
4. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF THE HEVEABOARD GROUP OUTLINED IN THIS PROSPECTUS, APPLICANTS SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY NOT BE EXHAUSTIVE) THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF THE HEVEABOARD GROUP, IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE HEREIN, BEFORE APPLYING FOR THE ISSUE SHARES.

4.1 NO PRIOR MARKET FOR HEVEABOARD SHARES

There has been no prior public market for HeveaBoard Shares. The Issue Price was agreed upon by HeveaBoard and OSK as Adviser and Underwriter based upon several factors and may not be an indication of the market price of HeveaBoard Shares after the Public Issue and Listing. See **Section 3.6** of this Prospectus on the basis for the determination of the Issue Price.

There can be no assurance that an active public market in HeveaBoard Shares will be developed or be sustained, or that the Issue Price of HeveaBoard Shares will correspond to the price of which the HeveaBoard Shares will trade, upon subsequent listing on the Main Board of Bursa Securities.

A number of factors may cause the price of HeveaBoard Shares to fluctuate, including but not limited to sales of substantial amounts of HeveaBoard Shares in the public market in the immediate future; announcements of developments relating to HeveaBoard business; fluctuations in HeveaBoard operating results and sales levels; the conditions of the general industry, or the national or world-wide economy; changes in regulation; announcements of new products or product enhancements by the HeveaBoard Group and/or its competitors.

4.2 CAPITAL MARKET RISKS

As an investor of HeveaBoard, it is to be noted that HeveaBoard will be listed on the Main Board of Bursa Securities. The performance of Bursa Securities is, to a certain extent, dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Market sentiments are also largely driven by internal factors such as the economic and political conditions of the country as well as the potential growth of the various sectors of the economy. These factors will invariably contribute to the volatility of trading volumes on Bursa Securities, thus adding risk to the market price of HeveaBoard Shares.

4.3 BUSINESS RISKS

HeveaBoard is subject to certain risks inherent in the manufacturing industry and those specific to the particleboard industry. These include but are not limited to, reliance on its agents, distributors and customers for sales, increase in operating costs, changes in general economic and business conditions, constraint in labour supply, raw material shortages, changes in consumer preferences and purchasing power, brand loyalty and foreign exchange fluctuations. While it may or may not be possible to pass on any increase in cost to HeveaBoard customers, no assurance can be given that such steps may or may not adversely affect the future financial performance and business prospects of the Group.

The Group seeks to limit these risks through, *inter alia*, expansion of both existing and new markets, developing and maintaining a diversified network of contacts, and investment in automated machinery to improve efficiency. Additionally, HeveaBoard has amassed a wealth of knowledge and experience through its R&D efforts to pioneer innovative and ground breaking improvements. This may help HeveaBoard shift its reliance away from certain business risks such as labour market conditions and raw material shortages.

However, no assurance can be given that any change to the aforementioned factors will not have a material adverse effect on the Group's business.

4. RISK FACTORS

4.4 ECONOMIC AND POLITICAL CONSIDERATIONS

The Group's manufacturing and business activities are focused in Malaysia and several other export countries. Any adverse development in the economic, political and financial conditions in Malaysia and the export countries could materially and adversely affect the financial performance and operational conditions of the HeveaBoard Group. These risks include but are not limited to the risks of an economic downturn, changes in political leadership, changes in interest rates and unfavourable changes in government policies such as changes in the method of taxation and the introduction of new regulation. Whilst the HeveaBoard Group will continue to take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that any adverse developments in the political and economic scene will not materially affect the HeveaBoard Group.

4.5 AVAILABILITY OF RAW MATERIALS

HeveaBoard uses rubberwood as its primary source of raw material. Consequently, the long term viability of the manufacture of particleboard would depend largely on the long run supply of rubberwood, which is sourced from the rubber estates within the vicinity of its Gemas plant. Typically, the rubberwood branches are purchased from contractors undertaking replanting contracts in the surrounding estates belonging to FELDA and other private stakeholders.

Although HeveaBoard does not have any supply contract with any of these contractors, HeveaBoard is still confident that an adequate supply of rubberwood can be sourced from the open market at a reasonable price. Further, HeveaBoard also has the flexibility of utilizing rubber wood slabs and off cuts since the factory is equipped with a supplementary drum chipper. This drum chipper is able to supplement up to 50% of the logs with slabs and off cuts, while at the same time, these raw materials can also be obtained at a cheaper cost and faces less competition from other factories.

However, of concern is the future depletion of rubberwood supplies, as a result of an increased demand for rubberwood furniture, and the increased utilisation of rubberwood for wood-based panel products. Although such is the case, there is strong governmental support to ensure that an adequate area of rubber trees is replanted annually to promote the rubber-based furniture industry. A Rubber Forest Plantation Fund which was allocated RM200 million in the form of soft loans was established in March 2003, to manage the planting of 25,000 hectares of rubber trees per year for the next 15 years.

In order to mitigate the long term supply risk of rubberwood, HeveaBoard has intensified its R&D programme to utilize alternative species of plant and waste materials and at the same time increase the yield from each unit of raw material.

Please refer to **Section 7.5** for more details pertaining to the availability of raw materials.

4.6 COMPETITION

The management of HeveaBoard faces strong competition from various particleboard and wood-related product manufacturers such as Mico Chipboard Berhad, Pahanco Bhd and Subur Tiasa Particleboards Sdn Bhd. The HeveaBoard Group also faces competition from potential new entrants into the market as well as the development and emergence of other wood substitutes.

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4. RISK FACTORS

Management contends that its position in the particleboard industry in Malaysia is very competitive and that HeveaBoard is currently one of the top three major players in the Malaysian particleboard industry. The Group has also established a strong presence in the export market since 1998, particularly in USA, UK, China, France, Australia, Japan and other countries in South East Asia. In order to maintain and strengthen its position, HeveaBoard intends to continually improve the quality of its products through R&D, increase its focus on pricing its products competitively and leverage on their long standing relationships with existing customers. Meanwhile, the high barriers to entry such as the start-up cost of setting up facilities and the necessary technical know-how in the production process will act as a deterrent to potential new players.

