

## 5. INFORMATION ON OUR GROUP

### 5.1 History and business overview

Our Company was incorporated as a public company in Malaysia under the name of Hartalega Holdings Berhad on 24 July 2006 under the Act as an investment holding company to facilitate our Listing. We commenced operations on 27 September 2006.

The history of our Group can be traced back to 1981 when HSB was established by Mr Kuan Kam Hon @ Kwan Kam Onn, our Managing Director and his brother Mr Kuan Kam Peng. Since the commencement of HSB's operations in the FYE 1989, Mr Kuan Kam Hon @ Kwan Kam Onn has been instrumental in the success, growth and development of our Group. With approximately 19 years of experience in the Latex Gloves industry, Mr Kuan Kam Hon @ Kwan Kam Onn has successfully led our Group to become an established player in the industry and an exporter of Latex Gloves to 17 countries for the 6 months FPE 30 September 2007 (FYE 2007: 23).

In 1988, our Group began our manufacturing operations with a single production line, which has now expanded to 23 production lines. Our Group currently has 3 manufacturing plants. Further, we are in the midst of setting up the 4<sup>th</sup> Plant and envisage to commence the construction of the 5<sup>th</sup> Plant in the FYE 2009. These new manufacturing plants are being set up to cater for our future business expansion which is expected to be fully operational by the FYE 2009 and FYE 2010 respectively.

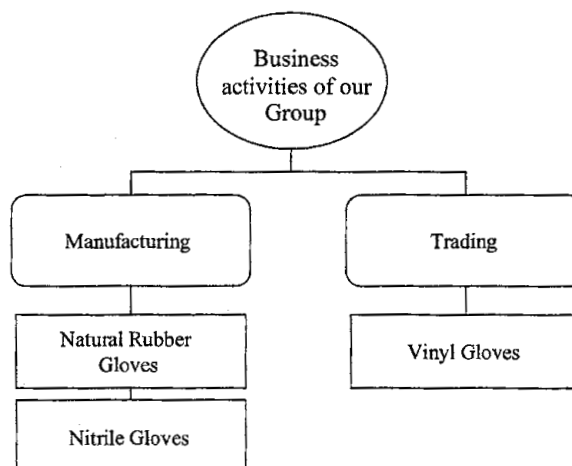
In the same year, our Group made our first foray into the overseas market by exporting to the USA. Since then, our Group has expanded our markets by exporting to 17 countries for the 6 months FPE 30 September 2007 (FYE 2007: 23) including the USA, Japan, Germany, Brazil, Canada, Australia, UK, Ukraine, Netherlands, Switzerland and others.

Our Group also incorporated SEMSB in 1987 which commenced operations in 2000 to focus on R&D on automation systems to continually improve on the production efficiency and effectiveness of our Group's Latex Gloves manufacturing operations. SEMSB will also become the future patent holder of our Group's proprietary designed and developed machinery and systems including the double former dipping lines, robotic glove stripping system and the glove puller and stacker system.

Further, as part of our Group's expansion plans, PAPL was incorporated in 1996 and commenced operations in 2001 to focus on the marketing of Latex Gloves in Australia. In 2003, PUI was incorporated as the marketing arm based in California and had commenced operations in the same year to focus on marketing of Latex Gloves in the USA.

The principal business of our Group is in the manufacture of Latex Gloves including natural rubber gloves and Nitrile Gloves. Our Group is also involved in secondary activity namely the trading of Vinyl Gloves, which represents a small proportion of our Group's business.

The business activities of our Group can be depicted as follows:



## 5. INFORMATION ON OUR GROUP *(Cont'd)*

### 5.2 Share capital

Our present authorised share capital is RM250,000,000 comprising of 500,000,000 Shares of which RM121,156,000 comprising 242,312,000 Shares are issued and fully paid-up.

Since our incorporation, the changes in our issued and paid-up share capital are as follows:

Date of allotment	No. of Shares allotted	Par Value RM	Consideration	Total issued and paid-up share capital RM
24.07.2006	2	RM1.00	Subscribers' shares	2
03.05.2007	4	RM0.50	Share Split	2
07.05.2007	242,311,996	RM0.50	Acquisition of HSB	121,156,000

As at 15 February 2008 (being the latest practicable date prior to the issuance of this Prospectus), we do not have any outstanding warrants, options, convertible securities or uncalled capital.

### 5.3 Details of the Flotation Exercise

In conjunction with, and as an integral part of our Listing, we have and shall undertake the following corporate exercises:

(i) **Share Split**

On 3 May 2007, we undertook a share split which involved a change in the par value of our ordinary shares from RM1.00 each to RM0.50 each, by way of sub-division of the par value for each of our existing ordinary share of RM1.00 each.

(ii) **Acquisition of HSB**

On 28 September 2006, HHB entered into a conditional sale and purchase of shares agreement with the Vendors of HSB for the acquisition of 15,681,997 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of HSB for a total consideration of RM123,700,000. The purchase consideration was wholly satisfied by the issuance of 242,311,996 new Shares at an issue price of RM0.5105 per HHB Share.

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## 5. INFORMATION ON OUR GROUP (Cont'd)

The purchase consideration of RM123,700,000 was arrived at based on a willing buyer-willing seller basis after taking into consideration the audited consolidated NTA of HSB as at 31 March 2006 of RM126,052,558 and taking into consideration the dividends paid of RM2,352,300 in respect of the FYE 2006, computed as follows:

	RM
Audited consolidated NTA of HSB as at 31 March 2006	126,052,558
Less: Tax exempt dividend of 15% paid on 20 October 2006 in respect of the FYE 2006	(2,352,300)
Adjusted audited consolidated NTA of HSB as at 31 March 2006	<u>123,700,258</u>

On 25 November 2006, HSB had entered into a sale and purchase agreement with Prayouth Sopitpongstorn to dispose of its entire equity interest comprising of 800,000 ordinary shares of Baht 30 each in HTCL, for a cash consideration of RM1,518,096.

The Disposal of HTCL did not have any impact on the audited consolidated NTA of HSB as at 31 March 2006 and was computed as follows:

	RM
Purchase consideration for the Disposal of HTCL	1,518,096
Less: Audited NTA of HTCL as at 31 March 2006	(1,302,996)
: Consolidated adjustments made in the books of HSB to write-off the debts owing by HTCL to HSB*	(215,100)
Net impact to the audited consolidated NTA of HSB as at 31 March 2006	<u>-</u>

Note:

\* As reflected in the books of HSB as at 31 March 2006

The consideration for the Disposal of HTCL of RM1,518,096 represents a premium of RM215,100 over the audited NTA of HTCL as at 31 March 2006. However, it will not have any impact on the audited NTA of the HSB Group as at 31 March 2006 as the premium will be set-off against the provision made in the books of HSB in respect of the amount owing by HTCL to HSB of RM215,100 as at 31 March 2006. The disposal of HTCL was completed on 14 December 2006.

Further, on 18 December 2006, HSB declared an interim tax-exempt dividend of RM7,056,899 in respect of the FYE 2007. The dividend was paid to all the Vendors of HSB on 15 January 2007. The Acquisition of HSB was completed on 7 May 2007.

Subsequently, upon completion of the Acquisition of HSB, the Subscribers of our Shares had transferred a total of 4 Shares held by them to Kuan Kam Onn @ Kwan Kam Hon for a total cash consideration of RM2.00.

On 9 January 2008, our Company declared an interim tax-exempt dividend of RM12,115,600 in respect of the FYE 2008. The dividend was paid to all the current shareholders of HSB on 30 January 2008.

## 5. INFORMATION ON OUR GROUP (Cont'd)

### (iii) Offer for Sale and EES

The Offerors will make an Offer for Sale of 24,210,000 Offer Shares representing approximately 9.99% of the issued and paid-up share capital of HHB at the offer price of RM1.80 per Share.

Further, the Offerors will offer for sale 1,475,000 EES Shares or approximately 0.61% of the issued and paid-up share capital of HHB at the strike price of RM1.80 per EES Share.

Refer to Section 2.3 of this Prospectus for further details on the Offer for Sale and EES.

### (iv) Listing

Upon completion of the abovementioned exercises, we shall seek the listing of and quotation for our issued and paid-up share capital of RM121,156,000 comprising 242,312,000 Shares on the Main Board of Bursa Securities.

### (v) Proposed Share Transfer

After the completion of the Offer for Sale and EES, the Promoters and BTSB, being our substantial shareholders, proposed to transfer a total of 122,234,000 of our Shares held by them, representing approximately 50.4% of our total issued and paid-up share capital to HISB in order to consolidate their shareholdings in HHB, as follows:

Name	No. of Shares held after the Offer for Sale and EES ('000)	No. of Shares to be transferred to HISB pursuant to the Proposed Share Transfer ('000)	Shareholdings in HISB %
Kuan Kam Hon @ Kwan Kam Onn (D)	44,433	44,433	36.3
Kuan Kam Peng (D)	34,927	34,927	28.6
Chow Siew Fong	5,638	5,638	4.6
Wong Kin Seng @ Wong Kim Seng (D)	10,137	10,137	8.3
Ching Hean Chong (D)	10,137	10,137	8.3
BTSB	45,814	16,962	13.9
<b>Total</b>	<b>151,086</b>	<b>122,234</b>	<b>100.0</b>
<b>% of the total issued and paid-up share capital</b>	<b>62.4%</b>	<b>50.4%</b>	

Note:

(D) Director of HISB

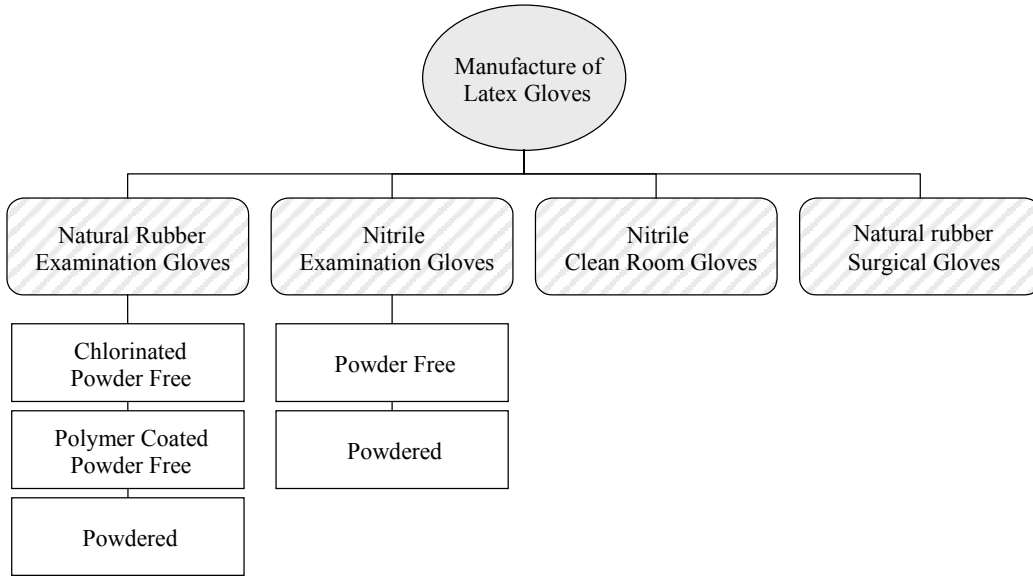
The Proposed Share Transfer will be completed upon the relevant Shares of the above shareholders being credited into the CDS account of HISB, which shall take place after the issuance of this Prospectus but prior to the Listing.

