing, share margin financing and venture capital.

The substantial shareholder of OSKH and his respective shareholdings as at 15 November 2004 are as follows:

Names	<----- Shareholdings ----->				Nationality
	Direct	%	Indirect	%	
Ong Leong Huat @ Wong Joo Hwa	164,497,570	28.8	-	-	Malaysian

The Directors of OSKH and their respective shareholdings as at 15 November 2004 are as follows:

Name of Director	<----- Shareholdings ----->				Nationality
	Direct	%	Indirect	%	
Dato' Nik Mohamed Din bin Datuk Nik Yusoff	13,509,275	2.37	-	-	Malaysian
Ong Leong Huat @ Wong Joo Hwa	164,497,570	28.8	-	-	Malaysian

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Dato' Nik Mohamed bin Nik Yahya	4,713,047	0.83	-	-	Malaysian
Wong Chong Kim	408,333	0.07	216,866	0.04 *	Malaysian
Wong Chong Che	8,691,666	1.52	-	-	Malaysian
Dato' Mohamed Tarmizi bin Mohd Tahir	-	-	-	-	Malaysian
Dr Choong Tuck Yew	-	-	-	-	Malaysian

Note:

\* Deemed interested by virtue of his substantial shareholdings in Harmony Chime Sdn Bhd pursuant to Section 6A of the Act

### 6.1.2.9 Mah Fah Victor Group Sdn Bhd

Mah Fah Victor Group Sdn Bhd was incorporated in Malaysia under the Act on 4 February 1980. The principal activity of Mah Fah Victor Group Sdn Bhd is investment holding.

The shareholders of Mah Fah Victor Group Sdn Bhd and their respective shareholdings as at 15 November 2004 are follows:

Name of person/company	<----- Shareholdings ----->				Place of incorporation /Nationality
	Direct	%	Indirect	%	
Yoong Yin Ngian	200,001	10.0	1,790,003	90.0 <sup>(a)</sup>	Malaysian
Yong Kian Seng @ Yoong Tein Seng	200,001	10.0	1,790,003	90.0 <sup>(a)</sup>	Malaysian
Yoong Ming Shin	200,001	10.0	1,790,003	90.0 <sup>(a)</sup>	Malaysian
Yoong Kee Sin	200,001	10.0	1,790,003	90.0 <sup>(a)</sup>	Malaysian
Yoong Yoon Sin	200,000	10.0	1,790,004	90.0 <sup>(a)</sup>	Malaysian
Yoong Vee Seng	200,000	10.0	1,790,004	90.0 <sup>(a)</sup>	Malaysian
Tenson Holdings Sdn Bhd	200,000	10.0	1,790,004	90.0 <sup>(a)</sup>	Malaysia
Woon Yew Moi	100,000	5.0	1,890,004	95.0 <sup>(a)</sup>	Malaysian
Liew Kim Yoon	100,000	5.0	1,890,004	95.0 <sup>(a)</sup>	Malaysian
Yoong Choon Yen	100,000	5.0	1,890,004	95.0 <sup>(a)</sup>	Malaysian
LTM Holdings Sdn Bhd	100,000	5.0	1,890,004	95.0 <sup>(a)</sup>	Malaysia
Yoong Chee Yen	95,000	5.0	1,895,004	95.0 <sup>(a)</sup>	Malaysian
Yoong Nyuk Koon	95,000	5.0	1,895,004	95.0 <sup>(a)</sup>	Malaysian

Note:

<sup>(a)</sup> Deemed interested by virtue of their family relationships with the other shareholders of Mah Fah Victor Group Sdn Bhd. (Both Tenson Holdings Sdn Bhd and LTM Holdings Sdn Bhd are wholly owned by family members and shareholders of Mah Fah Victor Group Sdn Bhd).

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The Directors of Mah Fah Victor Group Sdn Bhd and their respective shareholdings as at 15 November 2004 are as follows:

Name of Director	<----- Shareholdings ----->				Nationality
	Direct	%	Indirect	%	
Yoong Yin Ngian	200,001	10.0	1,790,003	90.0 <sup>(a)</sup>	Malaysian
Yong Kian Seng @ Yoong Tein Seng	200,001	10.0	1,790,003	90.0 <sup>(a)</sup>	Malaysian
Yoong Kee Sin	200,001	10.0	1,790,003	90.0 <sup>(a)</sup>	Malaysian
Yoong Hoi Yen	-	-	1,990,004	100.0 <sup>(a)</sup>	Malaysian

Note:

<sup>(a)</sup> Deemed interested by virtue of their family relationships with the other shareholders of Mah Fah Victor Group Sdn Bhd (Both Tenson Holdings Sdn Bhd and LTM Holdings Sdn Bhd are wholly owned by family members and shareholders of Mah Fah Victor Group Sdn Bhd).

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### 6.1.3 Significant changes in the substantial shareholders/Promoter and their shareholdings in HeveaBoard for the past three (3) years

Name of substantial shareholder	As at 31 December 2001			As at 31 December 2002			As at 31 December 2003		
	Direct	%	Indirect	Direct	%	Indirect	Direct	%	Indirect
HW	49,166,345	96.7	-	49,166,345	96.7	-	27,075,000	41.7	-
Samur Sdn Bhd	1,666,655	3.3	-	1,666,655	3.3	-	8,167,000	12.6	-
Wan Hassan bin Wan Abdul Rahiman	-	-	-	-	-	-	6,300,000	9.7	-
OSKVE	-	-	-	-	-	-	5,833,000	9.0	-
Firama Holdings Sdn Bhd	-	-	-	-	-	-	3,380,000	5.2	27,075,000
Tenson Holdings Sdn Bhd	-	-	49,166,345	-	-	49,166,345	-	-	30,455,000
Yoong Kian Seng @ Yoong Tein Seng	-	-	49,166,345	-	-	49,166,345	-	-	30,455,000
Yoong Hau Chun	-	-	49,166,345	-	-	49,166,345	-	-	30,455,000
Liang Chong Wai	-	-	-	-	-	-	-	-	27,075,000
Dato' Loo Swee Chew	-	-	-	-	-	-	-	-	27,075,000
Sung Lee Timber Trading Sdn Bhd	-	-	-	-	-	-	-	-	27,075,000
Datuk Nur Jazlan bin Mohamed	-	-	1,666,655	-	-	1,666,655	-	-	8,167,000
Nur Jazni bin Mohamed	-	-	1,666,655	-	-	1,666,655	-	-	8,167,000
Nur Jazman bin Mohamed	-	-	1,666,655	-	-	1,666,655	-	-	8,167,000
OSKVI	-	-	-	-	-	-	-	-	5,833,000
OSKH	-	-	-	-	-	-	-	-	5,833,000
Ong Leong Huat @ Wong Joo Hwa	-	-	-	-	-	-	-	-	5,833,000
Mah Fah Victor Group Sdn Bhd	-	-	-	-	-	-	-	-	30,455,000
Dato' Seri Yong Tu Sang	-	-	-	-	-	-	-	-	27,075,000

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 his substantial shareholdings in Tenson Holdings Sdn Bhd pursuant to Section 6A of the Act and his relationship with Tan Gek G @ Chen Yik Er, his spouse and his family members being the other substantial shareholders of Tenson Holdings Sdn Bhd

(c) Deemed interested by virtue of his relationship with Yoong Kian Seng @ Yoong Tein Seng, his father

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

**6. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL**

*Notes (cont'd):*

- (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*
- (g) *Deemed interested by virtue of its shareholdings in OSKVE pursuant to Section 6A of the Act*
- (h) *Deemed interested by virtue of his substantial shareholdings in OSKH pursuant to Section 6A of the Act*
- (i) *Deemed interested by virtue of its substantial shareholdings in Firama Holdings Sdn Bhd pursuant to Section 6A of the Act*
- (j) *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*

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## 6. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL

### 6.1.4 Directorships and substantial shareholdings in all other public corporations for the past two (2) years

Save as disclosed below, none of the substantial shareholders of HeveaBoard has any previous or existing directorship or substantial shareholding in any other public companies incorporated in Malaysia for the past two (2) years preceding the date of this Prospectus:

Name	Company	Principal Activities	Date appointed / resigned	% held as at 15 November 2004	
				Direct	Indirect
Dato' Yong Sang	Seri Tu BTM Resources Berhad	Fully integrated timber group with activities in sawn milling, kiln drying, the manufacture of timber doors, finger jointed timber and laminated boards.	27.12.1995	14.5	37.5 *
Datuk Jazlan Mohamed	United Malayan Land Berhad	Property development	19.10.1994	-	-
	Prinsiptek Corporation Berhad	Construction	4.12.2003	-	-
	Telekom Malaysia Berhad	The establishment, maintenance and provision of telecommunication and related services	1.06.2004	-	-