The HeveaBoard management also contends that the risk posed by wood substitutes would be mitigated by its commitment to the diversification of its product range. In fact, with the emergence of a niche market in Japan for low formaldehyde emission particleboard, HeveaBoard as a pioneer manufacturer of EO and super EO particleboard in South East Asia (which conforms to this new emission standard) is poised to gain new market share and cushion the impact of such competition.

Despite the Company's commitment towards the above mentioned strategies, there can be no assurance that HeveaBoard will be able to maintain or increase its market share in the future.

Please refer to **Section 7.9** for further details pertaining to the Group's competitive advantages.

4.7 IMPACT OF AFTA

The AFTA agreement was signed between Malaysia, Thailand, Singapore, Indonesia, the Philippines, Brunei, Vietnam, Laos, Myanmar and Cambodia to promote economic co-operation and increased competitiveness by reducing inter-regional tariffs between member countries. AFTA has resulted in a gradual reduction of trade barriers in ASEAN. Under AFTA, member countries have begun to lower import tariffs, export subsidies and tax relief since the year 2000. With the initiation of the Common Effective Preferential Tariff scheme under AFTA, tariff on goods traded within the region, which meets a 40% ASEAN content requirement, will be reduced to 0% - 5%. This would result in a liberalised market and intensify competition among panel product producers in the region.

Although competition among particleboard producers is expected to intensify under AFTA, the market liberalisation of the industry is expected to present opportunities to efficiently-run particleboard producers to increase their market shares both domestically and regionally if they are able to emerge as low cost producers under the AFTA regime.

To enhance its competitiveness under the AFTA regime, the HeveaBoard Group plans to continually improve the quality of its products and increase its focus on pricing its products competitively. In addition, the HeveaBoard Group periodically performs upgrading works on its machinery and undertakes training programmes for its workforce to keep them abreast with current production technologies and technical know-how. Working groups to focus on cost reduction, waste management and process improvements have also been set up to reduce production cost and enhance the quality and productivity of the Company.

The adoption of such practices is intended to put the HeveaBoard group in good position to adapt, maintain and/or increase its market share in the region post-AFTA.

Please refer to **Section 7.9** for more details pertaining to competitive advantages enjoyed by HeveaBoard which may help the Group mitigate the risk posed by the implementation of AFTA.

4. RISK FACTORS

4.8 DEPENDENCE ON KEY PERSONNEL

As in other businesses, the Group believes that its continued success depends significantly on the abilities and continued efforts of its existing Directors, senior management and long serving technical support staff.

The loss of any of the key members of the Group, Directors and senior management could adversely affect the performance and ability of the Group to compete effectively. However, over the years, the HeveaBoard Group has been able to expand and strengthen its personnel base with the rigorous on-the-job training extended to the middle management and operations staff, while at the same time providing a competitive remuneration and incentive scheme to increase performance and productivity of employees.

The Group is confident that the continuous human resource development provided will enhance the capabilities of existing employees, help attract new, skilled personnel and mitigate its reliance on key management. The Group recognises that their future success will depend upon the management's ability to retain employees and ensure the smooth transition of the management team in the future.

4.9 FUTURE CAPITAL INJECTIONS

The Directors of HeveaBoard believe that the net proceeds from the Public Issue, together with cash flow generated from HeveaBoard operations and other existing sources of funds, will be sufficient to meet the projected working capital of the Group, and also, the capital expenditure required for the second manufacturing line as mentioned in **Section 8.7** of this Prospectus.

However, there is no assurance that future events may not cause the HeveaBoard Group to seek additional capital sooner. If additional capital is required, there can be no assurance that it will be available, or if available, that it will be on terms satisfactory or favourable to the HeveaBoard Group. Further, the issue of additional equity or other convertible securities by HeveaBoard may result in the dilution of the percentage equity holding of the Company's existing shareholders at the point in time.

4.10 INVESTMENT RISKS

As mentioned in **Section 8.7** of this Prospectus, the Group has embarked on an expansion plan which will significantly increase the particleboard production capacity of the Group, once it becomes fully operational. The estimated investment cost for this second manufacturing line is approximately RM225.0 million (excluding working capital and contingencies) which is to be funded by a mixture of internally generated funds, external borrowings, proceeds from the Public Issue as well as proceeds from the subsequent exercise of the Warrants.

In considering to undertake an investment of such magnitude, the Board has carried out extensive feasibility studies, and in so doing, have exercised due care in considering the risks and benefits associated with such a project. Appropriate measures have been taken in identifying and securing the necessary financing as well as in planning the successful integration of this venture with its current business operations. Further, the Group is strongly committed towards the close monitoring of the project in order to minimize any implementation issues or delays in the installation and commissioning of the second manufacturing line.

However, no assurance can be given that the investment will be successful or that the project will be completed as scheduled. In the event of a longer gestation period, HeveaBoard may not be able, or may be slow, to recover its investments and/or achieve satisfactory returns.

For further details on the risk factor associated with the establishment of the second manufacturing line, please refer to **Section 4.24** below.

4. RISK FACTORS

4.11 CONTINUED CONTROL BY EXISTING SHAREHOLDERS

Upon completion of the Public Issue, the Directors and substantial shareholders of HeveaBoard will, in the aggregate, beneficially own approximately 64.7% (assuming the Issue Shares made available to the eligible directors and persons who have contributed to the success of the Company subscribes in full to the HeveaBoard shares offered to them) of the issued and paid-up share capital of HeveaBoard. Depending on how they choose to vote and because of their shareholdings, these shareholders, if acting together, will significantly influence the outcome of certain matters requiring the vote of Company's shareholders, including but not limited to decisions on future business opportunities and other significant corporate transactions.

Nonetheless, HeveaBoard has appointed two (2) independent directors as a step towards good corporate governance to ensure that any future transactions involving related parties, if any, are entered into on arms-length terms.

4.12 RELATED PARTY TRANSACTIONS

Certain Directors and substantial shareholders of the HeveaBoard Group have interest in companies carrying out similar business activities as the HeveaBoard Group. Please refer to **Section 9** of this Prospectus for details of disclosure on any potential conflict of interests and factors that would avert any potential conflict of interests.

The HeveaBoard Group may continue to enter into business or other transactions with related parties in the future. However, the Audit Committee of HeveaBoard will monitor the related party transactions to ensure that these transactions are carried out at arms length basis and on commercial terms which will not be detrimental to the minority shareholders of the HeveaBoard Group. The appropriate disclosures regarding related party transactions will also be made in the annual reports of the Company.