**5. INFORMATION ON OUR GROUP (Cont'd)**

**5.4 Business overview**

**5.4.1 Our products**

Our Group is principally involved in the manufacturing of a wide range of gloves which can be summarised in the diagram and commentary as set out below:



Some of the product features and characteristics of our Latex Gloves can be summarised as follows:

Types	Characteristics
Natural rubber Examination Gloves	<ul style="list-style-type: none"> <li>• Adequate damp, wet and dry donning;</li> <li>• Anatomically reducing muscle fatigue;</li> <li>• Improved comfort;</li> <li>• Ambidextrous;</li> <li>• Pleasant smelling (specifically for Polymer Coated Gloves);</li> <li>• Soft feel and elasticity;</li> <li>• Good tactility;</li> <li>• Good tensile strength;</li> <li>• Puncture and tear resistance;</li> <li>• Chemical and solvent resistance; and</li> <li>• Different textured finishes including textured powder free gloves, and smooth surface for powdered gloves.</li> </ul>
Nitrile Examination Gloves	<ul style="list-style-type: none"> <li>• Easy donning due to its smooth interior;</li> <li>• Durability;</li> <li>• Resistance to punctures, tears and abrasions; and</li> <li>• Textured fingertips for good gripping.</li> </ul>

## 5. INFORMATION ON OUR GROUP (Cont'd)

Types	Characteristics
Nitrile clean room gloves	<ul style="list-style-type: none"> <li>• Powder free;</li> <li>• Good chemical resistance;</li> <li>• Featured with static dissipative property;</li> <li>• High tensile strength;</li> <li>• Rolled cuff to prevent tearing while donning;</li> <li>• Textured fingertips for better grip; and</li> <li>• Thin wall thickness provide excellent tactility.</li> </ul>
Natural rubber Surgical Gloves	<ul style="list-style-type: none"> <li>• Adequate damp, wet and dry donning;</li> <li>• Anatomically reducing muscle fatigue;</li> <li>• Improved comfort;</li> <li>• Soft feel and elasticity;</li> <li>• Good tactility;</li> <li>• Good tensile strength; and</li> <li>• Puncture and tear resistance.</li> </ul>

The usage of Latex Gloves is highly diverse in a cross section of industry sectors including:

Industry Sectors	Users
Hospitals	Surgeons, physicians, laboratory technicians, emergency room personnel, nurses, pathologists, paramedics, orderlies, intensive care unit personnel, physiologists
Nursing homes and hospices	Doctors, nurses, nursing aides
Social services	Volunteers, helpers, nursing aides
Private healthcare	Doctors and nurses
Dental clinics	Dental surgeons, orthodontists, dental nurses and oral hygienists
Research and scientific laboratories	Scientists, analysts and laboratory assistants
Food and beverage manufacturing	Factory workers
High technology manufacturing	Workers in clean rooms

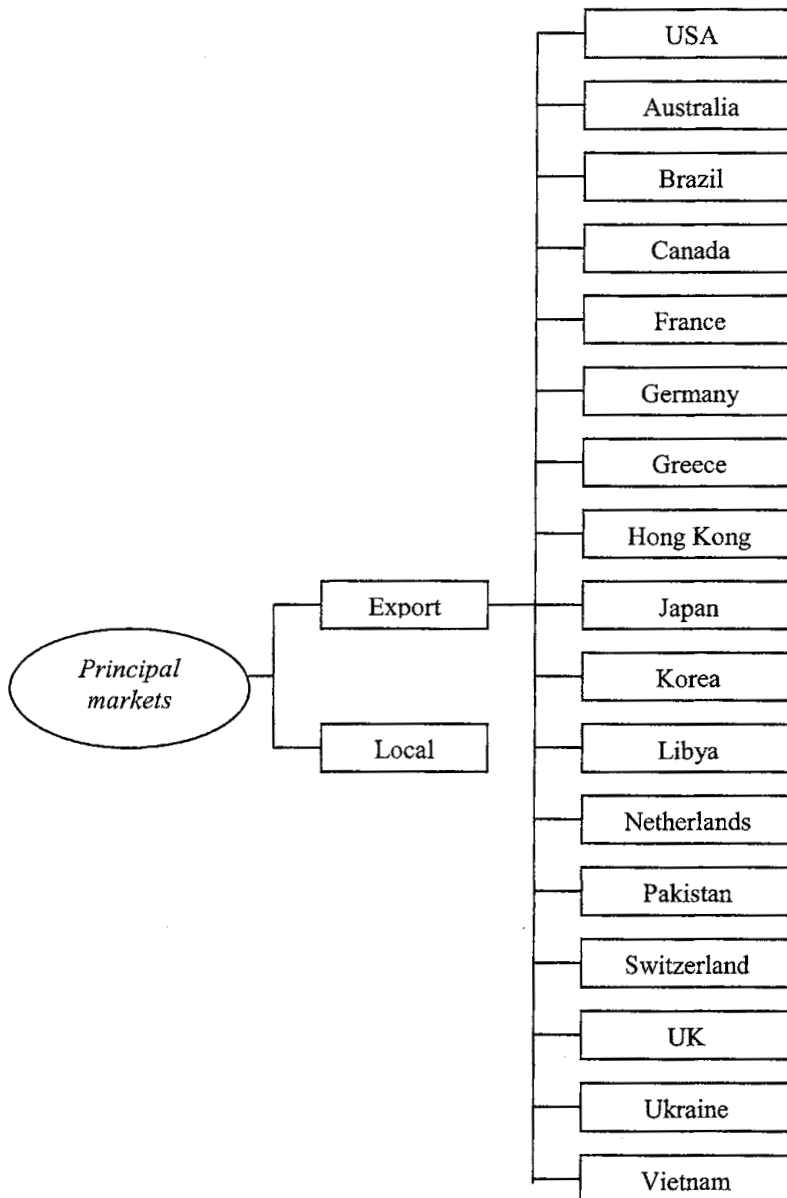
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## 5. INFORMATION ON OUR GROUP (Cont'd)

### 5.4.2 Our principal markets

As at 30 September 2007, our Group has an established base of 885 customers (FYE 2007: 981), which is spread across 18 countries, including Malaysia (FYE 2007: 24). Of these, 53 (FYE 2007: 56) are brand owners and intermediaries while 818 (FYE 2007: 911) are end-user customers namely, physicians' offices and dental clinics, and 14 (FYE 2007: 14) are distributors for products under our own brand names. We will continue to focus on our existing customers who operate in various geographical areas and also reach out for new customers in other overseas markets including South America, Middle East, Russia, China and India.

Our principal markets for the 6 months FPE 30 September 2007 comprised both local and export markets can be further segmented as follows:



## 5. INFORMATION ON OUR GROUP (Cont'd)

For the 6 months FPE 30 September 2007 and the FYE 2007, our revenue contribution by countries can be depicted as follows:

### Revenue contribution by countries for the 6 months FPE 30 September 2007

<u>Countries</u>	<u>Revenue contribution (%)</u>
Australia	1.96
Brazil	3.51
Canada	2.62
France	0.07
Germany	7.01
Greece	0.07
Hong Kong	0.20
Japan	10.65
Korea	0.01
Libya	0.22
Malaysia	1.45
Netherlands	0.31
Pakistan	0.14
Switzerland	0.34
UK	1.22
Ukraine	0.41
USA	69.69
Vietnam	0.12
<b>TOTAL</b>	<b>100.00</b>

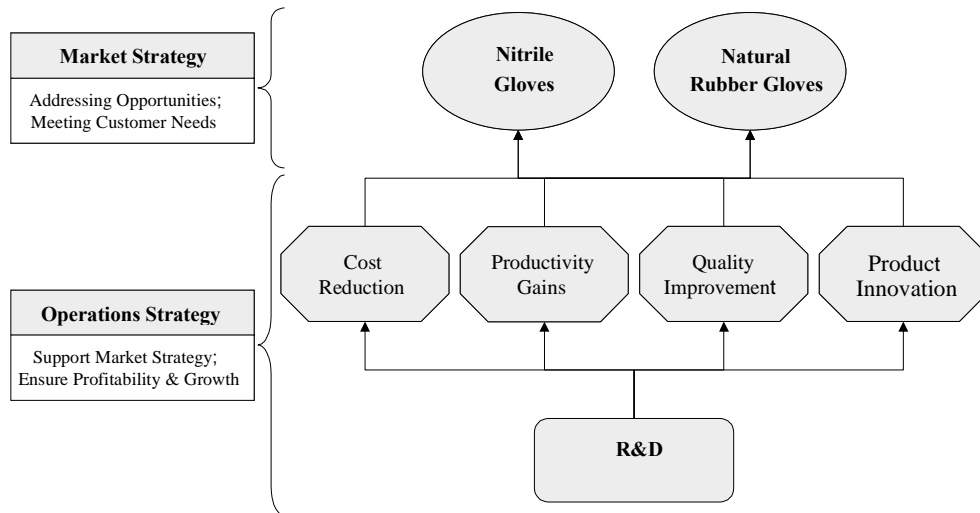
### Revenue contribution by countries for the FYE 2007

<u>Countries</u>	<u>Revenue contribution (%)</u>
Australia	2.04
Austria	0.06
Brazil	9.21
Canada	0.80
Czech Republic	0.11
France	0.04
Germany	5.60
Greece	0.34
Hong Kong	0.20
Iran	0.04
Italy	0.15
Japan	7.36
Jordan	0.07
Malaysia	1.84
Netherlands	0.23
Pakistan	0.08
Sri Lanka	0.59
Switzerland	0.13
Tunisia	0.08
Turkey	0.15
UK	0.69
Ukraine	0.64
USA	69.44
Vietnam	0.11
<b>TOTAL</b>	<b>100.00</b>



## 5. INFORMATION ON OUR GROUP (Cont'd)

### 5.4.3 Business Strategy



Our Group's overall business strategy focuses on two platforms:

- (i) External: Market strategy
- (ii) Internal: Operations strategy

Our Group's market strategy focuses on addressing opportunities in the global market and meeting the needs of customers. This is achieved through the manufacturing of Latex Gloves using both nitrile and natural rubber.