**Note:**

- \* Deemed interested by virtue of his interest held through his spouse and daughter and his substantial shareholdings in BTM Timber Industries Sdn Bhd and Sung Lee Timber Trading Sdn Bhd

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**6. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL****6.2 DIRECTORS****6.2.1 Directors' shareholding**

Based on the Register of 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 Directors of HeveaBoard in the issued and paid-up share capital of HeveaBoard before and after the Public Issue as well as assuming the full exercise of the Warrants are as follows:

Directors #	Before the Public Issue			After the Public Issue			Assuming full exercise of the Warrants		
	Direct	Indirect	%	Direct	Indirect	%	Direct	Indirect	%
Tan Sri Dato' Seri Mohamed bin Rahmat	-	-	-	150,000	800,000	1.0 <sup>^</sup>	225,000	1,200,000	0.19
Yong Kian Seng @ Yoong Tein Seng	-	30,455,000	46.9 <sup>(a)</sup>	150,000	30,655,000	38.3 <sup>(b)</sup>	225,000	45,982,500	0.19
Yoong Hau Chun	-	30,455,000	46.9 <sup>(b)</sup>	150,000	30,655,000	38.3 <sup>(b)</sup>	225,000	45,982,500	0.19
Dato' Seri Yong Tu Sang	-	27,075,000	41.7 <sup>(c)</sup>	150,000	27,075,000	33.8 <sup>(c)</sup>	225,000	40,612,500	0.19
Dato' Loo Swee Chew	-	27,075,000	41.7 <sup>(d)</sup>	150,000	27,075,000	33.8 <sup>(d)</sup>	225,000	40,612,500	0.19
Lim Kah Poon	-	-	-	50,000	-	-	75,000	-	0.06
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	-	-	-	-	-	-	-	-	-

**Notes:**

- (a) 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 substantial shareholders of Tenson Holdings Sdn Bhd and by virtue of his relationship with Yoong Hau Chun, his son and Yoong Li Yen, his daughter
- (b) Deemed interested by virtue of his relationship with Yong Kian Seng @ Yoong Tein Seng, his father and Yoong Li Yen, his sister
- (c) 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
- (d) Deemed interested by virtue of his substantial shareholdings in HW pursuant to Section 6A of the Act

# 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 to 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

## 6. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL

### 6.2.2 Profiles

The profiles of the Board of Directors of HeveaBoard are as follows:

**Tan Sri Dato' Seri Mohamed Rahmat**, a Malaysian aged 66, was appointed as Non-Independent Non-Executive Chairman of HeveaBoard on 28 July 2000. His career includes holding various prominent positions in the Malaysian Government that spanned a period of 40 years. He was both the former Secretary General of the Barisan Nasional (ruling government coalition) from 1993 to 2003 and UMNO between 1988 and 1996, and was also a Member of Parliament for Pulai for 30 years up to 1999. Tan Sri Dato' Seri Mohamed Rahmat held the position as Minister of Information from 1978 to 1982 and from 1988 to 1999. The other significant positions held during his tenure with the Government include the Political Secretary for Transport, the Parliamentary Secretary for Health and Education, the Deputy Minister of Finance, the Deputy Minister of Public Enterprise and the Ambassador of Malaysia to Indonesia.

**Yong Kian Seng@Yoong Tein Seng**, a Malaysian aged 57, is the Group Managing Director for HeveaBoard and was appointed to the Board on 3 September 1993. He worked in a financial institution for two (2) years before undertaking training in the FRIM to qualify as a registered Timber Grader. In 1969 he returned to assist in his family-owned company, Mah Fah Timber Industries Sdn Bhd and expanded the sawmill business by upgrading the pre-war, sawmill engines with modern machinery. Within a short frame of time, Mr Yoong began establishing contacts overseas and started supplying timber for the export trade.

He has been actively involved in the wood-based and engineering businesses, including heavy equipment import and reconditioning, fabrication and assembling of transport vehicles, buses and coaches, and the design of particleboard manufacturing plants.

**Yoong Han Chun**, a Malaysian aged 28, was appointed as Executive Director to HeveaBoard on 21 July 2000. He obtained a First Class Honours Degree in Mechanical Engineering with Business Management from Sussex University, UK and a MSc in Wood Industries Technology from UPM. He has attended various training programmes in Germany, in relation to the latest technology and process systems in particleboard manufacturing and related industries. He leads the engineering team in the existing plant and the planning of the second manufacturing line.

**Dato' Seri Yong Tu Sang**, a Malaysian aged 58, is one of the founding members of HeveaBoard and was appointed as a Non-Independent Non-Executive Director of HeveaBoard on 24 December 1993. He is actively involved in timber logging, sawmilling and plywood manufacturing businesses. He is currently the Managing Director of BTM Resources Berhad, a company listed on the Second Board of Bursa Securities.

**Dato' Loo Swee Chew**, a Malaysian aged 56, is another founding member of HeveaBoard and was appointed as a Non-Independent Non-Executive Director of HeveaBoard on 21 October 1997. He has also been in the timber industry for the past 30 years. He is actively involved in timber logging, sawmill and plywood, and is one of the leading timber exporters based in Kuantan, Pahang Darul Makmur.

**Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak**, a Malaysian aged 71, was appointed as an Independent Non-Executive Director of HeveaBoard on 1 October 2004. A qualified Normal Class and Kirby trained teacher as well as a Barrister-at-Law, he holds a Certificate in Teacher Training, a Teachers Trainers' Certificate, an LL.B Degree with Honours, from the University of London, a Certificate of Barrister-at-Law, Lincoln's Inn and a Corporate Masters Business Administration (CMBA) Degree from Ohio University, USA. He has served as a teacher, a headmaster, the Secretary General of Parti Gerakan Rakyat Malaysia, a senator as well as the President of the Senate in Malaysia. On the corporate side he has served as an independent non-executive director of Tenaga Nasional Berhad as well as a director of a few of its subsidiaries. Currently he is also a director of a few private limited companies.



**6. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL**

**Lim Kah Poon**, a Malaysian aged 55, was appointed as an Independent Non-Executive Director of HeveaBoard on 1 October 2004. He is a Fellow of the Institute of Chartered Accountants in Ireland and a member of the Malaysian Institute of Accountants (MIA).

Mr. Lim spent the early part of his career with Ernst and Whinney (now known as Ernst and Young) and PriceWaterhouse (now known as PricewaterhouseCoopers) in Dublin and in Kuala Lumpur/Penang respectively, for approximately 12 years. He joined Malaysian Tobacco Company Berhad (now known as British American Tobacco (M) Berhad) in 1983, where he held various senior finance positions over a 15 year-period, with the last one and a half years involving in audit and risk assessment vis-à-vis the control environment within the group companies in the Asia Pacific Region.

In 1997, he joined a local company, also quoted on Bursa Securities, as its Chief Financial Officer. He left his last company in September 2001 in order to focus on his business advisory and consultancy work.

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## 6. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL

### 6.2.3 Previous and/or Existing Directorships and Substantial Shareholdings in other Public Companies

Save as disclosed below, none of the Directors of HeveaBoard has any previous or existing directorship or substantial shareholding in any other public companies incorporated in Malaysia for the past two (2) years preceding the date of this Prospectus:

Name	Company	Principal Activities	Date appointed / resigned	% held as at 15 November 2004	
				Direct	Indirect
Dato' Seri Yong Tu Sang	BTM Resources Behad	Fully integrated timber group with activities in sawn milling, kiln drying, the manufacture of timber doors, finger jointed timber and laminated boards.	27.12.1995	14.5	37.5*
Tan Sri Dato' Chan Choong Tack @ Chan Choong Tak	Tenaga Nasional Berhad	The generation, transmission, distribution and sale of electricity	13.01.1994 / 31.12.2002	-	-

*Note:*

\* Deemed interested by virtue of his interest held through his spouse and daughter and his substantial shareholdings in BTM Timber Industries Sdn Bhd and Sung Lee Timber Trading Sdn Bhd

### 6.2.4 Directors' Remuneration and Benefits

Remuneration Band (RM)	Number of Directors	
	12 Months Ended 31.12.2003	12 Months Ended 31.12.2004
0 – 100,000	4	5
100,001 – 200,000	1	1
200,001 – 300,000	-	-
300,001 – 400,000	1	-
400,001 – 500,000	-	1

Remuneration and benefits paid by the Group to the directors of HeveaBoard is approximately RM670,000 in respect of FYE 31 December 2003. It is estimated that the aggregate remuneration and benefits (excluding performance bonus) proposed for the directors of the Company by way of emoluments for the FYE 31 December 2004 is approximately RM800,000.