4.13 LITIGATION RISKS

As at 15 November 2004, the HeveaBoard Group is not engaged in any material litigation either as plaintiff or defendant which will materially and adversely affect the financial performance of the HeveaBoard Group and the Directors of HeveaBoard are not aware of any proceedings pending or threatened against the Company or its subsidiaries, or any facts likely to give rise to any legal proceedings.

HeveaBoard has not, to date, experienced any material liability claims against the Company. However, no assurance is given that the financial performance of the HeveaBoard Group will not be adversely affected by future liability claims, as a result of existing or future laws, or unfavourable judicial decisions.

4.14 PRODUCTION RISKS

HeveaBoard, like other companies in the manufacturing industry, is susceptible to operational risks inherent to the industry, particularly to those relating to fire outbreaks, and breakdowns or disruption in the production line. Currently, HeveaBoard operates a single production line of various independent processes in its plant. To date, there has not been any breakdown in critical machinery that has severely disrupted its operations.

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4. RISK FACTORS

Nonetheless, HeveaBoard has in place several risk management practices to minimize/prevent the disruption of the production line. The equipment and machinery are serviced strictly according to a planned maintenance programme on a periodic basis. At the same time, the senior management and operational staff of the Group are entrusted with the duty of evaluating and performing security checks on the plant, and ensuring security policies and control systems are strictly adhered to. Additionally, various fire fighting systems have been installed in the factories and corporate offices, which are guarded 24 hours to prevent tampering or interference from outsiders. A trained emergency response team ("ERT") and an in-house fire fighting squad have also been set up to respond to any unexpected incidents. However, HeveaBoard provides no assurance that any breakdown in its machinery will not occur which could severely disrupt its operations in the future.

Other major considerations in the production of particleboard products are the consistent supply of water and electricity for the factories. In order to mitigate any risks associated with water and power interruptions, the Group has their own generators and water tanks constructed on the premises of their property.

4.15 UNDERWRITING RISKS

Up to 7,740,000 of the Issue Shares are to be underwritten by the Underwriter. The underwriting commission is payable by the Company at a rate of 1.75% of the Issue Price of RM2.00 per Share for the Issue Shares made available for the Malaysian Public and the unsubscribed portion of the Issue Shares reserved for the Directors, eligible employees and persons who have contributed to the success of the HeveaBoard Group. However, the agreement of the Underwriter to underwrite up to 7,740,000 Issue Shares should not be taken as an indication of the merits or assurance of the value of the Issue Shares.

4.16 RELIANCE ON AND RELATIONSHIPS WITH MAJOR CUSTOMERS

The Group's major customers comprise wood panel products trading companies, foreign companies, and manufacturers of furniture and speaker boxes. The proportion of local to export sales was approximately 26% to 74% based on the latest audited results for the six (6) months financial period ended 30 June 2004. Sales to its top ten (10) major customers, (referred to in Section 7.3 of this Prospectus) accounted for approximately 70% of total Group sales.

HeveaBoard major customers are mostly established companies with long standing track records in their respective countries. None of HeveaBoard major customers contributed more than 7% to total Group turnover, with the exception of General World Sdn Bhd (K-Mart), USA and Nitori, which contributed 20.8% and 13.4% to Group turnover respectively for the six (6) months financial period ended 30 June 2004. However, the top ten (10) major customers have on average a relatively short term relationship with HeveaBoard, with a length of relationship averaging approximately three (3) years.

In mitigating the Group's dependence on any single customer as well as the risk arising from the relatively short term relationship with its customers, the Group constantly endeavours to source for new customers while at the same time believes strongly in building customer relationships. The Group regularly receives repeat orders and customer referrals which is testimony to the product quality and ability of the Group to build and maintain strong relationships with its customers.

Whilst the HeveaBoard Group aims to continue with production of quality products at competitive prices, there can be no assurance that it would enjoy the continuing support of its customers, and/or that its reliance and relationship with its major customers will not severely affect its business in the future.

4. RISK FACTORS

4.17 ABSENCE OF LONG-TERM SALES CONTRACTS

The Group has not entered into any long term sales contracts with any of its major customers. However, the absence of such contracts is considered the norm in the wood-based products industry.

The Group seeks to limit this risk, by inter-alia venturing into new markets and broadening its clientele base to reduce the dependence on any single customer. The Group has thus far established a proven track record in terms of providing quality products which have earned the Group the confidence and recognition of various local and overseas customers. This is evidenced by the recurrent sales orders HeveaBoard receives from its long standing customers, while at the same time some of its newer customers have been expressing interest in increasing their future orders.

Despite the above, the Group gives no assurance that the risk arising from the absence of long term contracts, may or may not materially affect the financial performance of the Group in the future.

4.18 FORWARD LOOKING STATEMENTS

Certain statements in this Prospectus are based on historical data, which may not be reflective of the future results, while others are forward-looking in nature and are subject to uncertainties and contingencies. All forward-looking statements are based on estimates and assumptions made by the Directors of HeveaBoard, and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results. Although HeveaBoard believes that, the expectations reflected in such forward-looking statements are reasonable at this time, there can be no assurance that such expectations will prove to have been correct.

The inclusion of the forward-looking statements in this Prospectus should not be regarded as a representation or warranty by the Company that the plans and objectives of the HeveaBoard Group will be achieved. Further, the Group is not under any obligation to update or revise such forward-looking statements to reflect any change in expectations or circumstances.

4.19 FINANCING RISK

Significant fluctuations in interest rates may pose an impact on the financial performance of the HeveaBoard Group as some of the working capital requirements are met partially by short term and long term borrowings (in addition to internally generated funds). These borrowings are also subject to terms and conditions which may limit the Group's operating and financial flexibility. Any act or omission by the Group that breaches such terms and conditions may give rise to rights by the banks or financiers to terminate the relevant borrowing facilities and/or enforce any charge and/or security that may have been granted, in relation to those facilities.

As at 30 June 2004, the HeveaBoard Group's total borrowings amounted to approximately RM17.9 million or a gearing ratio of approximately 0.23 times based on the audited consolidated balance sheet of the Group as at 30 June 2004.