Our Group's operation strategy also focuses on providing the platform to support the market strategy and at the same time ensuring business growth and profitability. This is achieved through continuous cost reduction, productivity gains, quality improvement and product innovation made possible through R&D.

**(i) External: Market strategy**

In the Rubber Gloves industry, Latex Glove is the largest type of glove being produced globally and is primarily made of two types of materials, natural rubber or nitrile.

The application of both natural rubber gloves and Nitrile Gloves is in many situations, similar. As such, the use of either natural rubber gloves or Nitrile Gloves is based on the preference of the end-consumers.

Our Group's market strategy is to manufacture products that will meet the bulk of what the market needs, namely natural rubber gloves and Nitrile Gloves. This allows our Group to accommodate the needs of consumers for either natural rubber gloves or Nitrile Gloves.

In addition, producing these two main types of Latex Gloves in the global market provides the following benefits:

- (a) Product diversification to mitigate any adverse perception towards one type of product. For example, our Group is able to offer customers Nitrile Gloves if they are concerned about protein allergy from natural rubber gloves.

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**5. INFORMATION ON OUR GROUP (Cont'd)**

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- (b) Raw material diversification to mitigate against raw material price increases. Nitrile is petroleum based while natural rubber is extracted from rubber trees. When the price of one raw material goes too high and customers are switching to alternatives, our Group is able to offer such customers choice of either natural rubber gloves or Nitrile Latex Gloves.

**(ii) Internal: Operations strategy**

Our Group's operations strategy is based on supporting the market strategy, and at the same time ensures operational effectiveness and efficiency to ensure business profitability and growth.

As such, our operations strategy, supported by R&D, is focused on the following four key areas:

**(a) Cost reduction**

Our Group continuously research and investigate areas and processes where we can make cost savings to enhance our competitiveness and at the same time maximise profitability.

One major area of cost reduction is in energy cost saving. Our Group currently has 3 units of biomass heaters and intends to install the 4<sup>th</sup> biomass heater in the proposed 5<sup>th</sup> Plant to replace the use of diesel and MFO for heating purposes. This enables our Group to make significant energy cost savings. 3 of the biomass heaters were installed earlier and are currently fully operational.

With the use of our existing 3 units of biomass heaters and natural gas as alternative to diesel and MFO for heating purpose, our Group has been able to achieve energy cost savings.

Further, in line with the protocol to the International Framework Convention on Climate Change with the objective of reducing greenhouse gases that cause climate change ("Kyoto Protocol"), our Group is expected to accumulate RM3.0 million carbon credits by the FYE 2009 as a result of using renewable energy through our 3 units of biomass thermal heaters which replaced gas thermal oil heaters for the production of hot air in our production process.

**(b) Productivity gains**

The manufacture of Latex Gloves can be very laborious if production lines are not automated. This is because the manufacture of Latex Gloves is in units of millions and for some larger companies, it is measured in billions of gloves.

**Automation – Robotic glove stripping system**

To maximise from productivity gains, our Group has designed and implemented a robotic glove stripping system. This has enabled us to increase productivity significantly.

In contrast to some other automated stripping system that primarily uses a jet of air, the robotic glove stripping system is superior as the process is more accurate requiring less human intervention to rectify errors compared to the air-jet system.

Our subsidiary, SEMSB, has filed a patent for the robotic glove stripping system as "Glove Remover".

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**5. INFORMATION ON OUR GROUP (Cont'd)**

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**Automation - Glove puller and stacker system**

To further optimise on the production efficiency, our Group has designed and installed a glove puller and stacker system.

After the robotic glove stripping system has completed the process of stripping the gloves from the formers, the glove puller and stacker system is designed to remove the gloves that are dangling from the tip of the formers and subsequently releasing the gloves in the same position onto the conveyor, thereby stacking and arranging the gloves in a manner where they are ready for packing.

Our subsidiary, SEMSB, has filed a patent for the glove puller and stacker system as "Glove Singulator".

**Double former dipping lines**

Our Group is currently using double former dipping lines which was created by our Group's R&D division. The double former dipping lines allows our Group to double our capacity on a single production line compared to single former dipping lines, which is the industry standard. In addition, our Group is able to save cost by having one production line to produce 2 times more Latex Gloves in one production cycle compared to a single former dipping lines. By achieving this, our Group is able to have a smaller area production plant and less dipping lines yet achieve higher production output.

Our subsidiary, SEMSB, has filed a patent for the double former dipping lines as "the arrangement and method of assembling former holders".

**(c) Quality improvement**

The standard in quality in the manufacturing industry is so high that it is no longer a competitive advantage to have high quality product. Today, high quality product is the minimum requirement for business sustainability.

Quality is even more critical in the Latex Gloves industry as the main function of Latex Gloves is to serve as a protective barrier to a whole host of unwanted materials especially pathogens.

As such, our Group is constantly improving our products' quality to ensure that they meet the highest standard of compliance and customer expectations. We have obtained many quality accreditations (as set out in Section 5.4.12 of this Prospectus) to ensure quality is built into every step of our manufacturing and procurement process, which complies with various countries' standards for Latex Gloves.

**(d) Product innovation**

Nitrile Gloves have become a popular alternative to natural rubber gloves because they can mimic the characteristics of natural rubber. In addition, nitrile is made by the compounding of different chemicals, and thus the characteristics of nitrile rubber can be easily improved and enhanced by creating different formulation to achieve the desired properties.

Our Group's R&D is capable of formulating our own nitrile latex with the desired properties and characteristics that meet the requirements of customers and industrial standards.

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**5. INFORMATION ON OUR GROUP (Cont'd)**

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Our Group has developed a new formulation for elastic high stress retention Nitrile Examination Glove that has similar elastic properties as natural rubber glove and with higher sensitivity, better tactile feel, good chemical resistance and high elasticity.

**(e) R&D**

To support our operations strategy, we have our in-house R&D capabilities. Our R&D is focused in the areas of process improvement to ensure continuous cost reduction, productivity gains and quality improvement, product innovation and enhancement and automation systems to increase productivity and improve quality.

**5.4.4 Seasonality**

Generally, there are no sharp contrasts in seasonality as our Group's products are for general applications that are not tied to any seasonality factors.

**5.4.5 Our competitive strengths**

Our Group has distinct advantages over our competitors in terms of the following areas:

**(i) Elastic high stress retention Nitrile Examination Gloves**

In the FYE 2005, our Group has successfully developed and subsequently commercialised a range of Nitrile Gloves that replicates the natural elastic properties of natural rubber gloves, namely elastic high stress retention Nitrile Examination Gloves which have approximately 55% stress retention properties compared to the average Nitrile Examination Gloves at 40%. Thus, the elastic high stress retention Nitrile Examination Gloves provide additional comfort and better fit to the user.

This range of gloves was jointly developed with Microflex Corporation in the USA, a major customer of our Group and Microflex Corporation has been awarded and received the US Patent 7,176,260. Our Group, as the exclusive licenced manufacturer for the product had, on 20 June 2007, entered into an exclusive patent licence agreement with Microflex Corporation for the rights to manufacture this type of Nitrile Gloves for the duration of the patent, and the exclusive licence to sell this type of Nitrile Gloves to distributors, whose business is primarily in the acute healthcare market.

The development and commercialisation of a new range of Nitrile Gloves is a demonstration of the product development capabilities of our Group which represents a significant differentiation and competitive advantage for us.

**(ii) Product quality**

The various ISO quality management systems accreditations of HSB and PAPL are endorsements of the quality assurance system that is in place for the manufacturing and procurement of Latex Gloves. These certifications provide customers with the assurance of our Group's product quality.

Furthermore, the stringent process of quality inspections and testing on the in-coming raw materials, the various stages of the production process and the final product is a further demonstration of our Group's emphasis on product quality.

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**5. INFORMATION ON OUR GROUP (Cont'd)**

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**(iii) Compliance with international standards**

Compliance with the international quality standards is critical before the Latex Gloves are allowed to enter into the various countries of export. Our Group's Latex Gloves conform to local and international standards including:

- (a) Acceptable Quality Level Standards under the FDA;
- (b) ASTM;
- (c) CGSB;
- (d) BSI;
- (e) JIS;
- (f) SMG Programme;
- (g) GMP; and
- (h) TGA.

The compliance with the above standards is a demonstration of our Group's ability to continuously manufacture Latex Gloves that can meet local and international standards and requirements.

**(iv) Wide market coverage**

Our Group has a wide market coverage, which extends to 18 countries including Malaysia for the 6 months FPE 30 September 2007 (FYE 2007: 24). The coverage of different markets provides our Group with the platform to optimise on business opportunities in the various countries.

**(v) Market reputation and established track record**

With approximately 19 years of experience (since the commencement of our Group's manufacturing operations in 1988), we have established ourselves as a reputable manufacturer of Latex Gloves. Our Group's established market reputation is substantiated by the fact that for the 6 months FPE 30 September 2007, approximately 9 of our top 20 customers have been dealing with our Group for 5 years or more (FYE 2007: 10). Out of the top 20 customers, 6 of them have been dealing with our Group for 8 or more years (FYE 2007: 6). The long-term customer relationship is a demonstration of customers' loyalty that will provide the basis for business sustainability.

**(vi) R&D capabilities**

Our Group is constantly undertaking R&D to improve our products to better meet customer needs and address areas of opportunities. This requires the ability to keep abreast of developments in technology and process improvements as well as developments in latex compounding formulations to attain certain desired properties and characteristics such as tensile strength, elongation, permeation, chemical and solvent resistance, tactility, improved fit and comfort, and minimum protein content to meet the requirements of the markets and customers.

Some of our Group's R&D capabilities and achievements are demonstrated in the commercialisation of the following types of Latex Gloves:

- (a) Low protein Latex Examination Gloves;
- (b) Polymer coated natural rubber Examination Gloves;
- (c) Elastic high stress retention Nitrile Examination Gloves; and

## 5. INFORMATION ON OUR GROUP (Cont'd)

- (d) Damp don nitrile elastic high stress retention Surgical Gloves (which is expected to be commercialised in the FYE 2009).

Our Group's future R&D which is expected to be completed by the FYE 2009, comprised of the following:

- (a) Polyisoprene Surgical Gloves;  
 (b) Accelerator free Nitrile Gloves; and  
 (c) Industrial nitrile unsupported gloves.

The in-house capabilities to develop new products will provide the platform for our Group to address new market segments and business opportunities.