### 6.2.5 Directors' Service Agreements

Save as disclosed below, none of the Directors of HeveaBoard has entered into any service agreements with the HeveaBoard Group.

Name	Service Agreement	Salient terms
Yong Kian Seng @ Yoong Tein Seng	Service agreement with HeveaBoard to provide services as the Group Managing Director and to undertake such duties and exercise such power as the Board of Directors of the Company shall from time to time assign to or vest in him.	To be effective from 13 January 2004 until the age of 60 years, (where he has the option to renew his tenure for a further 5 years), subject to him continuing to be re-elected as a director of HeveaBoard upon his retirement by rotation in accordance to the Articles of Association of HeveaBoard.

## 6. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL

Name	Service Agreement	Salient terms
Yoong Hau Chun	Service agreement with HeveaBoard to provide services as the Executive Director and to undertake such duties and exercise such power as the Group Managing Director of the Company shall from time to time assign to or vest in him.	<p>Remuneration and bonuses to commensurate with his status and subject to the discretion of the Company for each year of his service.</p> <p>The Company shall provide other benefits befitting the office of a Group Managing Director.</p> <p>To be effective from 13 January 2004 until the age of 55 years, (where he has the option to renew his tenure for a further 5 years), subject to him continuing to be re-elected as a director of HeveaBoard upon his retirement by rotation in accordance to the Articles of Association of HeveaBoard.</p> <p>Remuneration and bonuses to commensurate with his status and subject to the discretion of the Company for each year of his service.</p> <p>The Company shall provide other benefits befitting the office of an Executive Director of the Company.</p>

### 6.2.6 Interests in Similar Businesses and Companies

Save as disclosed in **Section 9.3** of this Prospectus, none of the Directors of HeveaBoard are involved in the activities or operations of any other similar businesses or companies.

### 6.2.7 Declaration

None of the Directors of HeveaBoard is or was involved in any of the following events, whether within or outside Malaysia:

- (i) a petition under any bankruptcy or insolvency law filed and not struck out against such director or any partnership in which he was a partner, or any corporation of which he was a director or key personnel;
- (ii) a charge and/or conviction in criminal proceedings, or is a named subject of pending criminal proceedings; or
- (iii) 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.

## 6. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL

### 6.3 AUDIT COMMITTEE

The composition of the Audit Committee is as follows:

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

The main functions of the Audit Committee include the review of audit plans and audit reports with the HeveaBoard Group's auditors, the review of the auditors' evaluation of internal accounting controls and management information systems, the review of the scope of internal audit procedures, the review of financial statements and the nomination of auditors.

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**6. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL**

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**6.4 KEY MANAGEMENT AND TECHNICAL PERSONNEL****6.4.1 Profiles**

**S. Ganasen Moorthi**, a Malaysian aged 45, joined HeveaBoard as Plant Manager in 1996, and has since been promoted to General Manager. He holds a Higher National Diploma (Mechanical Engineering) from Croydon College, United Kingdom. He joined Kumpulan Guthrie Berhad since graduating and served for 12 years. His responsibilities during his tenure were in the design, manufacture, installation and commissioning of rubber processing machinery. Prior to joining HeveaBoard, he was the Works Manager for Mannesmann Rexroth Sdn Bhd, the largest producers of hydraulic systems in the world.

**Hew Mei Ying, Elaine**, a Malaysian aged 44, was appointed as the Chief Financial Officer in 2003 to oversee the financial management of the Group. She has an MBA in Finance from the University of Southern Queensland and a fellow member of the Chartered Institute of Management Accountant, UK and a Chartered Accountant registered with the Malaysia Institute of Accountants. Prior to joining the Group, Elaine had been the Senior Manager for Samsung SDI (Malaysia) Sdn Bhd in Seremban for 13 years and had gained extensive experience in treasury and financial management, preparation of the company for public listing, implementation of SAP R/3, cost saving activities and new business identification. She has attended various management skills training or seminar both locally and abroad.

**Choi Kong Cheong**, a Malaysian aged 53, is the Plant Manager for HeveaBoard. He joined the Group in 1996 and has been involved in the plywood industry since 1969. Throughout his career in the wood-based industry, he has held various positions such as Quality Controller Supervisor to Plant Manager. He was a Production Manager for United Plywood Sawmill Sdn Bhd for 23 years and for United Malaysian Timber Sdn Bhd for a year. Prior to joining HeveaBoard, he was the Plant Manager for Nuboard-Mah Fah JV Sdn Bhd.

**Siew Hong Kin**, a Malaysian aged 54, is the Process Manager for HeveaBoard. He joined the Group in 1995 and has been involved in the plywood industry since 1969. He was formerly a Process Controller in United Plywood Sawmill Sdn Bhd for the past 26 years before joining HeveaBoard. He is primarily responsible for all aspects of the production process, product formulation, quality control of all stages of the manufacturing process and R&D.

**Siew Chok Keong**, a Malaysian aged 28, joined the Group in 2002 as a Project Engineer. He graduated with a Bachelor of Engineering (Hons.) from Sheffield Hallam University, Sheffield, United Kingdom, with First Class Honours in Electronic System and Information Engineering. He recently obtained an MSc in Wood Industries Technology from University Putra Malaysia. He is currently involved in the development and implementation of the proposed second-line expansion project of HeveaBoard.

**Yoong Li Yen**, a Malaysian aged 26, is the Sales and Marketing Manager for HeveaBoard and HMSB. She holds a Bachelor of Arts (Hons.) in Business Administration from University of New Brunswick, Canada and a Post Graduate Diploma in Marketing from the Chartered Institute of Marketing (UK). She joined HeveaBoard in 1998 and she is currently in charge of the Marketing Department and Shipping. She is also responsible for Sales and Customer Service.

**Peh Ju Chai**, a Malaysian aged 43, joined the Group in 2000 and is one of the founders of HPSB's furniture manufacturing operations. He is a passed finalist of the Chartered Association of Certified Accountants and Chartered Institute of Management Accountants, UK. He is also a graduate from Tuanku Abdul Rahman College with a Diploma in Commerce, majoring in Financial Accounting. Mr. Peh is an Executive Director of HPSB and is in-charge of the Marketing, Accounts, and Finance Department. He has been actively involved in the international trading business since 1987 and has many years of experience in the RTA furniture manufacturing industry.

**6. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL**

**Yee Kong Yin**, a Malaysian aged 41, joined the Group in 2000 and is one of the founders of HPSB's furniture manufacturing operations. He is also the Executive Director responsible for plant operations. Mr. Yee holds a Bachelor of Business Administration from National Cheng Chi University, Taiwan. He has over 15 years of experience in the electronic and wood industry. Prior to joining HPSB, he was the General Manager in Famosa Prosonic Industries Berhad.

**Ng Han Koon**, a Malaysian aged 36, joined HPSB in 2000 as Assistant Manager. He has 3 years experience in machine engineering and modifications, and 10 years experience in solid wood furniture production, including CNC Router programming, sample making and drawing design. Mr. Ng is also involved in tools and cutter design and has 2 years experience in CNC Router programming for Sony, Hitachi, Panasonic speakers and Sony projector TV in Famosa Prosonic Industries Berhad. He is currently involved in the R&D AutoCAD furniture design and sample making department of HPSB.

**Ong Cheng Huat**, a Malaysian aged 39, joined BWSB in 2001 and is the Local Sales and Marketing Manager. His working experience includes over 13 years in the wood working industry, 4 years in selling and line set-up of wood working machinery, 2 years in furniture retailing and 7 years in whole-selling to local dealers, departmental chain stores and hyper markets.

**Liew Kok Chee**, a Malaysian aged 43, joined the Group in 2001. He is the Branch Manager of BWSB and is responsible for the operations in the Northern Region and Kelantan state. He has over 12 years of experience in furniture retailing for the local market and export markets covering Brunei and Singapore. Prior to joining BWSB, he was holding a similar position in the same industry for two (2) years.