In order to mitigate the above financial risk and increase cost savings, the HeveaBoard Group has consistently adopted prudent financial decisions and will be utilising part of the proceeds from the Public Issue to reduce bank borrowings. However, there can be no assurances that the Group will be able to continue to meet its debt obligations nor will the Group be adversely affected by financing risk in the future.

4. RISK FACTORS

4.20 CURRENCY RISK

As at 15 November 2004 the HeveaBoard Group derives approximately 74% of its sales from the export market. These transactions are mainly denominated in foreign currencies mainly in USD. The risk of foreign exchange fluctuations has been reduced since the imposition of a fixed exchange rate for the RM against the USD in September 1998. However, in the event that the fixed exchange rate is lifted or re-pegged to a new rate, the Group may or may not have a greater exposure to foreign currency fluctuations. Additionally, any benefits, if any, currently enjoyed by HeveaBoard export sales performance, in terms of cheaper exports as a result of the weakening US Dollar, may be mitigated in the future, due to the volatility of foreign exchange fluctuations.

The Group will, as a mitigating factor, attempt to use various hedging techniques to mitigate this risk. However, there can be no assurance that any future significant fluctuations in exchange rates and financial crisis will not materially or adversely affect the HeveaBoard Group's operations.

4.21 CHANGES IN GOVERNMENT REGULATIONS AND TECHNICAL BUILDING STANDARDS

Changes or additions in the regulatory conditions and technical standards for building material in Malaysia and other major export countries could materially and adversely affect the financial prospects of the HeveaBoard Group. With the enforcement of a new standard on formaldehyde emission (which causes harmful health effects if exposed to in large doses) in Japan, it is expected that manufacturers and exporters of wood products intended for the Japanese market will be adversely affected, as most of the products currently manufactured have emission of formaldehyde above the new limits. In order to comply with the new standards on formaldehyde emission, the application of new technology is required, and there may be an increase in the cost of production.

HeveaBoard has reacted by pioneering the commercial production (Asian Timber) of a new type of particleboard that conforms to the new Japanese formaldehyde emission standard and has since successfully exported it to Japan, Vietnam, the Philippines and Indonesia. Currently, there are only niche markets for formaldehyde free particleboard panels but as more importance is being placed on environmental and health concerns, such higher standards will likely be adopted on a larger scale.

No assurance can be given that there will be other new or additional changes made to regulations and/or technical standards on building materials in the future, which may adversely affect the Group's future operations and profitability. However, the Group has always prided itself in adapting and updating itself with the latest product innovation and market developments.

4.22 ENVIRONMENTAL CONCERNS

The timber and wood-based industries are facing constant market pressures, calling for the need to balance economic benefits with that of environmental costs and externalities relating to the long term depletion of natural resources.

However, as particleboard is essentially a reconstituted wood panel made of particles derived from branches and wood residues, unlike typical timber-processing businesses where logging often occurs, particleboard and panel products use sustainable and environmentally friendly raw materials.

4. RISK FACTORS

Additionally, in order to maintain its competitiveness and increase gross yields, HeveaBoard has an incentive to re-use and recycle product inputs and increase material savings via more efficient manufacturing processes. To this end, HeveaBoard strongly advocates environmental friendly management practices which would further boost its image as a responsible processor of wood related products.

The Group is committed to the constant monitoring and checking of its manufacturing facilities to ensure compliance with the relevant environmental laws. However, there is no assurance that any change in the policies of the Government would not materially and/or adversely affect the operations and profitability of the HeveaBoard Group.

4.23 ADEQUACY OF INSURANCE COVERAGE

The management of the Group is aware of the adverse consequences arising from inadequate insurance coverage on the Group's major assets comprising land and buildings, plant and machinery and stocks. While the Group reviews and seeks to ensure adequate insurance coverage on a continuous basis, there can be no assurance that there will not arise any incident or event which may render the insurance coverage inadequate to compensate for the replacement cost of the assets or any other loss arising thereon.

4.24 ESTABLISHMENT OF A SECOND MANUFACTURING LINE

As mentioned in **Section 8.7** of this Prospectus, the Group has embarked on an expansion plan involving the establishment of a second manufacturing line located adjacent to its current existing particleboard plant in Gemas. The second manufacturing line entails a total investment cost of approximately RM225.0 million (excluding working capital and contingencies) and is expected to be completed in the year 2006. The contract for the design, supply, installation and commissioning of the particleboard plant ("Supply Contract") was entered into on 6 October 2004, between HeveaBoard and Dieffenbacher GmbH + Co. KG. The Supply Contract is valued at Euro 37.8 million (or equivalent to approximately RM180.7 million based on the exchange rate of RM4.78: Euro 1). Following the completion of the second manufacturing line, the annual production capacity of the Group is expected to increase significantly, thus contributing positively towards the Group's future profitability.

However, the successful implementation of the abovementioned expansion plan is very much dependent on the receipt of various regulatory approvals and adequate financing as well as subject to other external risks, such as those related to the timely delivery of the necessary tools, machinery and equipment, the successful completion, installation and commissioning of the plant, the securing of adequate construction material, potential cost over-runs and/or the satisfactory performance of the contractors.

In order to mitigate the risks mentioned above, the Group has embarked on a detailed and extensive feasibility study on this second manufacturing line. A major part of this feasibility study involved the contribution and advice of Dieffenbacher GmbH of Germany ("Dieffenbacher"), the contract vendor for HeveaBoard second manufacturing line, and one of the leading particleboard equipment manufacturers in Europe. The Group's technical arrangement and close working relationship it enjoys with Dieffenbacher will provide the Group with the necessary guidance and expertise to minimize any delays in terms of the development of the project.

Following the completion of this second manufacturing line, the Group is confident that the application of the advanced technology in its plant will ensure HeveaBoard of quality competency and a competitive advantage in terms of production efficiency and the meeting of its customers' future needs on a timely basis. The Board believes that the Group's expansion plans will enable the Group to continue maintaining and increasing its market share both locally and abroad.

4. RISK FACTORS

Nevertheless, there can be no assurance that the investment in the second manufacturing line will be successful or that any delay in the commencement of the commercial operations of the new plant will not have a materially adverse effect on the financial and operational business activities of the Group.