### (vii) Capabilities to manufacture both natural rubber and synthetic Latex Gloves

Our Group has the in-house capabilities to produce both natural rubber and synthetic Latex Gloves with specialised properties to meet the market requirements of customers. The coverage of both types of materials allows our Group to provide our customers with the option of buying either natural rubber or synthetic Latex Gloves from our Group.

In the 6 months FPE 30 September 2007, we produced approximately 35% and 65% of natural rubber and synthetic Latex Gloves respectively (FYE 2007: 57% and 43%) as compared to the total industry output for natural rubber and synthetic Latex Gloves in 2007 of approximately 80% and 20% respectively. Based on the industry output, it indicates that most of the other manufacturers focus on the production of natural rubber Latex Gloves, which gives us an added advantage compared to other manufacturers that mainly focus on producing natural rubber Latex Gloves.

### (viii) Ability to handle large volume

Our Group manufactured approximately 2.6 billion pieces of Latex Gloves during the 6 months FPE 30 September 2007 (FYE 2007: 2.3 billion), which utilised approximately 77% of our production capacity (FYE 2007: 73%). This ability to handle large volume provides our Group with an added advantage over smaller manufacturers that are restricted in terms of capacity.

Our Group has made significant investments in machinery and equipment including our own proprietary designed double former dipping lines as well as other equipment such as the centralised computer control system, robotic glove stripping system, glove puller and stacker system, online bar coding tracking system, online stacking system and biomass heaters. The extensive production facilities enable our Group to meet high volume demand as well as fast turnaround effectively and efficiently.

### (ix) Reduce energy cost

Our Group continuously research and investigate areas and processes where we can make cost savings to enhance our competitiveness and at the same time maximise profitability. One major area of cost reduction is in energy cost saving.

We currently have 3 units of biomass heaters and intend to install the 4<sup>th</sup> biomass heater in the proposed 5<sup>th</sup> Plant and supply of natural gas to replace the use of diesel and MFO for heating purposes. This has enabled us to make significant energy cost savings. 3 of the biomass heaters were installed earlier and are currently fully operational.

**5. INFORMATION ON OUR GROUP (Cont'd)**

With the use of our existing 3 units of biomass heaters and natural gas as alternative to diesel and MFO for heating purpose, our Group has been able to achieve energy cost savings.

Further, in line with the Kyoto Protocol, our Group is expected to accumulate RM3.0 million carbon credits by the FYE 2009 as a result of using renewable energy through our 3 units of biomass heaters which replaced gas thermal oil heaters for the production of hot air in our production process.

**5.4.6 Marketing and distribution**

**(i) Our marketing strategies**

Our Group's sales and marketing arm utilises the following marketing strategies to sustain and expand our business:

- (a) Positioning ourselves as an established manufacturer of Latex Gloves that are innovative and of the highest standards of quality;
- (b) Continually providing excellence in customer service with the aim of developing a long-term business relationship;
- (c) Continually providing the highest quality products and services to establish our reliability as a supplier, thus creating long-term customer loyalty and dependency;
- (d) Keeping abreast of technology developments and new processes to stay ahead of competitors as well as better meet the needs and requirements of customers; and
- (e) Expanding our market presence overseas and developing new business opportunities by working in close partnership with existing customers.

As part of our strategy to promote our products, as well as identify new areas of opportunities, we also actively participate in trade shows and exhibitions by setting up a display booth to exhibit our Group's products.

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## 5. INFORMATION ON OUR GROUP (Cont'd)

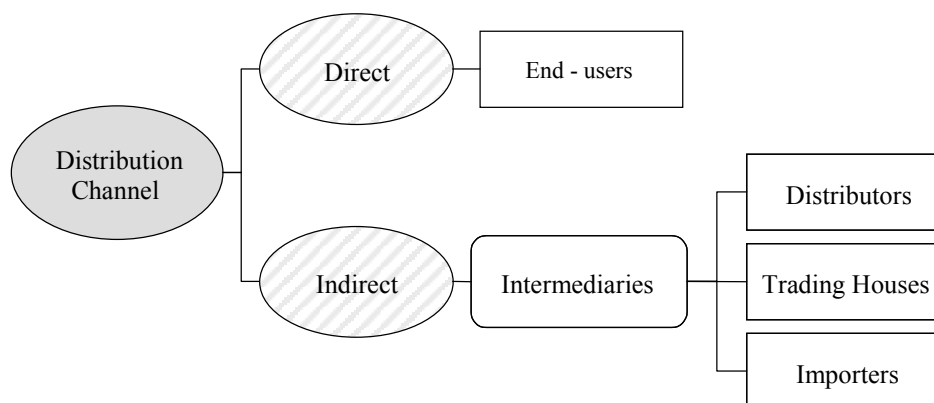
As at 15 February 2008, our Group has participated in the following trade shows and exhibitions:

Exhibitions/Trade Shows Participated	Country	Date of Exhibitions
Arab Health	Dubai	2005
		2006
		2007
Hospitalar, Sao Paulo	Brazil	2004
		2005
		2006
		2007
International Modern Hospital Show	Japan	2006
Medica Show	Germany	2004
		2005
		2006
		2007
Hospital St Petersburg	Russia	2004
Korea International Medical & Hospital Equipment Show	Korea	2007

Our Group has our own sales and marketing team to focus on business development with existing and potential customers. As at 15 February 2008, we have 7 personnel under the sales and marketing division who are responsible for new business development.

### (ii) Our distribution channel

Our Group's distribution channel is based on direct and indirect distribution as follows:



Our Group adopts a combination of direct and indirect distribution channel strategy.

Our Group utilises direct distribution channel strategy through our own sales and marketing team to sell our products directly to end-user customers such as hospitals and medical centres. In addition to the sales and marketing department in our Group's principal place of business, our Group has other sales and marketing offices in Kuala Lumpur, Australia and the USA.



## 5. INFORMATION ON OUR GROUP (Cont'd)

Part of our direct distribution channel involves participating in open tenders or bids in hospitals which is undertaken by our overseas sales and marketing arms.

The direct distribution strategy also has its advantages in enabling our Group to work closely with our customers to evaluate and attain a better understanding of our customers' requirements, which serves as a feedback mechanism for continuous product and service improvements.

We also use an indirect distribution strategy to reach a wider market overseas. This strategy enables our Group to utilise the existing network of intermediaries to expand our market coverage without the need for significant investments in marketing and logistics. Intermediaries are primarily major trading houses, major distributors and importers of Latex Gloves. These intermediaries would rely on their own distribution network to reach sub-distributors and end-users. The indirect distribution strategy applies mainly to the overseas markets.

### 5.4.7 Principal place of business and location of principal assets

The following table sets out the location of our Group's operational facilities:

Company	Approximate Built-up Area (square metres)	Purpose	Location of Production Facility and/ or Offices
HSB	410	Office	C-G-9, Jalan Dataran SD1 Dataran SD, PJU 9 Bandar Sri Damansara 52200 Kuala Lumpur
	29,629 *	Factory and office building	H.S.(D) 7634, P.T. No. 6073 Mukim of Batang Berjuntai Daerah Kuala Selangor, Selangor*
	34,410^*	Factory (under construction)	GRN 130471, Lot 3393 (Previously known as H.S.(D) 1157, P.T. No. 2988) Mukim of Batang Berjuntai Daerah Kuala Selangor Negeri Selangor *
		Factory (under construction)	GRN 130470, Lot 3392 (Previously known as H.S.(D) 1156, P.T. No. 2987) Mukim of Batang Berjuntai Daerah Kuala Selangor Negeri Selangor *
		Factory (under construction)	GRN 130469, Lot 3391 (Previously known as H.S.(D) 1155, P.T. No. 2986) Mukim of Batang Berjuntai Daerah Kuala Selangor Negeri Selangor *
SEMSB	#	Office	C-G-9, Jalan Dataran SD1 Dataran SD, PJU 9 Bandar Sri Damansara 52200 Kuala Lumpur

## 5. INFORMATION ON OUR GROUP (Cont'd)

Company	Approximate Built-up Area (square metres)	Purpose	Location of Production Facility and/ or Offices
PUI	195	Office	77530 Enfield Lane Building 1, Suite 203 Palm Desert CA 92211, USA
	399	Warehouse	11516 Pagemill Road Dallas, Texas 75243, USA
PAPL	120	Office	Level 1, 2, Bridge Street Epping, NSW 2121 Australia

*Notes:*

<sup>^</sup> The proposed 4<sup>th</sup> and 5<sup>th</sup> Plants will be constructed on these pieces of lands.

<sup>\*</sup> Our Group had submitted an application to the relevant authority for the amalgamation of these lands. As at to-date, we have yet to obtain the approval from the relevant authority

<sup>#</sup> Shared premises with HSB

All the principal assets of our Group and production lines are located at No. 7, Kawasan Perusahaan Suria, 45600 Batang Berjuntai, Selangor Darul Ehsan.

### 5.4.8 Production capacity

Our Group's production operations are supported by the following:

- (i) Extensive production facilities with 23 production lines, including automated robotic stripping system, air conduit delivery system and online bar coding tracking system;
- (ii) In-house compounding and formulation of natural rubber and synthetic latex, which is key to the production processes;
- (iii) High capacity production lines, whereby our Group is capable of performing large volume production runs;
- (iv) In-house secondary processes including powdering, Chlorination and polymer coating; and
- (v) The 3 units of biomass heaters that reduce energy cost in our Group's production operations.

We have 23 production lines of which 8 production lines were successfully installed and commenced operations between December 2004 and July 2006. These 8 production lines are highly automated incorporating programmable logic controller, which centrally monitors the temperature, line output and other critical functions, to ensure a stable and consistent production of gloves.

We have 3 units of biomass heaters utilising oil palm empty fruit bunches and palm kernel shells to generate power for the production plants. This enables our Group to achieve energy cost savings. Our Group intends to install the 4<sup>th</sup> biomass heater in the proposed 5<sup>th</sup> Plant.

## 5. INFORMATION ON OUR GROUP (Cont'd)

The online bar coding tracking system enables our Group to monitor and track the products, information stored in the barcode include production time and date, source of production line, and quality control data.

Our Group's online packing system includes glove stacking machines and conveyor systems for automated bar coding process, printing and transferring of goods.

The following table sets out our Group's production, capacity and utilisation of facilities for the FYE 2007:

Type of products	< ----- FYE 2007 ----- >		
	Annual Capacity (‘000 Pieces)	Production Output* (‘000 Pieces)	Percentage Utilisation (%)
Latex Gloves	3,189,840	2,313,035	73

Note:

\* Production output is 24 hours per day and 365 days per year

We are currently installing 10 new production lines in the proposed 4<sup>th</sup> Plant. In July 2008, we will be commencing the construction of the proposed 5<sup>th</sup> Plant, which will be fully operational by the FYE 2010. The proposed 5<sup>th</sup> Plant will have an additional 10 production lines.