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## 6. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL

### 6.4.3 Previous and/or Existing Directorships and Substantial Shareholdings in other Public Companies

None of the key management and technical personnel of the HeveaBoard Group has any previous or existing directorship or substantial shareholding in any other public companies incorporated in Malaysia for the past two (2) years preceding the date of this Prospectus.

### 6.4.4 Service Agreements

Save as disclosed below, none of the other key management and technical personnel of the HeveaBoard Group have entered into any service agreements with the HeveaBoard Group.

Name	Service Agreement	Salient terms
Peh Ju Chai	Service agreement with HPSB to provide services as the Executive Director of HPSB and to undertake such duties and exercise such power as the Group Managing Director of the Company shall from time to time assign to or vest in him.	To be effective from 13 January 2004 until the age of 55 years, (where he has the option to renew his tenure for a further 5 years) subject to him continuing to be re-elected as a director of HPSB upon his retirement by rotation in accordance to the Articles of Association of HPSB.  Remuneration and bonuses to commensurate with his status and subject to the discretion of HPSB for each year of his service.  HPSB shall provide other benefits befitting the office of an Executive Director of HPSB.
	Service agreement with BWSB to provide services as the Director of BWSB and to undertake such duties and exercise such power as the Group Managing Director of the Company shall from time to time vest in him.	To be effective from 13 January 2004 until the age of 55 years, (where he has the option to renew his tenure for a further 5 years) subject to him continuing to be re-elected as a director of BWSB upon his retirement by rotation in accordance to the Articles of Association of BWSB.  Remuneration and bonuses to commensurate with his status and subject to the discretion of BWSB for each year of his service.
Yee Kong Yin	Service agreement with HPSB to provide services as the Executive Director of HPSB and to undertake such duties and exercise such power as the Group Managing Director of the Company shall from time to time assign to or vest in him.	To be effective from 13 January 2004 until the age of 55 years, (where he has the option to renew his tenure for a further 5 years) subject to him continuing to be re-elected as a director of HPSB upon his retirement by rotation in accordance to the Articles of Association of HPSB.  Remuneration and bonuses to commensurate with his status and subject to the discretion of HPSB for each year of his service.



## 6. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL

Name	Service Agreement	Salient terms
Yoong Li Yen	<p>Service agreement with BWSB to provide services as the Director of BWSB and to undertake such duties and exercise such power as the Group Managing Director of the Company shall from time to time vest in him.</p>	<p>HPSB shall provide other benefits befitting the office of an Executive Director of HPSB.</p> <p>To be effective from 13 January 2004 until the age of 55 years, (where he has the option to renew his tenure for a further 5 years) subject to him continuing to be re-elected as a director of BWSB upon his retirement by rotation in accordance to the Articles of Association of BWSB.</p> <p>Remuneration and bonuses to commensurate with his status and subject to the discretion of BWSB for each year of his service.</p>
	<p>Service agreement with HeveaBoard to provide services as the Marketing Manager and to undertake such duties and exercise such power as the Group Managing Director of the Company shall from time to time assign to or vest in her.</p>	<p>To be effective from 13 January 2004 until the age of 55 years, (where she has the option to renew her tenure for a further 5 years).</p> <p>Remuneration and bonuses to commensurate with her status and subject to the discretion of the Company for each year of her service.</p> <p>The Company shall provide other benefits befitting the office of a Marketing Manager of the Company.</p>
Hew Mei Ying, Elaine	<p>Service agreement with HMSB to provide services as the Director of HMSB and to undertake such duties and exercise such power as the Group Managing Director of the Company shall from time to time vest in her.</p>	<p>To be effective from 13 January 2004 until the age of 55 years, (where she has the option to renew her tenure for a further 5 years) subject to her continuing to be re-elected as a director of HMSB upon her retirement by rotation in accordance to the Articles of Association of HMSB.</p> <p>Remuneration and bonuses to commensurate with her status and subject to the discretion of HMSB for each year of her service.</p>
	<p>Service agreement with HeveaBoard to provide services as the Chief Financial Officer and to undertake such duties and exercise such power as the Group Managing Director of the Company shall from time to time assign to or vest in her.</p>	<p>To be effective from 13 January 2004 until the age of 55 years, (where she has the option to renew his tenure for a further 5 years.)</p> <p>Remuneration and bonuses to commensurate with her status and subject to the discretion of the Company for each year of her service.</p>

## 6. INFORMATION ON PROMOTER, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT AND TECHNICAL PERSONNEL

Name	Service Agreement	Salient terms
S. Ganasen Moorthi	Service agreement with HeveaBoard to provide services as the General Manager and to undertake such duties and exercise such power as the Group Managing Director of the Company shall from time to time assign to or vest in him.	<p>The Company shall provide other benefits befitting the office of a Chief Financial Officer of the Company.</p> <p>To be effective from 13 January 2004 until the age of 55 years, (where he has the option to renew his tenure for a further 5 years.)</p> <p>Remuneration and bonuses to commensurate with his status and subject to the discretion of the Company for each year of his service.</p> <p>The Company shall provide other benefits befitting the office of a General Manager of the Company.</p>

### 6.4.5 Interests in Similar Businesses and Companies

None of the key management and technical personnel of the HeveaBoard Group is involved in the activities or operations of any other similar businesses or companies.

### 6.4.6 Declaration

None of the key management and technical personnel of the HeveaBoard Group is or was involved in any of the following events, whether within or outside Malaysia:

- (i) a petition under any bankruptcy or insolvency law filed (and not struck out) against such personnel or any partnership in which he was a partner, or any corporation of which he was a director or key personnel;
- (ii) a charge and/or conviction in criminal proceedings, or is a named subject of pending criminal proceedings; or
- (iii) 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.

## 6.5 FAMILY RELATIONSHIPS AND ASSOCIATIONS

Save as disclosed below, there is no family relationship or association between the Promoter, substantial shareholders and Directors of HeveaBoard, and/or key management and technical personnel of the HeveaBoard Group:

- i) Yoong Hau Chun is the son of Yong Kian Seng @ Yoong Tein Seng;
- ii) Yoong Li Yen is the daughter of Yong Kian Seng @ Yoong Tein Seng; and
- iii) Yoong Hin Siong is the son of Dato' Seri Yong Tu Sang.

## 7. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE HEVEABOARD GROUP

### 7.1 PRODUCTS, SERVICES AND OPERATIONS

#### 7.1.1 Particleboard Products

HeveaBoard manufactures particleboard, a reconstituted wood panel derived from rubberwood branches and wood residue. The demand in particleboard is mainly concentrated in the manufacture of furniture panel, table tops and kitchen cabinets. Its application also extends to the manufacture of speaker boxes, wall paneling, stair treads, doors, roof sheathing and flooring. In most instances, particleboard is the preferred alternative to other panel products as it is cheaper and more durable, and comes in a variety of attractive paper laminated decorative designs.

The particleboard products manufactured by HeveaBoard have been tested to conform to major international standards which include the German DIN 68781, British Standard EN1993, Japanese Standard JIS A 5908 (2000) and the Malaysian Standard MS1036. In essence, these standards require particleboard of varying bending strength and bonding characteristics depending on the type of application it is used for. To this end, HeveaBoard is well equipped to conduct all properties testing in its own laboratory, where random samples are tested daily while at the same time, samples are also sent periodically to FRIM and UPM for external testing and validation. To meet the stringent Japanese standards on formaldehyde emission regulation, E0 and Super E0 product samples are sent to Japanese International Standard ("JIS") accredited laboratories in Japan for testing and certification. In fact, HeveaBoard is the first particleboard manufacturer in Malaysia to receive the prestigious JIS certification for its particleboard plant.

The four (4) main types of particleboard produced by HeveaBoard are as follows:-

Categories	Description and characteristics
HeveaBoard E0 and Super E0 particleboard	HeveaBoard pioneered the commercial production of this type of particleboard for the Southeast Asian region. This product is ideal for environmental and health-friendly applications due to its excellent bonding and low formaldehyde emission properties. In fact, since this particleboard conforms to the strictest standard of Japanese E0 formaldehyde emission (JIS A5908), management believes that going forward the E0 particleboard will have high potential, given that it will only be a matter of time before this standard is adopted by other countries.
HeveaBoard UF particleboard	The HeveaBoard UF particleboard is a premium quality and smooth surface particleboard that comes in thickness ranging from 9mm to 36mm. The specific properties of this product make it suitable for a wide range of applications in the furniture, building and manufacturing industries.
HeveaBoard MUF	A highly moisture resistant particleboard suitable for interiors, with high humidity conditions, such as for flooring, table tops and kitchen cabinets. HeveaBoard MUF is available in a standard range of panel sizes in thickness ranging from 9mm to 36mm.
HeveaBoard Décor	HeveaBoard Décor is a range of decorative finished wood panel made from High Quality Grade particleboard. The range includes melamine paper in Solid Colours, Patterns and Woodgrains. HeveaBoard Décor products are suitable for a wide range of furniture and wall paneling applications.