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5. INFORMATION ON THE HEVEABOARD GROUP

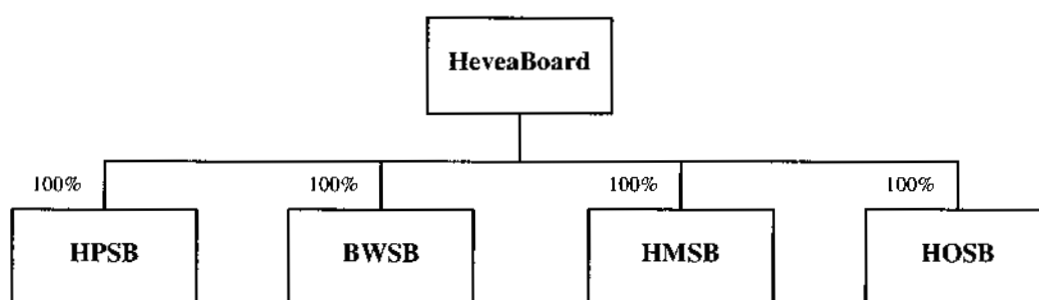
5.1 INFORMATION ON HEVEABOARD

5.1.1 History and Background

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

HeveaBoard is principally involved in the trading and manufacturing of particleboard while its subsidiaries are involved in down stream furniture manufacturing as well as the trading and distribution of wood-related products. Particleboard is essentially a reconstituted wood panel made of particles derived from rubber wood branches and wood waste. It is mainly used in the manufacture of furniture, speaker boxes and panels for flooring and doors.

The corporate group structure of the HeveaBoard Group is set out below:



The construction of HeveaBoard present manufacturing plant began in August 1994, after being granted a manufacturing license with Pioneer Tax Status for (5) years by the MITI, to produce plain and laminated particleboard. HeveaBoard Pioneer Tax Status expired on 31 July 2001.

Since commercial production began in April 1996, HeveaBoard has developed into one of the leading particleboard manufacturers in Malaysia, with an installed annual capacity of 120,000 m³. The manufacturing plant, warehouse and offices of HeveaBoard are located on a 10 acre site in Gemas, approximately 100 kilometres south of Seremban.

HeveaBoard produces particleboard for both the local and export markets. The local market takes up approximately 65% of the plant's production capacity, more than half of which is supplied to one of its subsidiaries, HPSB, for RTA furniture manufacturing. The rest of the domestic sales are obtained from decorative door manufacturers, speaker box manufacturers and a few selected authorised distributors.

The particleboard export sector, on the other hand, caters mainly to direct end users comprising furniture manufacturers in Southern China, the Philippines, Vietnam, Hong Kong, Japan and India.

Besides HeveaBoard particleboard manufacturing activities, the Group's wholly-owned subsidiary, HPSB which is involved in RTA furniture manufacturing activities also plays a significant role in terms of its contribution to the Group's total turnover. Since HPSB's inception in 2000 when its contribution to total Group turnover totaled approximately 16%, HPSB has grown rapidly in securing major market shares in the RTA furniture market, particularly overseas, and currently contributes more than 50% of total Group turnover.

5. INFORMATION ON THE HEVEABOARD GROUP

5.2 SHARE CAPITAL

As at the date of this Prospectus, HeveaBoard has an authorised share capital of RM500,000,000 comprising 500,000,000 Shares. The issued and paid-up share capital of the Company is RM64,960,000 comprising 64,960,000 Shares. Upon completion of the Public Issue, the enlarged issued and paid-up share capital of HeveaBoard shall be RM80,000,000 comprising 80,000,000 Shares.

The details of the changes in the issued and paid-up share capital of HeveaBoard since incorporation until the date of this Prospectus are as follows:

Date of Allotment	No. of Shares	Consideration	Cumulative Issued and Paid-up Share Capital (RM)
03.09.1993	2	Cash / Subscribers' shares	2
02.03.1994	2,999,998	Cash	3,000,000
25.04.1994	9,000,000	Cash	12,000,000
24.08.1994	9,000,000	Cash	21,000,000
30.12.1994	6,000,000	Cash	27,000,000
28.10.1995	3,000,000	Cash	30,000,000
29.12.2000	500,000	Cash	30,500,000
30.12.2000	20,333,000	Bonus Issue	50,833,000
30.12.2003	10,167,000	Bonus Issue	61,000,000
31.12.2003	3,960,000	Share Swap	64,960,000

There are no outstanding warrants, options, convertible securities and uncalled capital in HeveaBoard.

5.3 SUBSIDIARY COMPANIES

Details of HeveaBoard subsidiary companies are as follows:-

Name of Company	Date of Incorporation	Issued and Paid-Up Capital (RM)	Effective Equity Interest (%)	Principal Activities
HPSB	19.11.1987	29,800,000	100.0	Manufacture and trading of RTA furniture.
HMSB	24.06.1983	250,000	100.0	Retail sales of plain and laminated particleboard and trading of other panel wood products.
BWSB	20.07.2000	600,000	100.0	Marketing, trading and distribution of RTA furniture.
HOSB	25.01.1995	7,500,002	100.0	Currently dormant. The intended business activity is the manufacture of particleboard and Lami-OSB

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

5. INFORMATION ON THE HEVEABOARD GROUP

5.4 INFORMATION ON SUBSIDIARY COMPANIES

5.4.1 Information on HPSB

(a) History and Business

HPSB was incorporated in Malaysia under the Act on 19 November 1987 as a private limited company. HPSB is principally engaged in the business of manufacturing and trading of RTA furniture. It commenced its business operations on 19 November 1987 as a logging contractor. From 1999 to 2000, HPSB was principally engaged in the trading of particleboard and other wood products. From October 2000 onwards, HPSB changed its business activities to that of manufacturing and trading of RTA furniture.

(b) Share Capital

The authorised and issued and paid-up share capital of HPSB is as follows:-

	No. of Shares	Amount (RM)
Authorised	50,000,000	50,000,000
Issued and Paid-Up	29,800,000	29,800,000

Details of the changes in the issued and paid-up share capital of HPSB since its date of incorporation are as follows:-

Date of Allotment	No. of Shares	Consideration	Total (RM)
19.11.1987	2	Cash / Subscribers' Shares	2
29.06.1988	39,998	Cash	40,000
23.10.2000	1,160,000	Cash	1,200,000
29.12.2000	1,800,000	Cash	3,000,000
30.11.2001	3,000,000	Cash	6,000,000
22.04.2003	3,000,000	Cash	9,000,000
27.10.2003	900,000	Bonus Issue	9,900,000
06.04.2004	9,900,000	Capitalisation of inter-company loan	19,800,000
23.07.2004	10,000,000	Capitalisation of inter-company loan	29,800,000

There are no outstanding warrants, options, convertible securities and uncalled capital in HPSB.