In total, the 20 new production lines from the proposed 4<sup>th</sup> and the 5<sup>th</sup> Plants will provide our Group with an additional capacity of approximately 6.0 billion pieces of gloves per year or approximately 182% additional capacity from our present capacity of approximately 3.3 billion pieces of gloves.

Our Group has not experienced any constraints in our production/ operating activities.

### 5.4.9 Technology used or to be used

Our Group uses the following technologies in our manufacturing operations:

#### (i) Dip moulding technology

The dip moulding technology refers to the manufacturing process where a series of moulds or formers are dipped into natural or polymer latex for dip moulding or dip coating.

Dip moulding involves the lowering of a former or mould into a polymer bath, attracting a liquid thin film deposition onto the formers or moulds after raising from the bath. The film is dried after various processes for subsequent removal from the formers. This dip moulding process is commonly used to manufacture Latex Gloves.

Generally, there are 2 types of dip moulding lines, i.e. batch indexing and continuous chain systems.

#### (a) Batch indexing system

Formers or dipping moulds are mounted onto pallets and moved intermittently, normally on a consistent time cycle to each machine station. At the dipping station, the pallets move over the tank and the pallet is dipped producing multiple dipped products on a single system.

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**5. INFORMATION ON OUR GROUP (Cont'd)**

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**(b) Continuous chain system**

Formers or dipping moulds are mounted on multiple or individual former racks and attached to a continuous moving conveyor chain. The lines move continuously at a constant speed, carrying formers through dip tanks, ovens, and associated process stations.

Our Group utilises the continuous chain system for our manufacturing operations.

In addition to the main latex dip, there are other tanks or steps employed on the entire production line to produce finished products, including form cleaning stations, leaching tanks, powder application stations, mould release stations, coagulant tanks, coatings, texturing, cooling stations and ovens.

**(ii) Powder free technology**

Conventionally, powder has been used to facilitate the release of gloves from formers during glove forming and also to aid glove donning.

Commonly, powder free technology involves either Chlorination or polymer coating, or a combination of both.

**(a) Chlorination**

Chlorination is a process where chlorine, ammonia, water and other chemicals are used to oxidise the outer rubber surface to reduce the surface tackiness and also removes most of the powder deposited on the outer glove surfaces.

In addition, gloves are made from natural rubber or synthetic materials with a relatively high degree of surface friction that are not possible to don. As such, gloves can be chlorinated to form a non-tacky smooth surface that allows ease of donning, therefore negates the requirement to add a powdered lubricant.

Our Group utilises the Chlorination process to attain desired properties and characteristics in gloves such as powder free and low protein content.

**(b) Polymer Coating**

Currently, our Group also employs polymer coating technology to manufacture powder free Latex Gloves.

Polymer can be applied either to the outer surface of the glove or to both inner and outer surfaces. This process will give the glove additional barrier protection and also adds strength to Latex Gloves to reduce tearing or ripping while in use and gives the glove better wet or dry grip properties.

Technically, polymer coating is designed to meet the following requirements:

- adhere to the underlying natural rubber latex substrate and offer durability and good donning characteristics; and
- resistant to Chlorination and the other post-forming processes include rinsing, extraction and drying.

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**5. INFORMATION ON OUR GROUP (Cont'd)**

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Our Group mainly uses acrylic polymer and hydrogel in our polymer coating process to laminate a layer of polymer onto the inner and outer surface of the glove. We also use composite coating such as polyurethane and polymer blends as and when required as an anti-tack agent and to facilitate ease of donning.

Acrylic coatings are based on acrylate polymers that have elastic properties. Acrylic monomers with a wide range of property variations can provide excellent adhesion to different glove substrates and change the polarity of the polymer to facilitate wet and dry hand donning.

**(iii) Latex compounding technology**

Latex compounding is a process to ensure uniform mixing of compounding ingredients whereby natural rubber or synthetic latex is mixed with other additives to create desired physical and mechanical properties and characteristics before being used for further processes. Some of the main additives used in compounding include sulphur, zinc oxide, accelerators, pigments and solid antioxidant dispersions.

Commonly, accelerators are used to shorten the time set and increase the rate of hardening or strength development of the glove.

**(iv) Leaching technology**

In general, leaching process is widely used within the dip moulding industry, especially for the manufacture of Latex Gloves.

Leaching process is a process to remove hydrophilic materials by washing them in water. There are 2 ways to undertake the leaching process:

**(a) Wet gel leaching (also known as pre-vulcanisation leaching)**

Wet gel leaching involves the immersion of latex coated formers or moulds into a bath or spray water to wash out and remove excess chemical residue and latex protein with hot water from the surface of the glove. At this stage, chemicals and protein can be reduced and the effectiveness of this process is dependent on the temperature of the water, duration of the process, and the rate of the water exchange.

The amount of hot water flow per hour (gallon per hour) in the leaching tanks must also be optimised to take away as much chemicals and protein from the latex gel as possible. In general, the leaching bath must be kept at a constant temperature of  $70^{\circ}\pm 5^{\circ}$  centigrade.

**(b) Dry-film leaching (also known as post-vulcanisation leaching)**

As for dry-film leaching, the process is similar to the wet-film leaching, with the exception that it is carried out on the dry or vulcanised latex film. After vulcanisation, the formers then pass through a series of post-vulcanisation leaching tanks to remove more latex protein and chemical residue.

Our Group currently utilises wet-gel leaching and dry-film leaching.

**(v) Vulcanisation technology**

Vulcanisation is the process where the latex film is heated and the combination of sulphur, accelerator and heat causes the cross-linking of rubber, giving strength and elasticity to the film.

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**5. INFORMATION ON OUR GROUP (Cont'd)**

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Natural rubber without undergoing vulcanisation will eventually become too brittle in cold weather or become sticky in hot weather. Without vulcanisation, the rubber molecules could easily flow and slide past each other at elevated temperature making the rubber soft when it is in the heat while in the cold it will crystallise resulting in an increase in stiffness and brittleness.

Vulcanisation commonly takes place under the following 2 stages:

- (a) Pre-vulcanisation
- (b) Post-vulcanisation

Pre-vulcanisation involves the process where the formers are passed into the oven to remove moisture and the latex gel hardens to form into Latex Gloves prior to the post-vulcanisation leaching process.

During the pre-vulcanisation process, the latex molecules of the rubber particles are chemically cross-linked. However this would not affect the rubber particle size, shape, particle size distribution, and will retain its original fluidity and colloidal property. Formulation of chemicals can be designed to achieve different types of degree of cross-linked and ultimately provides the rubber with different characteristics including high heat resistance, sterilisation resistance, low nitrosamine and others.

At this stage, the deposits on the formers are partly dried at a relatively low temperature such as 80° to 90° centigrade before the final vulcanisation.

Subsequently, the formers then pass through another post-vulcanisation process, which is normally carried out at the temperatures of 110° to 120° centigrade in a cure oven.

The following are some of the advantages of the vulcanisation process:

- (a) Longer shelf life;
- (b) Low residual chemicals;
- (c) Low toxicity; and
- (d) Better efficiency in leaching.

Our Group currently utilises both pre-vulcanisation and post vulcanisation processes in our manufacturing operations.

**(vi) Elastomerisation technology**

Natural rubber and nitrile rubber must have the capability to return to its original state when a load such as stretching is removed. This is an important property for Rubber Gloves as load is applied to the glove during donning, after which the glove must return to its original state so as to fit the hand.

Natural rubber contains natural elastomer that provides the elastic property. However, for nitrile rubber, it requires adding chemicals to provide it with the critical elastic property.

The key to elastomerisation in Rubber Gloves are as follows:

- Stretch limit (before it breaks or tear); and
- Duration of return to its original shape after stretching.

As such the application of elastomerisation technology through the formulation of nitrile latex is critical in the development of a quality Nitrile Gloves that meets the needs of consumers.

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**5. INFORMATION ON OUR GROUP (Cont'd)**

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**(vii) Polymer science and technology**

Natural rubber and synthetic rubber-like nitrile, is made up of long chains of molecules that give them their respective properties and characteristics. These long molecule chains are called polymers which literally means many "mers" or units.

The ability to form or break the chain, or change the composition of the chain requires significant understanding and application of polymer science and technology.

Understanding the molecular structure through the application of polymer technology enables manufacturers to discover new materials or obtain new characteristics and properties that may be useful for consumers.

As such, R&D incorporating polymer science and technology is crucial in Latex Gloves innovation and enhancement.

**(viii) Automation system-robotic glove stripping system**

Conventionally, manpower is required to remove the Latex Gloves from the formers in which improperly removed Latex Gloves may cause damage to the gloves. The highly manual process of stripping has compelled many manufacturers to seek automation in the stripping of Latex Gloves. To this end, the industry has developed an air-jet system that removes gloves using a powerful jet of air. This is currently the common industry technology for the removal of gloves from formers.

Our Group has designed and is currently using a robotic glove stripping machine which is more effective and efficient compared to human stripping as well as air-jet stripping. In addition, the robotic glove stripping machine is able to handle large volume. The robotic glove stripping machine uses a combination of air pressure and mechanical movements controlled by electronics to emulate the human arm in removing the Latex Gloves from the former. A clear understanding and application of robotics is necessary to ensure the proper design and fabrication of a robotic glove stripping machine.

**(ix) Automation system-glove puller and stacker system**

After the robotic glove stripping system has completed the process of stripping the gloves from the formers, the glove puller and stacker system is designed to remove the gloves that are dangling from the tip of the formers and subsequently releasing the gloves in the same position onto the conveyor, thereby stacking and arranging the gloves in a manner where they are ready for packing.