## 7. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE HEVEABOARD GROUP

Apart from the above mentioned particleboard sold to end product manufacturers, the HeveaBoard Group also undertakes the manufacturing of RTA, do-it-yourself variety of furniture, via its wholly owned subsidiary HPSB. In fact, more than 50% of the local particleboard consumption is utilised 'in-house' by HPSB for this purpose.

HPSB currently manufactures many different types of RTA furniture ranging from storage shelves and computer tables to flexi racks and cabinets. The RTA furniture is aimed at leading "cash and carry" hypermarket chain stores globally such as Carrefour, K-Mart, Wal-Mart and Little Woods Retail Limited, UK.

The manufacture of RTA furniture is in line with the Company's long term objective of moving further downstream into the manufacturing activities of the wood products industry.

### 7.1.2 Key achievements, milestones and awards

The Group's recent key achievements, milestones and awards are summarised in the table below:

<b>April 2003</b>	The signing ceremony of the Master Energy Service Agreement witnessed by Yang Bahagia Amar Leo Moggie, Minister of Energy, Communication and Multimedia Malaysia.  HPSB starts the hollow core RTA furniture production which contributes turnover of over RM2.0 million per month.
<b>May 2003</b>	First to successfully produce Super E0 particleboard on a commercial scale in the region.
<b>June 2003</b>	HeveaBoard Super E0 particleboard has been tested and approved for Japanese International Standard ("JIS") certification by the Japanese Housing Technology Board, an approved body by Ministry of Land, Transport and Infrastructure of Japan.
<b>August 2003</b>	HeveaBoard ISO 9002 Quality Management System was upgraded to ISO 9001:2000 by SIRIM QAS.
<b>September 2003</b>	Production hit record quantity of 11,569m <sup>3</sup> of particleboard for the month of September.
<b>December 2003</b>	Signing of the Memorandum of Agreement between HeveaBoard and FRIM to conduct R&D to establish optimum manufacturing process for PMDI based particleboard.  HPSB receives "Values Award" from Tesco in recognition of the excellent service, innovative design and competitive pricing for 2003.
<b>January 2004</b>	HPSB successfully secured business with Nitori, Japan. Nitori is one of the largest furniture specialist chain stores in Japan.
<b>February 2004</b>	First particleboard manufacturer in Malaysia to obtain the JIS Market Certification for its Super E0 and E0 particleboard product range. The marking system displays the JIS mark on its Super E0 and E0 particleboard conformance to JIS A5908:2003.
<b>July 2004</b>	HPSB achieves record sales of RM10.0 million for the month of July.
<b>September 2004</b>	HPSB second factory located adjacent to its existing factory becomes fully operational.

## 7. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE HEVEABOARD GROUP

### 7.1.3 Location, Production Facilities and Capacity

#### i) Particleboard production

HeveaBoard manufacturing plant, office and warehouse is located within the vicinity of the HW Industrial Park in Gemas.

Gemas is a small town located in the southeastern region of Negeri Sembilan, approximately 100km south of Seremban and about 5km from the border of Johor Darul Takzim. The HW Industrial Park spans a total area of 132 acres, and is surrounded by rich raw material resources - rubberwood plantations owned by FELDA, RISDA and other small plantation holders.

The abundance of rubberwood within the radius of 50km of the current 10 acre factory site, ensures that sufficient supply of raw material is available to optimise HeveaBoard current production capacity of 400m<sup>3</sup> a day. In taking further advantage of HeveaBoard strategic location, and to tap into the growth in demand for particleboard world wide, HeveaBoard has embarked on an expansion plan which will significantly increase the particleboard production capacity of the Group, once it becomes fully operational. The development of this new production line is expected to increase the capacity of the plant by an additional 1,350m<sup>3</sup> a day. Please refer to **Section 8.7** for further details pertaining to the said second manufacturing line.

The production facility currently in use was obtained from proven, world-renowned process engineering firms from Europe. These machines run 24 hours a day, are highly automated, and fully customised to meet the production processing needs of HeveaBoard. As HeveaBoard is less labour intensive and more dependent on machinery, emphasis is placed on ensuring that the production facility is well maintained and kept in good condition.

Apart from just plain particleboard processing, the HeveaBoard plant also provides value-added services to customers, such as the Short Cycle Press for melamine paper lamination on the standard particleboard, and also precision panel sizing saw for the cut-to-size services.

#### ii) RTA furniture

The RTA furniture manufacturing activities of the Group is housed under HPSB, a wholly owned subsidiary of HeveaBoard. The RTA factory is located at a separate site from the HeveaBoard plant, in the vicinity of the Sungai Gadut Industrial Estate, Seremban, Negeri Sembilan Darul Khusus.

HPSB's premise occupies 30,364 m<sup>2</sup> of space and employs over 960 employees. The factory comes equipped with paper laminating lines for panel boards, precision cutting, drilling machines, CNC workstations and packing lines. Backed by strong in-house CAD Designers and Model Workshop teams, the company is able to develop new furniture designs on a regular basis. Additionally, HPSB also readily accepts orders from clients who require specific customised designs. The efficiency of the production process ensures that HPSB is able to deliver volume orders of the selected products within a short timeframe.

HPSB's RTA furniture is principally made of particleboard supplied by HeveaBoard, and is mass-produced in streamline processes and packing lines, which are governed by strict quality control procedures at all stages. HPSB currently offers over 300 different types of furniture models marketed under the brand name of "The Collection". The manufacturing process employed by HPSB ensures a high quality, value for money furniture for home and office applications.

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## 7. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE HEVEABOARD GROUP

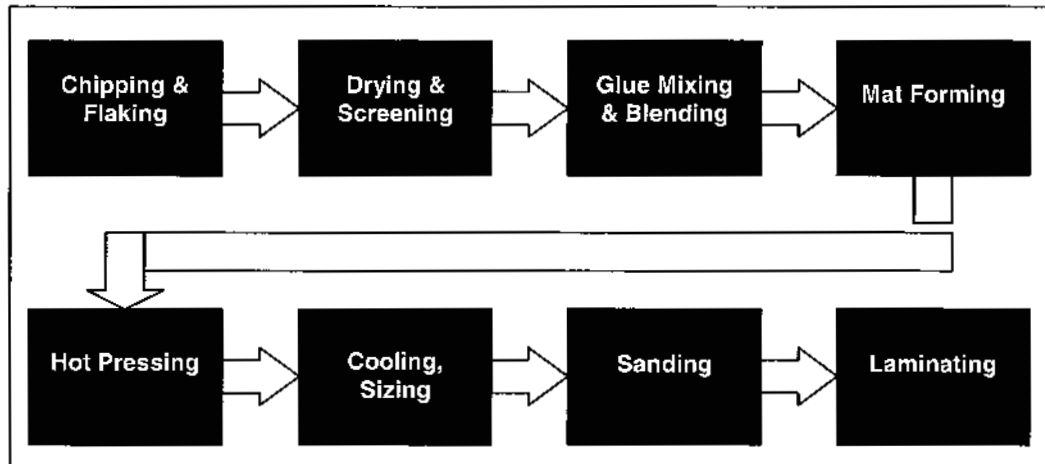
### 7.1.4 Production process

Since the HeveaBoard Group is involved in the production of particleboard and the production of RTA furniture, there are two distinct production processes within the HeveaBoard Group.

#### i) Particleboard production process

A diagrammatic illustration of the production of particleboard is depicted below:

**Particleboard Production Process**



A brief description of the various processes involved in the processing of the particleboard is as follows:

#### **Chipping and Flaking**

Rubberwood branches kept in the log yard are rinsed before being put in a chipper for chipping. The chips are further reduced to fine flakes of the desired thickness and length by the flakers. This contributes to the optimum strength and smooth finishes on the surface of the boards.

#### **Drying and Screening**

The wet flakes are dried in a smoke gas dryer to the required moisture level (usually 3%-5% of moisture remains). The dried flakes are then screened and separated into fine and core particles before being stored in the silos.