(c) Subsidiary and Associated Companies

HPSB does not have any subsidiary or associated companies.

5.4.2 Information on HMSB

(a) History and Business

HMSB was incorporated in Malaysia under the Act on 24 June 1983 as a private limited company. HMSB commenced its operations on 28 September 1998 and is principally engaged in the retail sales of plain and laminated particleboard and the supply of MDF for overseas customers. The particleboard distributed for the domestic market is manufactured by HeveaBoard whilst the MDF boards are obtained from MDF manufacturers as a service provided to common customers.

5. INFORMATION ON THE HEVEABOARD GROUP**(b) Share Capital**

The authorised and issued and paid-up share capital of HMSB is as follows:-

	No. of Shares	Amount (RM)
Authorised	2,000,000	2,000,000
Issued and Paid-Up	250,000	250,000

Details of the changes in the issued and paid-up share capital of HMSB since its date of incorporation are as follows:-

Date of Allotment	No. of Shares	Consideration	Total (RM)
24.06.1983	4	Cash / Subscribers' Shares	4
14.01.1986	2,997	Cash	3,001
16.12.1986	41,999	Cash	45,000
11.12.1998	205,000	Cash	250,000

There are no outstanding warrants, options, convertible securities and uncalled capital in HMSB.

(c) Subsidiary and Associated Companies

HMSB does not have any subsidiary or associated companies.

5.4.3 Information on BWSB**(a) History and Business**

BWSB was incorporated in Malaysia under the Act on 20 July 2000 as a private limited company and commenced its business operations on 1 December 2000. BWSB is principally engaged in marketing, trading and distribution of RTA furniture.

(b) Share Capital

The authorised and issued and paid-up share capital of BWSB is as follows:-

	No. of Shares	Amount (RM)
Authorised	1,000,000	1,000,000
Issued and Paid-Up	600,000	600,000

Details of the changes in the issued and paid-up share capital of BWSB since its date of incorporation are as follows:-

Date of Allotment	No. of Shares	Consideration	Total (RM)
20.07.2000	2	Cash / Subscribers' Shares	2
28.03.2002	599,998	Cash	600,000

There are no outstanding warrants, options, convertible securities and uncalled capital in BWSB.

(c) Subsidiary and Associated Companies

BWSB does not have any subsidiary or associated companies.

5. INFORMATION ON THE HEVEABOARD GROUP

5.4.4 Information on HOSB

(a) History and Business

HOSB was incorporated in Malaysia under the Act on 25 January 1995 as a private limited company. HOSB has not commenced operations since incorporation. However, its intended business activity is the manufacture of particleboard and Lami-OSB.

(b) Share Capital

The authorised and issued and paid-up share capital of HOSB is as follows:-

	No. of Shares	Amount (RM)
Authorised	50,000,000	50,000,000
Issued and Paid-Up	7,500,002	7,500,002

Details of the changes in the issued and paid-up share capital of HOSB since its date of incorporation are as follows:-

Date of Allotment	No. of Shares	Consideration	Total (RM)
25.01.1995	2	Cash / Subscribers' Shares	2
23.10.2000	6,000,000	Acquisition of three parcels of land held under - P.T 4577 H.S (D) 10478 - P.T 4578 H.S (D) 10476 - Lot 1943 C.T. 14353	6,000,002
29.12.2000	1,500,000	Cash	7,500,002

There are no outstanding warrants, options, convertible securities and uncalled capital in HOSB.

(c) Subsidiary and Associated Companies

HOSB does not have any subsidiary or associated companies.

5.5 PUBLIC ISSUE

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

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

5. INFORMATION ON THE HEVEABOARD GROUP

In conjunction with the Public Issue, the Company shall also offer 40,000,000 Warrants to be issued and allotted at no consideration to the Entitled Shareholders of HeveaBoard on a rights basis of one (1) new Warrant for every two (2) HeveaBoard Shares held as at the Entitlement Date.

Upon completion of the Public Issue, the issued and paid-up share capital of HeveaBoard will increase from RM64,960,000, comprising 64,960,000 HeveaBoard Shares to RM80,000,000, comprising 80,000,000 HeveaBoard Shares. Assuming all the Warrants are subsequently exercised, the issued and paid-up share capital of HeveaBoard will increase by RM40,000,000 from RM80,000,000, comprising 80,000,000 HeveaBoard Shares to RM120,000,000, comprising 120,000,000 HeveaBoard Shares.

All the Issue Shares shall rank *pari passu* in all respects with the existing HeveaBoard Shares including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of the allotment thereof.

5.5.1 Salient Terms of the Warrants

The salient terms of the Warrants are as follows:

Board Lot	: Subject to such conditions which Bursa Securities may impose from time to time, a board lot of Warrants will be 100 Warrants, carrying the rights to subscribe for 100 new HeveaBoard Shares or in such other denomination as Bursa Securities may approve from time to time.
Deed Poll	: The document constituting the Warrants executed by the Company on 10 December 2004.
Entitled Shareholders	: Shareholders of the Company as at the Entitlement Date.
Entitlement Date	: The date to be specified by the Company for the purpose of determining the persons entitled to the Warrants, which shall be a date before the Listing.
Exercise Date	: In relation to any warrant, the Market Day during the Subscription Period on which a duly completed subscription form in exercise of the Subscription Rights is received by the share registrar together with the Subscription Price.
Expiry Date	: The day falling five (5) years from the Issue Date and, if such a date is not a Market Day, on the Market Day immediately preceding such a day.
Form	: The Warrants will be issued in registered form and will be traded on Bursa Securities.
Issue Date	: The date of issue and allotment of Warrants.
Subscription Period	: The period commencing on the 2 nd anniversary of the Issue Date and expiring at 5.00 p.m. on the Expiry Date.
Subscription Price	In relation to each Warrant, RM2.00 is payable in respect of each new HeveaBoard Shares upon the exercise of the Subscription Rights but subject always to such adjustments thereto in accordance with conditions in the Deed Poll.
Subscription Rights	The rights of a Warrant Holder to subscribe for new HeveaBoard Shares at the Subscription Price upon the terms of and subject to the conditions contained in the Deed Poll.