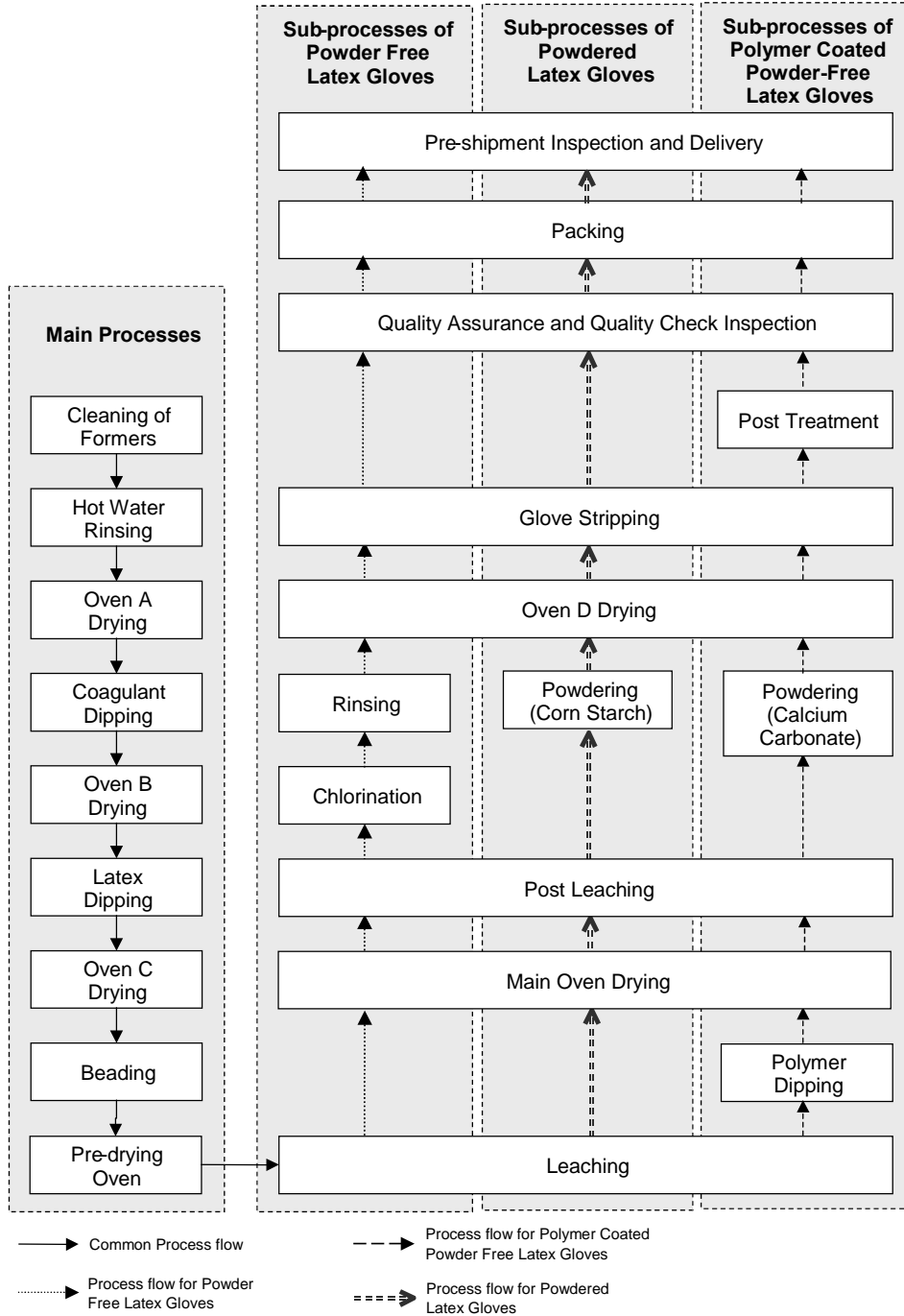
Normally, this process would require manual labour to strip the glove completely from the formers. The glove puller and stacker system is mechanically driven and consist of multiple gripping apparatus to grip and remove the gloves.

Additionally, the machine is designed with precision capabilities to drop the gloves into the same position on the conveyor to form a stack for packing. For quality control, the machine has a counter clock to keep track of the number of gloves for each stack.

5. INFORMATION ON OUR GROUP (Cont'd)

5.4.10 Manufacturing process

The process flow for our Group's manufacturing plants is set out in the diagram and commentary as follows:





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**5. INFORMATION ON OUR GROUP (Cont'd)**

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- (i) Incoming raw materials supplied by the suppliers are recorded and checked to make sure the materials comply with the orders before it is stored for usage in the production line.
- (ii) Formers, which are hand shaped moulds in the Latex Glove production line, are put through a cleaning process to make sure that there are no residues or dust left behind from the previous glove production cycle.
- (iii) The formers are then rinsed in hot water before being passed through Oven A for drying.
- (iv) Once the formers are clean and dry, they are dipped into liquid coagulant. The coagulant will facilitate in the coagulation of the latex in the following process in the production line.
- (v) The coated formers are then passed through Oven B for drying, forming an even and uniform deposit of coagulant.
- (vi) The formers are then dipped into liquid latex, creating a thin even film of latex or latex 'skin'. The coated coagulant on the formers helps to convert the liquid latex film into a wet-gel on the former.
- (vii) This is followed by the formers being passed through another drying process in Oven C to provide sufficient heat to firmly gel and solidify the latex 'skin' for the following production processes.
- (viii) Beading is then carried out on the formed latex 'skin' or gloves on the formers. Beading is a process whereby the rim at the open end of the formed latex gloves is rolled to strengthen the cuff of the Latex Gloves and to enable the gloves to be put on or donned easily.
- (ix) The formers proceed through another drying process in the Pre-drying Oven prior to the Leaching Process.
- (x) The formed gloves on the former are then passed through a Leaching Process. This process is whereby hot water is used to remove residue and excess additives on the newly formed gloves. The process also improves the physical properties of the gloves, such as its resistance to water absorption and provides aging.
- (xi) The Latex Gloves proceed to the Main Oven where vulcanisation and drying take place.
- (xii) Subsequently, the vulcanised gloves pass through the post Leaching Process to further reduce the protein and residual chemicals.

**Sub-Processes of Powder Free Latex Examination Gloves**

- (i) For the manufacture of Chlorinated Powder Free Latex Examination Gloves, the formed Latex Gloves are dried in the Main Oven following the leaching process. The formers then proceed through a post leaching process. This process washes away soluble latex proteins, latex film and other chemical residues from the dried gloves.
- (ii) The gloves on the formers then undergo a Chlorination Process. This process provides for a slippery effect on the surfaces of the Latex Gloves.
- (iii) The chlorinated gloves are then rinsed and passed through a blower before they are sent for final drying in Oven D.
- (iv) The formed gloves then proceeds to the Glove Stripping Process whereby the formed Latex Gloves are stripped from their mould or formers.

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**5. INFORMATION ON OUR GROUP (Cont'd)**

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- (v) The finished product goes through Quality Assurance and Quality Check Inspection before it is sent for packing.
- (vi) The packed gloves finally go through a Pre-Shipment Inspection before delivery or shipment to customers.

**Sub-Processes of Powdered Latex Examination Gloves**

- (i) Powdered Latex Gloves require a Powdering Process using Cornstarch following the Post Leaching Process. The powdering process provides a layer of lubricating material on the surfaces of the gloves to prevent the glove from sticking to the former and for easy donning.
- (ii) The powdered gloves are then sent for a final drying process in Oven D following this process.
- (iii) The formed gloves then proceeds to the Glove Stripping Process whereby the formed Latex Gloves are stripped from their mould or formers.
- (iv) The finished product goes through Quality Assurance and Quality Check Inspection before it is sent for packing.
- (v) The packed gloves finally go through a Pre-Shipment Inspection before delivery or shipment to customers.

**Sub-Processes of Polymer Coated Powder Free Latex Examination Gloves**

- (i) Polymer Coated Natural Rubber Gloves undergoes a separate process called polymer dipping prior to the drying of the polymer-dipped gloves in the Main Oven.
- (ii) Following the drying process in the Main Oven, the polymer-dipped gloves undergo a Post Leaching Process before a Powdering Process utilising Calcium Carbonate powder. Calcium Carbonate is used as a lubricant for the easy release of the gloves from the former.
- (iii) The gloves are then dried in Oven D before proceeding to the Glove Stripping Process whereby the formed latex gloves are stripped from their mould or formers.
- (iv) Subsequently, the Latex Gloves go through the Post Treatment Process to remove all Calcium Carbonate powder and mildly chlorinate the outside the gloves before going through Quality Assurance and Quality Check Inspection.
- (v) The gloves are then packed and ready for the Pre-Shipment Inspection before delivery or shipment to customers.

## 5. INFORMATION ON OUR GROUP (Cont'd)

### 5.4.11 Raw materials

Following are the major types of raw materials, finished products and other input materials purchased by our Group during the FYE 2007 and the 6 months FPE 30 September 2007

	FYE 2007				6 months FPE 30 September 2007			
	Value of Purchases (RM'000)	Proportion of Purchases (%)	Sources of Supply		Value of Purchases (%)	Proportion of Purchases (%)	Sources of Supply	
			Local (%)	Import # (%)			Local (%)	Import # (%)
<b>Raw materials for manufacturing operations</b>	<b>126,950</b>	<b>91.3</b>	<b>54.3</b>	<b>45.7</b>	<b>67,859</b>	<b>91.4</b>	<b>44.8</b>	<b>55.2</b>
Natural rubber latex	56,451	40.6	81.6	18.4	19,281	26.0	89.8	10.2
Nitrile latex	44,658	32.1	-	100.0	34,713	46.7	-	100.0
Chemicals <sup>^</sup>	16,738	12.0	82.4	17.6	8,822	11.9	91.5	8.5
Packaging	9,103	6.6	100.0	-	5,043	6.8	100.0	-
<b>Energy Fuel</b>	<b>11,667</b>	<b>8.4</b>	<b>100.0</b>	<b>-</b>	<b>6,163</b>	<b>8.3</b>	<b>100.0</b>	<b>-</b>
Biomass Waste, Fuel and Natural Gas	11,667	8.4	100.0	-	6,163	8.3	100.0	-
<b>Finished products for trading operations</b>	<b>404</b>	<b>0.3</b>	<b>-</b>	<b>100.0</b>	<b>251</b>	<b>0.3</b>	<b>-</b>	<b>100.0</b>
Vinyl Gloves	404	0.3	-	100.0	251	0.3	-	100.0
<b>Total purchases</b>	<b>139,021<sup>*</sup></b>	<b>100.0</b>	<b>28.0</b>	<b>72.0</b>	<b>74,273<sup>*</sup></b>	<b>100.00</b>	<b>26.0</b>	<b>74.0</b>

Notes:

<sup>^</sup> Includes polymer, cleaning agent acid, calcium nitrate/ salt, powder, pigment (yellow/blue) and direct chemicals

# Includes purchases from stockists

\* Our Group's total purchases of main raw materials, finished products and other input materials excluded electricity and other consumables

## 5. INFORMATION ON OUR GROUP (Cont'd)

### 5.4.12 Quality and control

Our Group places significant emphasis on product quality and adheres to stringent quality standards. This is reflected by the fact that, our subsidiaries, HSB and PAPL, are accredited with the following quality management systems by international bodies:

Company	Accreditation	Accreditation Body	Certificate Validity Period
HSB	ISO 13485:2003	TUV America Inc	1 April 2005 to 28 February 2008*
	EN ISO 13485:2003	TUV Product Service GmbH	9 August 2006 to 28 February 2008*
	ISO 9001:2000	TUV Management Service GmbH	9 August 2006 to 28 February 2008*
	Medical Devices Directive (MDD), Council Directive 93/42/EEC	TUV Product Service GmbH	8 August 2006 to 7 August 2011
	Certificate No. G 1070455298005 under Medical Devices Directive (MDD), Council Directive 93/42/EEC	TUV Product Service GmbH	5 April 2007 to 7 August 2011
	Approval certificate no. 2013 under SMG 2 <sup>nd</sup> revision (ISBN: 983-2088-03-8)	MRB	27 September 2007 to 26 September 2008
	Approval certificate no. 1010 under SMG 2 <sup>nd</sup> revision (ISBN: 983-2088-03-8)	MRB	28 September 2007 to 27 September 2008
PAPL	ISO 9001:2000	SAI Global	3 January 2006 to 2 January 2009

Note:

- \* As at 15 February 2008 (being the latest practicable date prior to the issuance of this Prospectus), the relevant accreditation bodies have conducted audit on HSB and HSB is currently awaiting the issuance of renewed certificates by the relevant accreditation bodies

Our Group has an experienced QA team to closely monitor our manufacturing processes. As such, proper implementation and compliance with quality control is reflected in the quality of our manufactured products.