#### **Glue Mixing and Blending**

The core and fines particles are separately mixed in the blenders with glue, resin, wax emulsion and other additives metered accurately to achieve an even mixing.

#### **Mat Forming**

The 'resinated' particles are spread by air and mechanical formers, incorporating the assistance of the Computerised Programmable Logic Control System which ensures consistent mat density and uniform weight distribution.

#### **Hot Pressing**

The Hot Press which operates automatically on Programmable Logic Control compresses the mat under high pressure and controlled temperatures to form boards of precise thickness.

**7. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE HEVEABOARD GROUP**

**Cooling**

The finished boards coming out from the Hot Press is weighed automatically to make sure that the determined density is obtained and are then placed on the Star Cooler to allow glue setting.

**Sizing**

The master panel boards are visually checked for bonding conformance and thickness tolerance before they are side trimmed and cut to accurate dimensions. The panels are then stacked for conditioning.

**Sanding**

After conditioning, the raw boards are calibrated to precise thickness and sanded to fine surface finishes before being graded, and then packed for delivery.

**Laminating**

The graded plain boards may also be laminated with melamine impregnated decorative paper by the Short Cycle Press as a secondary process. The boards are then inspected and packed for final storage and delivery.

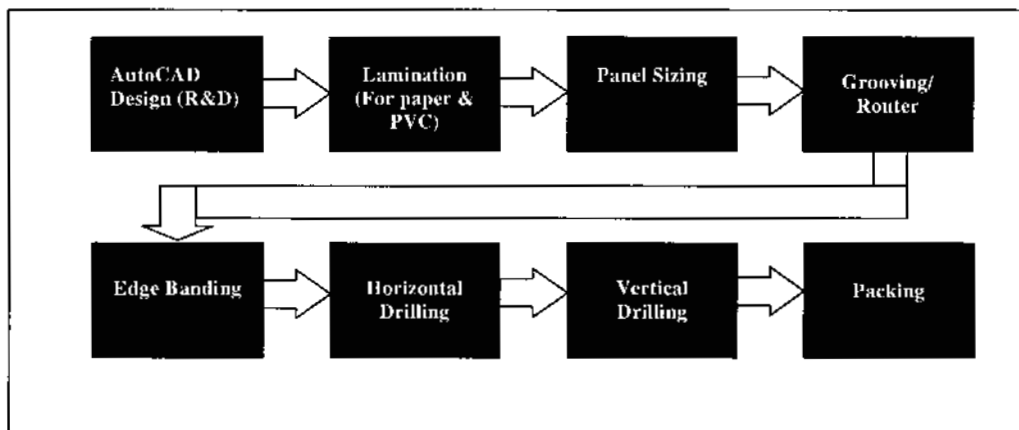
**ii) Production process of RTA furniture**

For the production of RTA furniture, a Working Standard booklet for every product will be distributed to the various departments, detailing the required specifications necessary for producing the said items.

These products are normally produced in large batches for cost savings, while the excess stocks are kept as a buffer for emergency orders. Since consumers only assemble the products at the final stage of the distribution channel, HPSB maintains a 2-year record for all their designs even though it has been phased out, just in case any problems or complaints arise later on.

Since the RTA products undergo rigid quality control tests at every stage of production, a Rework Balance station has been designated to collect the rejected items to be checked by the R&D department.

The production process of "Ready-To-Assemble" furniture is illustrated below:



**AutoCAD Design (R&D)**

Product Development is the primary responsibility of the in-house designers and product development specialist. Emphasis is placed on reducing wastage and enhancing functionality, to give consumers better value for money.

## 7. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE HEVEABOARD GROUP

### Lamination (For Paper & PVC)

The board is laminated with the required type of paper material or PVC. The board has quick drying qualities and is 90% dry after the lamination process. Hot lamination is done with PVAC glue.

### Panel Sizing

Workers input the technical specification according to the Working Standard Book, into the imported machines. The machine will then automatically cut the board to the specified size. A Quality Controller will crosscheck the data to ensure accuracy. Side and top pressures are applied while cutting to ensure accurate, square cuts.

### Grooving/Router

After grooving, the original panel is routed to the designed panel which is round in shape and curved.

### Edge Banding

There are two kinds of edge banding processes used by HPSB – Auto Edge Bander and Semi Auto Edge Bander. For the Auto Edge Bander, the edge is banded with PVC 0.35 to cover up the rough surface. For the Semi-Auto Edge Bander section, skilled workers are needed. There are currently 20 lines for this section. The finished items have better quality than the automatic machinery output, making this a time saving process.

### Horizontal Drilling

The equipment used in this process facilitates the support of 21 Spiralle drilling heads, pneumatic work piece clamps, panel stops and height adjustment according to panel thickness.

### Vertical Drilling

This process is used for the production of a wide range of furniture components, enabling the processing of repeatable highly accurate drilling patterns.

### Packing

This is the most labour intensive part of the production process. All the finished parts/panels are prepared and arranged in the packing line to facilitate the packing process. Flat-packed RTA furniture is transferred to the warehouse for storage and shipment. In this regard HPSB is one of the first in the industry to use the conveyor belt system for packing.

## 7.2 PRINCIPAL MARKETS

HeveaBoard Group sells its products both locally and overseas. The sales volume for particteboard and RTA furniture in the local and export market based on management's representation for the respective FYE and for the six (6) months financial period ended 30 June 2004 are as follows:

Market	2001	2002	2003	6 months ended 30 June 2004
	%	%	%	%
Local	65.5	41.2	29.4	26.0
Export	34.5	58.8	70.6	74.0
	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>



## 7. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE HEVEABOARD GROUP

HeveaBoard ventured into the export market in the late-90's to reduce its dependence on the local market and to diversify its customer base. Currently, the Group exports its products to approximately 16 different countries world wide. As shown in the table above, sales to the export market has increased significantly from FYE 2001 to the six (6) months financial period ended 30 June 2004. This is mainly due to the increase in turnover contributed by HPSB, for which the bulk of its sales is derived from the overseas markets.

Export market revenues based on management's representation of the Group for the FYE 31 December 2003 and for the six (6) months financial period ended 30 June 2004 totaled approximately RM75.5 million and RM52.0 million respectively. A breakdown of the top five (5) export countries are shown below:

Export countries	FYE 31 December 2003 %	6 months financial period ended 30 June 2004 %
USA	27.1	19.8
UK	20.6	18.2
China	14.3	13.8
France	6.1	9.1
Australia	5.6	6.7
Others	26.3	32.4
	<b>100.0</b>	<b>100.0</b>

### 7.3 MAJOR CUSTOMERS

The following is a list of the top ten (10) major customers for the HeveaBoard Group and their respective contribution to sales based on the audited figures for the six (6) months financial period ended 30 June 2004:

Major Customers (Overseas & Local)	Category	% of total Group's Sales	Length of Relationship (years)
General World Sdn Bhd (K-Mart), USA	RTA	20.8	2.5
Nitori, Japan	RTA	13.4	1
HAS Heritage Services, Australia	RTA	6.0	3
Dongguan Giant Star Furniture	Particleboard	6.0	5.5
Littlewoods Retail Limited, UK	RTA	5.1	2
R.G Sdn Bhd (Toshiba), UK	RTA	4.9	1.5
Hautecoeur Paris, France	RTA	3.6	2.5
Fuji Boeki Co. Ltd. Japan	RTA	3.6	2.5
Mountrose Limited, UK	RTA	3.5	3
Akateak	Particleboard	2.7	6
		<b>69.6</b>	

As shown above, the HeveaBoard Group has a variety of clients both locally and overseas which accounts for approximately 69.6% of its total turnover and have been with the Group for an average of approximately three (3) years. HeveaBoard does not depend on any single customer for their business. It is the intention of the HeveaBoard Group to further diversify its customer base by engaging marketing personnel and developing new products to suit the changing demands of the market.

## 7. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE HEVEABOARD GROUP

### 7.4 MAJOR SUPPLIERS

Wood waste such as timber off-cuts, rubberwood residues, tree trunks and broken wooden pallets constitute the primary raw materials used in the particleboard industry. Other raw material includes resin and glue that are obtained from both the local and overseas suppliers. The table below lists the top ten (10) major suppliers of the HeveaBoard Group based on the audited figures for the six (6) months financial period ended 30 June 2004.