5. INFORMATION ON THE HEVEABOARD GROUP

Transferability	:	The Warrants are transferable in accordance with the provisions of the Deed Poll.
Listing Status	:	The Company shall, upon completion of the Public Issue, obtain the approval of Bursa Securities for the listing of and quotation for the Warrants and the new HeveaBoard Shares to be issued pursuant to the Subscription Rights, on the Official List of Bursa Securities.
Market Day	:	A day on which the stock market for Bursa Securities is open for trading.
Ranking of the new HeveaBoard Shares to be issued upon the exercise of the Warrants	:	The new HeveaBoard Shares to be allotted and issued pursuant to the exercise of the Warrants will, upon allotment and issue, rank pari passu in all respects with the HeveaBoard Shares already in issue except that they will not be entitled to the rights, dividends, allotment or other distributions, for which the relevant record date (being the date on which the holders of the new HeveaBoard shares must be registered in order to qualify for the entitlement) precedes the date of allotment of such HeveaBoard Shares.
Governing Law	:	The Warrants will be governed by and construed in accordance with the laws of Malaysia.
Warrants	:	40,000,000 warrants to be issued to the Entitled Shareholders on a rights basis of one (1) Warrant for every two (2) HeveaBoard Shares held on the Entitlement Date.

5.6 APPROVALS, LICENSES AND PERMITS

The major licenses and permits that have been obtained by the HeveaBoard Group which are still applicable as at the date of this Prospectus are as follows:

License	Issuing Party	Purpose	Issue Date	Expiry Date
Manufacturing License - HeveaBoard	MITI	To act as a licensed manufacturer of plain and laminated particleboard	21.03.1994	-
Manufacturing License - HPSB	MITI	To manufacture wooden furniture	27.07.2002	-
Manufacturing License - BWSB	MITI	To manufacture wooden furniture	10.03.2003	-
Manufacturing Licence - HOSB	MITI	To manufacture Lami-OSB with and without overlay	14.07.2000	-
Business Trade License - HeveaBoard	Majlis Daerah Tampin	To carry on the business of an Industrial Manufacturing Factory	1.01.2004	31.12.2004

5. INFORMATION ON THE HEVEABOARD GROUP

License	Issuing Party	Purpose	Issue Date	Expiry Date
Business Trade License - HPSB	Majlis Perbandaran Nilai	To conduct business operations	1.01.2004	31.12.2004
Business Trade License - BWSB *	Majlis Daerah Tampin	Trade license	N/A	N/A
Business Trade License - HMSB	Majlis Daerah Tampin	Trade license	1.01.2004	31.12.2004
License under the Sales Tax Act - HPSB	Royal Customs and Excise	To act as a licensed manufacturer	9.10.2000	-
Forestry Department License - HeveaBoard	Jabatan Hutan Negeri Sembilan	To operate particleboard factory	27.12.2003	31.12.2004
Pioneer status to carry out pioneer activities in the manufacture of wooden furniture (for HPSB)	MITI	Pioneer profit exempted from tax	2.01.2002	1.01.2007
Certificate of Registration for HeveaBoard	MTIB	For the export of particleboard	1.10.2004	30.09.2005
Certificate of Registration for HMSB	MTIB	For the export of particleboard	18.10.2004	31.12.2005
Approval for license for the second manufacturing line ^	MITI	To manufacture plain and laminated particleboard	N/A	N/A

Notes:

* *The relevant application has been made to Majlis Daerah Tampin for the renewal of the said license. Pending further updates from the approving authority.*

^ *MITI had vide its letter dated 15 September 2004 approved HeveaBoard application for a manufacturing license to manufacture plain and laminated particleboard (in relation to the second manufacturing line) at the site known as Lot 1943 , PT 4577 and PT 4578.*

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5. INFORMATION ON THE HEVEABOARD GROUP

5.7 LANDED PROPERTIES

The HeveaBoard Group currently owns the following landed properties:

Registered owner	Title Details / Address	Description / existing use	Tenure of land	Land area / Built-up area	Approximate age of building (years)	Issuance of certificate of fitness	Audited NBV as at 30 June 2004 (RM'000)	1. Restrictions in interest 2. Encumbrances
HeveaBoard	(a) HSD 10474, PT 4190, Bandar Gemas, Daerah Tampin, Negeri Sembilan Darul Khusus; and (b) GRN 73788, Lot 1942, Mukim Gemas, Daerah Tampin, Negeri Sembilan Darul Khusus, both bearing postal address Lot 1941 & Lot 1942 respectively, Batu Tiga, Jalan Tampin, 73400 Gemas, Negeri Sembilan Darul Khusus	Three (3) storey office block annexed with a single storey factory block, a two (2) storey mechanical & engineering building and a single storey warehouse	Freehold	31,605 sq. m. / - Factory 7,609 sq. m. - Office 3,252 sq. m. - Warehouse 4,789 sq. m.	9	Issued on 28 June 1995 by Majlis Daerah Tampin	12,690	1. Nil. 2. Charge created by HeveaBoard in favour of Bank Bumiputra Malaysia Sdn Bhd (now vested in Danaharta Urus Sdn Bhd) was registered on 05/10/1994 vide presentation no. 13410/1994 Jil. 1031 Fol. 21. This charge was vested in favour of Danaharta Urus Sdn Bhd and registered on 21.10.2003 vide presentation no. 10209/2003) 2. Charge created by HeveaBoard in favour of Bank Bumiputra Malaysia Berhad was registered on 22.07.1996 vide presentation no. 14519/1996 Jil. 1219 Fol. 6. (Source: Land Search results as at 3/12/2004)
HeveaBoard	(a) HSD 8429, PT 2584; (b) HSD 8430, PT 2585; (c) HSD 8431, PT 2586; and (d) HSD 8432, PT 2587, all of Taman Sungai Gemas, Mukim Gemas, Daerah Tampin, Negeri Sembilan Darul Khusus	Staff quarters comprising 4 units of single storey semi-detached houses	Leasehold 99 years expiring on 21.2.2090	276 sq. m. per unit totalling 1,104 sq. m. / 2 houses of 136 sq. m. per unit totalling 272 sq. m. and another 2 houses of 103 sq.m. per unit totalling 206 sq. m.	9	Issued on 22 November 1990 by Majlis Daerah Tampin	287	1. The Land cannot be transferred, leased or charged save with the written consent of the State Authority. 2. Charge created by HeveaBoard in favour of Malayan Banking Berhad was registered on 29.05.1996 vide presentation no. 10470/1996 Jil. 1168 Fol. 11. 2. Charge created by HeveaBoard in favour of Malayan Banking Berhad was registered on 22.07.2004 vide presentation no. 19935/2004. (Source: Land Search results as at 3/12/2004)