Our Group adopts stringent QA approaches to ensure that certain quality standards are maintained internally:

- (i) Testing and evaluation analysis of incoming raw materials prior to the production;
- (ii) Conduct quality checks at each level of production process; and
- (iii) Conduct various testings and inspections on randomly selected finished products to ensure that they adhere to the standards in the respective countries of export.

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**5. INFORMATION ON OUR GROUP (Cont'd)**

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As at 15 February 2008, our Group has an experienced QA team of 133 personnel who are focused on ensuring the product quality meets the specification of our customers.

**5.4.13 R&D****(i) Our policies on R&D**

R&D plays an important role in creating and sustaining competitive advantages through the following:

- (a) Continuous improvements on existing products to ensure customer satisfaction;
- (b) Developing new products to address new areas of growth and opportunities; and
- (c) Continuous improvements in manufacturing processes to increase production output and efficiency.

Through R&D, our Group aims to realise the following benefits:

- (a) Sustain and grow the business through the development of new and improved products;
- (b) Increase revenue and profitability by increasing new market segments; and
- (c) Lower cost of production through improved manufacturing processes, optimal use of automation and machine integration.

**(ii) Our R&D facilities and personnel**

Our Group has the in-house R&D facilities to undertake activities including improvements in formulation, testing of the finished products and the level of protein content.

Our Group's R&D laboratory and testing equipment are as follows:

- (a) Auto-clave
- (b) Centrifuge
- (c) Electronic weighting scale
- (d) Fume cupboard
- (e) Micro plate reader
- (f) Moisture balance
- (g) Oven
- (h) Spectrophotometer
- (i) Tensile machine
- (j) Water-tight test machine
- (k) Air-tight test machine
- (l) R&D glove dipping robot

## 5. INFORMATION ON OUR GROUP (Cont'd)

Further, our Group has laboratory facilities that carry out several functions, which are categorised as follows:

Facilities	Functions
Main testing laboratory	<ul style="list-style-type: none"> <li>• Material evaluation and testing;</li> <li>• Formulation improvement and development;</li> <li>• Laboratory simulation of process improvement;</li> <li>• Verification and validation testing to confirm conformance to regulatory and customer requirements; and</li> <li>• Cost improvement activities.</li> </ul>
Physical properties testing and conditioning laboratory	<ul style="list-style-type: none"> <li>• Testing of physical properties; and</li> <li>• Stress retention testing to comply with the minimum standards and requirements of the industry.</li> </ul>
Protein and microbiological laboratory	<ul style="list-style-type: none"> <li>• Protein testing, moisture testing and microbiological testing, to determine the compliance with the standards required particularly for Examination Gloves in the medical industry.</li> </ul>

Our Group commenced simulation of the glove dipping process using our R&D glove dipping robot in the FYE 2007. The main objective of the R&D glove dipping robot is to develop samples on new products and reduce manpower. The R&D robot may be used for:

- (a) carrying out simulation on various input parameters for each processes;
- (b) high robotic movement precision which allows the simulation to achieve accurate results; and
- (c) eliminating human test errors as it is fully automatic.

As at 15 February 2008, we have 7 R&D personnel. Our R&D division is headed by Mr Kuan Eu Jin, who has approximately 14 years of experience in the Latex Gloves industry.

### (iii) Our achievements in R&D

Our Group has successfully developed and commercialised our in-house manufactured products and is currently reflected in our products portfolio.

Our achievement in R&D includes:

- (a) Developed and commercialised a range of Latex Gloves with different features and characteristics.

## 5. INFORMATION ON OUR GROUP *(Cont'd)*

- (b) Developed a range of latex compounds including natural rubber and synthetic latex for in-house production of Latex Gloves.

Compounding is the process of formulation of various additives with latex to provide the desired specifications.

- (c) Implemented various process improvements including automation which are then integrated into our production lines. Some of the improvements implemented are:

- Programmable logic controller is a programmable system whereby the production lines are controlled by a centralised computer which enables us to have better control on the entire production processes to maintain consistency in the quality of our final products;
- Online monitoring system that runs on SCADA computer system is used to monitor the production parameters of the entire production lines which allows real time monitoring so that a problem can be rectified immediately when an error occurs;
- Robotic glove stripping system, which minimises the need for product handling and reducing the level of defects from manual stripping. Currently, our Group utilises the pressure of compressed air to strip the gloves from the formers;
- Online bar coding tracking system that enables our Group to monitor and track the products. Information that is stored in the barcode includes production time and date, sources of production line, and quality control data;
- Our Group is currently using double former dipping line which was created by our Group's R&D. The double former dipping lines allow our Group to double our capacity on a single production line compared to single former dipping line, which is the industry standard; and
- In addition, our Group has also installed a glove puller and stacker system, which is designed to remove the gloves that are dangling from the tip of the formers and subsequently releasing the gloves in the same position onto the conveyor, thereby stacking and arranging the gloves in a manner where they are ready for packing.

As the designs of the double former dipping lines, the robotic glove stripping system and the glove puller and stacker system are proprietary to our Group, patents have been filed under our subsidiary, SEMSB.

- (d) Achieving beyond the minimum Acceptable Quality Level (AQL).

The standard practice for sampling the Examination Glove and Surgical Glove based on AQL is set by the ASTM. Quality of Examination Glove and Surgical Glove based on AQL level is regulated by the FDA whereby the acceptance criteria are mainly based on inspection of visual defects and water leak test.

According to the FDA, as manufacturing capabilities improve, the minimum AQL are consistently reviewed and revised at a lower acceptance level hence the quality standard becomes more stringent.

## 5. INFORMATION ON OUR GROUP (Cont'd)

Our Group outperforms the AQL level benchmarks set by both the FDA and ASTM, which are as follows:

	Minimum AQL Benchmark Level		Our Group's AQL Level*
	FDA	ASTM	
Examination Gloves	4.0	2.5	1.5
Surgical Gloves	2.5	1.5	1.0

Note:

\* AQL level is in percentage of defects at a given number of samples, hence lower AQL level shows a lesser number of defects

### (iv) On-going R&D

Our Group is committed to undertake continuous process improvements particularly in enhancing our manufacturing processes such as, increase automation, modifying existing processes to increase output and increase costs savings by effectively using bio-waste as fuel and heating purposes. This is critical as it has direct impact on manufacturing efficiency, effectiveness and productivity which provides the following advantages to our Group:

- Improve cost competitiveness;
- Increase output; and
- Improvements in product quality.

The R&D activities on our Group's manufacturing processes are continuous and improvements will be implemented on an on-going basis.

Some of the quantifiable achievements in productivity and cost savings as a result of our Group's improvements in manufacturing and operation processes including automation systems are as follows:

Processes/ Automation Systems	Our Group	Conventional
Improvements in the design of the former dipping lines	30,000 pieces per machine/hour for our Group's double former dipping lines	13,000 pieces per machine/hour for single former dipping lines
Automation in the glove stripping process	7,500 pieces per machine/hour for our Group's robotic glove stripping system	1,500 pieces per man/hour for manual glove stripping

With the use of the 3 units of biomass heaters and natural gas as alternative to diesel and MFO for heating purpose, our Group has been able to achieve energy cost savings.



## 5. INFORMATION ON OUR GROUP (Cont'd)

### (v) R&D in future

Our Group is currently undertaking R&D activities, all of which are expected to be completed by the FYE 2009, to develop a range of new products, which include:

#### (a) Polyisoprene Surgical Gloves

Our Group plans to undertake R&D activities to develop a new range of synthetic Surgical Gloves namely Polyisoprene Surgical Gloves. Polyisoprene has characteristics that are similar to natural rubber such as strength, puncture resistance and comfort fit but does not contain any proteins like natural rubber.

#### (b) Accelerator free Nitrile Gloves

Our Group plans to develop accelerator free Nitrile Gloves for use in medical, dental and industrial applications.

The intention of producing Nitrile Gloves that are free of accelerators is to eliminate the chemical allergic reactions and concerns associated with using accelerators. Furthermore, Nitrile Gloves do not contain proteins like natural rubber.

#### (c) Industrial nitrile unsupported gloves

Our Group plans to develop customised industrial nitrile unsupported gloves. Nitrile unsupported gloves are aimed at providing protection against abrasion, puncture, cut or snag, as well as resistance against chemicals and solvents.

We believe that there are opportunities to provide customised Latex Gloves depending on the applications and specifications of customers.