Supplier	Raw material supplied	% of total Group's Purchases	Length of Relationship (years)
Norsechem Resins Sdn Bhd	Resin	13.9	9
Thai Chi Enterprise Co.	Laminated papers	12.1	2
Eco Wood Sdn Bhd	Particleboard	11.6	1
Merbok MDF Sdn Bhd	Particleboard	9.5	1
Dynea Malaysia Sdn Bhd	Resin	9.0	7
Commercial Edge Trading Sdn Bhd	Rubberwood	6.4	1
Takeuchi Sdn Bhd	MDF Board	5.5	1
CDG Plastics Sdn Bhd	Pole	4.1	2
The Great Wall Manufacturing Sdn Bhd	Pole	3.8	2
Yap Cheng Hua	Rubberwood	3.5	8
		<b>79.4</b>	

The HeveaBoard Group are of the view that they are not dependent on any single supplier as the Group can easily source their supplies of raw material from its existing pool of approximately 114 suppliers as at 15 November 2004.

### 7.5 AVAILABILITY OF RAW MATERIAL

The supply of rubberwood branches which is the primary raw material used in particleboard production comes from the estates within the vicinity of the plant. These neighbouring estates belong to FELDA and a variety of private small holders. Typically, HeveaBoard purchases the raw material from replanting contractors who are employed by the land owners to clear the old rubber trees and to re-plant new ones. Although these replanting sub-contractors do not have official supply contracts with HeveaBoard, the plant has not experienced any difficulty thus far in obtaining the rubberwood branches on a regular basis. Since there is little economic value for the rubberwood branches apart from being used as firewood, the management does not foresee many problems in terms of obtaining the continuous supply of rubberwood branches. Other wood material such as slabs and off-cuts may also be used as substitutes for particleboard processing should the need arise.

It is estimated that the total volume of rubberwood available within the radius of 50km of Gemas is about 1,620,000m<sup>3</sup> per year while the volume of logs suitable for sawmill and plywood production is about 540,000m<sup>3</sup> per year. This is in comparison to HeveaBoard manufacturing facility which has an annual production capacity of 120,000m<sup>3</sup>.

## 7. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE HEVEABOARD GROUP

The primary concern facing the rubberwood based industry is the future shortage of rubberwood as a result of the depletion of natural resources. Although such is the case, there is strong governmental support to ensure that an adequate area of rubber trees that are high in latex and timber yields are replanted annually.

As part of the Government's effort to stimulate domestic-driven economic activities, the planting of 25,000 hectares of rubber per year for the next 15 years will be undertaken to promote the rubber-based furniture industry. For this purpose, the Government has established a Rubber Forest Plantation Fund with an initial allocation of RM200 million in the form of soft loans under the Package of New Strategies introduced in March 2003.

Apart from rubberwood, the other important raw material for the production of the particleboard is glue and resin. The supply of glue for the production of the particleboard is from Norsechem Resin Sdn Bhd and Dynea (M) Sdn Bhd. There is no contract signed for the supply of glue from these two suppliers. However, HeveaBoard has been constantly buying its supply of glue from Norsechem Resin Sdn Bhd since commencement of operations in 1996 and from Dynea (M) Sdn Bhd from 1999 onwards.

### 7.6 PRODUCT QUALITY AND ACCREDITATION RECEIVED

To maintain the quality of the products of the HeveaBoard Group and the efficiency of the production process, HeveaBoard emphasizes, amongst other things, human resource development. Plant maintenance and process control, which includes quality control, are two key areas where regular training is conducted. In addition, HeveaBoard has designated supervisors at certain production stages to monitor the process to ensure product quality is maintained. Realtime data on the manufacturing process is available on the computerised information system and is monitored at various control rooms. HeveaBoard stresses on stringent checks to ensure that the bonding strength, bending strength, board density and screw holding capabilities meet the requirements of international standards. HeveaBoard has also employed consultants to look into further areas for process improvement such as reducing machine downtime to increase production capacity.

In August 2000, HeveaBoard was awarded the MS ISO 9002 certification (Quality Systems – Model for Quality Assurance in Production, Installation and Servicing) by SIRIM QAS covering the manufacture of plain and laminated particleboard. This internationally recognized award is accredited by the United Kingdom Accreditation Service ("UKAS") and reflects HeveaBoard commitment towards producing products of the highest quality. HeveaBoard subsequently obtained an upgraded certification, ISO9001:2000 in August 2003.

Apart from being certified for obtaining a level of compliance with quality systems, HeveaBoard also places importance in safety standards, particularly in the manufacturing plant. It has received the necessary approvals from the Department of Occupational Safety and Health, Department of Environment and other regulatory bodies. The local fire brigade also provides regular training and conducts periodic checks on the fire protection systems at HeveaBoard premises.

*(Source: IMR Report)*

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## **7. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE HEVEABOARD GROUP**

### **7.7 MARKETING AND DISTRIBUTION STRATEGY**

There are three (3) ways in which the products of the HeveaBoard Group are marketed and distributed:

(i) Down stream manufacturing

As the Group is integrating its upstream operations with its downstream manufacturing activities, approximately 30% of particleboard produced by HeveaBoard is distributed to its subsidiary, HPSB for further processing and value-added services before being sold to customers both locally and abroad.

Approximately 70% of HPSB RTA furniture is exported directly to various hypermarket chains in the USA, Japan, UK, Australia and other markets in Europe and the Middle East. The remaining 30% of its RTA furniture sales are made to various hypermarkets and furniture retailers in the domestic market through BWSB, a wholly owned subsidiary of HeveaBoard. The local market for RTA furniture is served via the Company's distribution system that employs its own modern vehicle fleet to distribute finished products throughout Peninsular Malaysia.

(ii) Direct to customers (just-in-time delivery)

The Group also utilizes a direct distribution strategy through its own internal sales and marketing force. It enables the Group to work closely with its customers to create strong business relationship and ensure customer loyalty.

(iii) Authorised distributors and agents

As authorized distributors and agents are generally aware of the dynamics and latest development within the wood products industry and have their respective established distribution networks, the Group is able to capitalize on their knowledge and leverage on their existing connections to distribute and promote its products in the markets where the agents are located.

The HeveaBoard Group is committed to the timely delivery of products to customers irregardless of the method of distribution. Additionally, packaging which comply with international packaging standards are used to reduce the occurrence of cargo damage whilst products are in transit. All these are crucial to enhance the HeveaBoard Group's image as a reliable supplier to its customers.

### **7.8 RESEARCH AND DEVELOPMENT**

In order to maintain its status as one of the leading particleboard manufacturers in Malaysia, HeveaBoard invests much effort and commitment towards R&D. Although the HeveaBoard Group does not have a formal R&D department, all departments in the organisation are strongly encouraged to identify new product concepts and develop solutions to improve plant efficiency and reduce costs. The Group also works closely with suppliers of their high-technology machinery to keep updated on the developments of new machinery that will shorten the production process or increase the yield from each unit of raw material. Other modes of R&D include:

- i) Research on the latest developments in other timber producing countries for new product ranges and new technologies;
- ii) Research on related industries such as the construction industry around the region to identify areas that require the supply, the form and the quantity of timber-based products required; and
- iii) Research on the latest bonding / glueing products available, to be applied in the development of particleboard with enhanced properties.

## 7. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE HEVEABOARD GROUP

The R&D efforts of HeveaBoard are primarily geared towards:

- i) Enhancing the existing products and diversifying the product range;
- ii) Increasing the efficiency of the production process by shortening the production cycle or lowering production & operational cost and using new, innovative techniques and supporting machinery;
- iii) Providing customer satisfaction through the promotion of the quality and reliability of its products; and
- iv) Ensuring better and more consistent raw material supplies to ensure the consistent quality of final products.

The annual expenditure of HeveaBoard in R&D for the past three (3) FYE 31 December and for the six (6) months financial period ended 30 June 2004 are as tabulated below:

	2001	2002	2003	6 months ended 30 June 2004
	RM	RM	RM	RM
R&D expenditure	116,000	623,000	2,324,697	1,845,631
R&D expenditure as a percentage of turnover	0.22%	0.78%	2.19%	2.63%

The R&D activities carried out by HeveaBoard since the year 2000 are detailed below:

**2000 - 2002** Research and development of the flaking technology and resin recipe for the production of Lami-OSB (Patent Application No: PI9804735).

i) HeveaBoard, FRIM and UPM formed The Malaysia Institute of Lami-OSB Technologies (MILOT) on 4 April 1998 to develop and disseminate information for the future development of the Lami-OSB industry in the country, as well as, to encourage the enhancement of R&D through the cooperation between government agencies and the private sector.

ii) Some of the activities currently being carried out by MILOT are the application of the patent for the Lami-OSB product, the application of the Industrial Grant Scheme ("IGS") and the holding of seminars on OSB.