5. INFORMATION ON THE HEVEABOARD GROUP

Registered owner	Title Details / Address	Description / existing use	Tenure of land	Land area / Built-up area	Approximate age of building (years)	Issuance of certificate of fitness	Audited NBV as at 30 June 2004 (RM'000)	1. Restrictions in interest 2. Encumbrances
HeveaBoard	(a) HSD 10476, PT 4578, Bandar Gemas, Daerah Tampin, Negeri Sembilan Darul Khusus; and (b) HSD 10478, PT 4577, Bandar Gemas, Daerah Tampin, Negeri Sembilan Darul Khusus both bearing postal address Lot 4578 and Lot 4577 respectively, Batu Tiga, Jalan Tampin, 73400 Gemas, Negeri Sembilan Darul Khusus	Vacant land	Leasehold 99 years expiring on 13.8.2095	81,824 sq. m.	N/A	N/A	4,039	1. The Land cannot be transferred, leased or charged save with the written consent of the State Authority. 2. Charge created by HeveaBoard in favour of Malayan Banking Berhad was registered on 22/07/2004 vide presentation no. 19936/2004. (Source : Land Search results dated 3/12/2004)
HOSB	GRN 73790, Lot 1943, Mukim Gemas, Daerah Tampin, Negeri Sembilan Darul Khusus bearing postal address of Lot 1943, Batu Tiga, Jalan Tampin, 73400 Gemas, Negeri Sembilan Darul Khusus	Vacant land	Freehold	20,283 sq. m.	N/A	N/A	1,400	1. Nil. 2. Charge created by HW in favour of OCBC Bank (Malaysia) Berhad was registered on 30.09.1996 vide presentation no. 20888/1996 Jil. 1211 Fol. 72. 2. Charge created by HW in favour of OCBC Bank (Malaysia) Berhad was registered on 12.05.1997 vide presentation no. 10915/1997 Jil. 1277 Fol. 97. 2. Charge created by HW in favour of OCBC Bank (Malaysia) Berhad was registered on 11.12.1997 vide presentation no. 30241/1997 Jil. 1356 Fol. 50. (Source : Land Search results dated 3/12/2004)

5. INFORMATION ON THE HEVEABOARD GROUP

Registered owner	Title Details / Address	Description / existing use	Tenure of land	Land area / Built up area	Approximate age of building (years)	Issuance of certificate of fitness	Audited NBV as at 30 June 2004 (RM'000)	1. Restrictions in interest 2. Encumbrances
HPSB	HSD 45057, PT 406, Mukim Rantau, Daerah Seremban, Negeri Sembilan Darul Khusus bearing postal address PT 416, Kawasan Perindustrian Sg. Gadut, KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan Darul Khusus	Industrial / Manufacturing land together with five buildings erected thereon	Leasehold 60 years expiring on 24.03.2046	40,468 sq. m.	1 to 15 years	Certificate of fitness is still pending approval from Majlis Perbandaran Nilai	N/A #	<ol style="list-style-type: none"> The Land cannot be transferred, leased or charged save with the written consent of the State Authority. Lease on part of the land for 30 years from 15.2.1996 to 14.2.2026 in favour of Tenaga Nasional Berhad registered on 6.6.1996 vide presentation no. 10846/1996 Jil. 14 Fol. 5. Charge created by HPSB in favour of HSBC Bank Malaysia Berhad registered on 23/9/2004 vide presentation no. 27231/2004. <p>(Source : Land Search results dated 3/12/2004)</p>
<p>Nuboard-Mah Fah JV Sdn Bhd ("Nuboard") and HPSB had on 23 July 2004 entered into a Sale and Purchase Agreement for the sale by Nuboard and acquisition by HPSB for the land held under HSD 53677, PT 414, Mukim Rantau, Daerah Seremban, Negeri Sembilan Darul Khusus, for a total purchase consideration of RM7.5 million. The Sale and Purchase Agreement is still pending completion. The details of the land are as follows:</p>								
Nuboard	HSD 53677, PT 414, Mukim Rantau, Daerah Seremban, Negeri Sembilan Darul Khusus bearing postal address PT 414, Kawasan Perindustrian Sg. Gadut, KM 11, Jalan Tampin, 71450 Seremban, Negeri Sembilan Darul Khusus	An industrial complex with factory buildings and an office block erected thereon	Leasehold 60 years expiring on 22.01.2047	39,659 sq. m.	1 to 15 years	Issued on 9 October 1992 by Majlis Perbandaran Nilai ^	N/A #	<ol style="list-style-type: none"> The Land cannot be transferred, leased or charged save with the written consent of the State Authority. Lease on part of the land (2,025 sq. ft.) for 30 years from 30.9.1988 to 29.9.2018 in favour of Lembaga Letrik Negara, Tanah Melayu registered on 20.7.1989 vide presentation no. 8749/1989 Jil. 12 Fol. 37.
<p>Notes:</p> <p>^ A Certificate of Fitness was issued by Majlis Perbandaran Nilai on 9 October 1992 for Block Nos. 1 to 3 of the first factory, office block No. 1, the canteen, guard house No. 2, the pump house and the refuse chamber. The other buildings are still pending approval by Majlis Perbandaran Nilai.</p> <p># The two (2) landed properties held under HSD 45057, PT 406 and HSD 53677, PT 414 both of Mukim Rantau, Daerah Seremban, Negeri Sembilan Darul Khusus were acquired subsequent to 30 June 2004. The NBV of the said properties as at 30 November 2004 was approximately RM5.95 million and RM7.45 million respectively.</p>								

For the purposes of the Listing, a valuation exercise was not carried out on the above landed properties. The above valuations do not require the approval of the SC and is based on the audited NBV of the Group.