**2000 - 2001** The development of E0 particleboard with Mitsui Chemical, a Japanese chemical supplier, by incorporating MDI chemicals to the process system.

**2002 - 2003** Development of Super E0 and E0 particleboard with Dynea Singapore and Bayer AG by incorporating PMDI chemicals to the process system.

i) MDI/PMDI chemicals help to enhance the properties of finish products while at the same time helps to increase the efficiency of the manufacturing process by reducing pressing time. Since 2000, HeveaBoard has been consulting Mitsui Chemical Asia Limited's Technical Center on the trial production of E0 particleboard using MDI. HeveaBoard also consults Bayer and Dynea on PMDI production on a regular basis.

ii) To date, with over two years of experience in R&D to produce E0 grade particleboard using MDI and PMDI resins, the company is one of the first successful commercial manufacturers in South East Asia.

**2003 - 2004** Establishment of optimum blending and manufacturing process for Super E0 and E0 particleboard with FRIM (Proposed R&D).

HeveaBoard, in collaboration with FRIM, carries out R&D on the production of particleboard using hybrid urea formaldehyde (UF) – polymethylbenzene diisocyanate (PMDI) resins. This includes pilot scale production, laboratory testing on the quality of particleboard produced as well as supervision on the modifications necessary to improve the properties of the particleboard.

## 7. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE HEVEABOARD GROUP

At the HPSB level, R&D is primarily geared towards the development and design of new RTA furniture. For this purpose, HPSB employs a dedicated in-house team of six (6) experienced designers and product development specialists, who are provided with the latest AutoCAD computer software for new product development. Further, a team of designers employed by the marketing partner, General World in USA, provides HPSB with the latest and most sought after designs in the growing American market segment.

### 7.9 COMPETITIVE ADVANTAGE

Set out below are some of the areas of strength that the HeveaBoard Group possesses:

#### i) Long term relationship with customers and suppliers

The HeveaBoard Group does not depend on any single supplier or customer for its supply of raw materials or sales, and has not committed to any long-term contracts with either party. HeveaBoard strong relationship with its customers and suppliers coupled with its strong financial position and reputation has enabled the HeveaBoard Group to enjoy competitive market prices for the purchase of raw material and sale of particleboard products.

#### ii) Availability of raw material

HeveaBoard production facility is surrounded by rubber estates within a 50km radius of its production plant in Gemas. The abundance of such raw material supply and the ease in which it can be obtained ensures that it has a strategic advantage over its competitors in terms of logistics and the sustained supply of rubberwood material.

#### iii) R&D efforts

The Group's commitment and proven track record in R&D has allowed the Group to diversify its product range, while at the same time increase product quality and improve the efficiency of the production process. Over the years, HeveaBoard has been able to develop 'higher grade' particleboard products with improved properties and which conform to new standards of formaldehyde emission. Examples include the E0 and Super E0 particleboard as well as Lami-OSB for which MILOT, the society in which HeveaBoard is one of the founding members, is in the midst of obtaining a patent.

#### iv) High barriers to entry / Economies of scale

In the early 1990s, the particleboard industry was overwhelmed by surplus demand over supply, which attracted a number of players into the industry. As competition increased, manufacturers had to invest in higher capacity and modern plants in order to achieve economies of scale and focus on pricing its products competitively. This led to much consolidation within the industry, where approximately two (2) out of three (3) particleboard manufacturing plants were forced to shut down. This was primarily due to the utilisation of second hand machinery, low output capacity and the lack of financial resources.

The particleboard industry is currently dominated by a few major players with sound financial strengths such as HeveaBoard, who have the ability to invest, upgrade and improve on new and existing technology.

The extremely high start up cost (approximately RM200 million to set-up a production facility with a capacity of 800m<sup>3</sup> per day) and the necessary technical know-how in the production process, will act as a barrier for potential new entrants to the market, and at the same time act as a deterrent for smaller players to expand and compete effectively.

## 7. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE HEVEABOARD GROUP

### v) Energy Efficiency Project

On 7 April 2003, the Company signed a Master Energy Services Agreement with Mensilin Holdings Sdn Bhd in relation to the implementation of an energy efficiency project. Under the Malaysian Industrial Energy Efficiency Improvement Project ("MIEEIP"), which is funded by the United Nations Development Plan ("UNDP"), the Global Environment Facility ("GEF") and the Government of Malaysia, the current oil fired drying system used by HeveaBoard will be replaced by a wood waste fired drying system. The implementation of this project will give the Company significant savings in terms of energy cost while at the same time address the environmental issue associated with the management of wood waste.

### vi) Threat of substitute products

Furniture and panel products manufactured from other material such as timber logs, metal, glass, plastic and rattan are the potential substitutes for rubberwood particleboard. However, rubberwood manufactured particleboard is well-received as it is recognised to be an environmentally friendly product. It is also generally cheaper, has a natural look and possesses certain qualities, which is difficult to be replaced or replicated by furniture, or products derived from metal, glass, plastic or rattan.

## 7.10 EMPLOYEES

The majority of HeveaBoard Group's employees constitute general workers along the production process and packing lines for both particleboard production and the manufacture of RTA furniture. As at 15 November 2004, the employees of the Group may be categorised as follows:

Category of employee	<----- Malaysian citizens ----->					Total	Average number of years in service
	Bumiputera	Chinese	Indian	Others	Foreigners		
Managerial and professional	11	38	10	-	-	59	4 to 5
Technical and supervisory	37	79	24	-	2	142	3 to 4
Clerical and related occupations	13	16	2	-	-	31	3 to 4
General employee	182	1	351	-	377	911	3 to 5
	<u>243</u>	<u>134</u>	<u>387</u>	<u>-</u>	<u>379</u>	<u>1,143</u>	

*Note: The above total number of employees does not include the 368 contract workers employed by HPSB as at 15 November 2004*

The employees of HeveaBoard Group are not members of any trade unions and as such have not experienced any industrial/labour disputes in the past. The HeveaBoard Group recognises the importance of the contribution of all levels of employees and enjoys a cordial relationship with its workforce.

In order to enhance the knowledge and skills of its employees, the HeveaBoard Group had provided the following training and development programs in the past:

- Production & Operations Management (January-March 2003)
- Effective Leadership & Communication (April 2003)
- Effective Implementation ISO 9001 : 2000 (April 2003)

## 7. BUSINESS OVERVIEW AND FUTURE PROSPECTS OF THE HEVEABOARD GROUP

- Effective Human Resource Management (November 2002)
- Principle of Effective Purchasing (November 2002)
- Effective Supervision (October 2002)
- Effective Middle Management (October 2002)
- Creative Thinking & Problem Solving (October 2002)
- Total Productive Maintenance (September 2002)
- Basic PLC 2 CX – Programmer (August 2002)
- First Aider Course (July 2002)
- ISO 9000 : 2000 Transition Auditing (April 2002)
- Effective Store & Warehouse Management (March 2002)
- Effective Filing & Records Management (February 2002)

### 7.11 INTERRUPTIONS TO BUSINESS DURING THE PAST 12 MONTHS

There has not been any material interruption to the businesses of the HeveaBoard Group in the twelve (12) months preceding the date of this Prospectus.

### 7.12 ENVIRONMENTAL CONCERNS

Unlike typical timber-processing businesses where logging often occurs, particleboard, which is derived from rubberwood branches and wood residues, uses sustainable and environmentally-friendly raw materials from nearby rubber plantations.

HeveaBoard is also a strong advocate of environmentally friendly management practices as it is in its interest to recycle product inputs and increase material savings, thereby keeping cost of production to the minimum. Additionally, the HeveaBoard Group is committed to the constant monitoring and checking of its manufacturing facilities to ensure compliance with the relevant environmental laws.

### 7.13 RISK MANAGEMENT PLANS

The Group adopts a risk management approach which evaluates and manages its financial risks and other emergency risks associated with fire and power disruption which may adversely affect the operations of the Group.

The Group's risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. In addition, the Group's risk management framework includes the internal audit function which facilitates operational reviews and provides a basis for business improvement strategies and developing cost effective control strategies.

In relation to risks which are insurable, management has taken the necessary steps to ensure that these risks are adequately insured, including undertaking periodic reviews of the net worth of the Group's net assets that are insured to ensure that the said assets are adequately insured at all times, particularly in relation to risks associated with fire, power and other emergency risks which may adversely affect the operations of the Group.