### (vi) R&D expenditure

Our Group's R&D expenditure for the past 3 FYE 2005 to 2007 and the 6 months FPE 30 September 2007 are as follows:

	FYE			6 months FPE 30 September
	2005 RM'000	2006 RM'000	2007 RM'000	2007 RM'000
R&D capital expenses	1,048	1,077	177	83
R&D operating expenses	204	194	185	152
<b>Total R&amp;D expenses</b>	<b>1,252</b>	<b>1,271</b>	<b>362</b>	<b>235</b>
Revenue	109,579	160,275	240,915	137,563
<b>Total R&amp;D as a proportion of total revenue (%)</b>	<b>1.1</b>	<b>0.8</b>	<b>0.2</b>	<b>0.2</b>

## 5. INFORMATION ON OUR GROUP *(Cont'd)*

### 5.4.14 Intellectual property rights

#### (i) Brand names

Being mainly an OEM, our Group is also an original brand manufacturer of Latex Examination Gloves, which are marketed under our own brand names as follows:

Brand Names	Type of Products
Pharmatex	<ul style="list-style-type: none"> <li>• Natural rubber powder free polymer coated Examination Gloves</li> <li>• Natural rubber powdered Examination Gloves</li> <li>• Nitrile powder free Examination Gloves</li> </ul>
Innova	<ul style="list-style-type: none"> <li>• Natural rubber powder free polymer coated Examination Gloves</li> <li>• Nitrile powder free Examination Gloves</li> </ul>
CRAFT	<ul style="list-style-type: none"> <li>• Natural rubber powdered Examination Gloves</li> </ul>
Elastik	<ul style="list-style-type: none"> <li>• Nitrile powder free Examination Gloves (high stress)</li> </ul>
LowPro <sup>^</sup>	<ul style="list-style-type: none"> <li>• Latex Gloves</li> </ul>
Bio-flex <sup>*</sup>	<ul style="list-style-type: none"> <li>• Natural rubber powdered Examination Gloves and natural rubber powder free polymer coated Examination Gloves</li> </ul>

Notes:

\* Only allowed to be sold outside of the USA

<sup>^</sup> Have not started selling any products under this brand name

Our Group manufactures third party brands or principals' brands based on customers' specifications and requirements under *inter-alia*, the brand names of "Sensicare", "Evolution One", "Diamond Grip", "Synetron", "Verte" and "Freeform".

For the 6 months FPE 30 September 2007, revenue for the manufacturing of third party or principals' brands accounted for 94.9% of our Group's total revenue (FYE 2007: 95.6%) and the remainder 5.1% (FYE 2007: 4.4%) is contributed by our Group's own brands.

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## 5. INFORMATION ON OUR GROUP (Cont'd)

### (ii) Patents and patent licence agreement

#### Patents

Our Group has filed patents with the authorities for the following machinery and systems, and processes:

Technology	Country	Patent application No.	Invention
Double Former Dipping Line	Malaysia	PI 2004 2773	The arrangement and method of assembling former holders
	Patent Corporation Treaty ("PCT")*	PCT/SG2005/000227	
	China	2005 80030535.2	
	India	1084/DeINP/2007	
	Indonesia	WOO 2007 00424	
	Vietnam	1-2007-00307	
Robotic Glove Stripping System	Malaysia	PI 2005 4989	Glove Remover
Glove Puller and Stacker System	Malaysia	PI 2006 4405	Glove Singulator
	Thailand	0701004109	

Note:

\* Patent Cooperation Treaty (PCT) allows filing of "international" patent application to protect an invention simultaneously in several countries. As at 1 October 2006, there were 133 countries that adhered to the PCT

#### Patent licence agreement

In the FYE 2005, our Group has, together with Microflex Corporation, USA, our major customer, successfully developed and commercialised a range of Nitrile Gloves that replicates the natural elastic properties of natural rubber gloves namely, elastic high stress retention Nitrile Examination Gloves. Microflex Corporation has been awarded and received the US Patent RE 7,176,260 for this type of Nitrile Gloves.

A patent licence agreement was entered into by our wholly owned subsidiary, HSB, with Microflex Corporation on 20 June 2007 wherein Microflex Corporation agreed to grant to HSB the exclusive rights to make, use, distribute, sell and offer to sell this type of Nitrile Gloves to distributors, whose business is primarily in the acute healthcare market, with the express written consent of Microflex Corporation and/or its affiliates, the right to use, distribute and sell such Nitrile Gloves purchased from HSB ("Agreement").

The salient terms of the Agreement are as follows:

- (a) The licence granted to HSB under the Agreement shall be effective for the term of the licenced patent beginning on 20 June 2007 (being the effective date of the Agreement) or for 5 years from 20 June 2007, whichever period is longer;
- (b) HSB shall pay Microflex Corporation royalties at the rate of USD0.60 per 1,000 gloves for customers approved through the date hereinabove written. Thereafter the parties will mutually agree upon the royalty to be paid;

## 5. INFORMATION ON OUR GROUP (Cont'd)

- (c) The Agreement may be terminated by either party in the event the other party materially breaches this Agreement (including non-payment of any amount when due and failure of HSB to produce gloves within the scope of the licenced patent), which breach is not remedied within 30 days after written notice of such breach has been delivered to the defaulting party; and
- (d) Microflex Corporation and HSB agree that Microflex Corporation shall not licence third parties the right to make and sell the Licenced Products (as therein defined) without prior agreement from HSB, which approval shall not be unreasonably withheld. The parties agree that such agreement will include a mutually agreeable royalty shared between Microflex Corporation and HSB. Microflex Corporation reserves the right to manufacture products for its own inventory at any facility it chooses.

### (iii) Trademarks

Our Group has the following trademarks as stated below:

Trademark	Countries	Trade mark No.	Next Renewal Date	Class	Description of Goods under Trademark
BIO-FLEX	Mexico	196358	15 Apr 2014	10	Latex examination and surgical gloves
LOWPRO	Japan	4009382	6 Jun 2017	10	Gloves for medical purposes
PHARMATEX	Germany	2053432	31 Oct 2012	10	Surgical gloves and latex examination gloves
	Italy	F192C/868	3 Nov 2012	10	Gloves for medical and surgical use
	Japan	4002777	23 May 2017	10	Gloves for medical purposes
	Switzerland	401.364	29 Oct 2012	10	Gloves for surgical and medical purposes including latex examination gloves
	Australia	969344	9 Sept 2013	10	Medical Examination Gloves
	New Zealand	701187	9 Sept 2013	10	Medical Examination Gloves
ELASTIK	European Community	5203823	30 June 2016	10	Dental apparatus; gloves for massage; gloves for medical purposes; surgical apparatus and instruments

## 5. INFORMATION ON OUR GROUP (Cont'd)

In addition, our Group has submitted applications for the following trademarks, which are still pending approval:

Trademark	Countries	Class	Description of Goods under Trademark
INNOVA	Malaysia	10	Disposable examination gloves; disposable protective gloves for medical purposes; gloves for massage; gloves for dental use; gloves for medical use; etc
PHARMATEX	Malaysia	10	Disposable examination gloves; disposable protective gloves for medical purposes; gloves for massage; gloves for dental use; gloves for medical use; etc
A device shaped like a Globe (our logo)	Malaysia	10	Disposable examination gloves; disposable protective gloves for medical purposes; gloves for massage; gloves for dental use; gloves for medical use; etc

### (iv) Other intellectual property rights

Save as disclosed above, our Group does not have any other licences, franchises or technical assistance agreements in relation to intellectual property rights.

#### 5.4.15 Interruptions in business

Our Group has not experienced any material disruption in our operations that had a significant effect on our operations/ revenue for the past 12 months prior to the date of this Prospectus.

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## 5. INFORMATION ON OUR GROUP (Cont'd)

### 5.4.16 Achievements, accreditations and awards

Throughout the history of our Group's business operations, our subsidiary, HSB has attained recognition for its business success and achievements as follows:

Year	Recognition
1998	Enterprise 50 Award jointly organised by Andersen Consulting and the MITI.
2005	Commodity Industry Award (National Level) for the Factory Category by the Ministry of Plantation and Commodities.  Rubber Industry Award for Innovative and Large Factory categories by the MRB  Selangor Export Excellence Award 2005 awarded by the Selangor Industry Awards
2007	Selangor Industry Awards and Investors' Appreciation 2007 awarded by the Selangor Industry Awards

Our Group also places significant emphasis on product quality and ensures compliance with the stringent quality standards. This is reflected by the fact that HSB and PAPL, our subsidiaries have been accredited with the quality management systems by international bodies as set out in Section 5.4.12 of this Prospectus.

### 5.4.17 Corporate Social Responsibility ("CSR")

Our Group has undertaken the following CSR projects:

#### (i) Community Improvement Projects

To-date, our Group has contributed approximately RM1.0 million to the local community through annual charity drives and donations to orphanages, retirement homes, the poor and needy. Our Group have also built recreational parks for neighbouring residents and contributed to schools for upgrading and maintenance works. During the Asian tsunami disaster, our Group has donated gloves to Sri Lanka, Mercy Malaysia and Mercy Relief Singapore for disaster relief work.

#### (ii) Environmental preservation

##### (a) Wastewater treatment plants

Our Group has made significant investments in wastewater treatment plants to ensure that waste water discharged from our facilities are well within the applicable environmental standards. Treated water from the treatment plants are regularly sent to independent third parties for testing to ensure that the discharged water is adequately treated.

##### (b) Biomass heaters

Our biomass heaters use bio-wastes such as empty fruit bunches and palm kernel shells as fuel for heating purposes. Since these sources are renewable, our biomass heaters are considered to be environmentally friendly. Emissions from these biomass heaters fully complied with the requirements of the DOE.

## 5. INFORMATION ON OUR GROUP (Cont'd)

### 5.5 Major customers

Save for the following, there are no other major customers, who have contributed 10% or more to our Group's turnover for the FYE 2005, 2006 and 2007 and the 6 months FPE 30 September 2007:

Customer	Length of relationship (years)	Level of Sales					
		< ----- FYE ----- >					
		2005		2006		2007	
		RM'000	%	RM'000	%	RM'000	%
Microflex Corporation	19	68,134	62.2	85,842	53.6	100,635	41.8
Medline Industries, Inc	2	-	-	8,859	5.5	41,630	17.3

Customer	Length of relationship (years)	Level of Sales	
		6 months FPE 30 September 2007	
		RM'000	%
Microflex Corporation	19	39,045	28.4
Medline Industries, Inc	2	28,609	20.8

Our Group's business is dependent on Microflex Corporation and Medine Industries, Inc. from the USA, by virtue of their respective contribution of 28.4% and 20.8% to our Group's total revenue for the 6 months FPE 30 September 2007 (FYE 2007: 41.8% and 17.3% respectively). However, the following factors help to mitigate our Group's dependency:

#### Microflex Corporation

- (i) Microflex Corporation has been our customer for 19 years, indicating a long-term and stable business relationship which provides the basis for continuing business and growth;
- (ii) Microflex Corporation is one of the established companies in the marketing and distribution of Latex Gloves in the USA. Its distribution network covers both the USA and overseas. Microflex Corporation's international division has approximately 105 distributors spread across 40 countries. The extensive distribution network of Microflex Corporation would enable our Group to access a wider customer base without the need to invest and establish a distribution network, warehousing and logistics;
- (iii) Between FYE 2005 and 2007, we have been reducing our dependency on Microflex Corporation as a customer from 62.2% to 41.8% in terms of revenue contribution while our Group's revenue has continued to grow from RM109.6 million to RM240.9 million. In the 6 months FPE 30 September 2007, our dependency on Microflex Corporation as a customer further reduced from 41.8% for the FYE 2007 to 28.4%;

## 5. INFORMATION ON OUR GROUP (Cont'd)

- (iv) Despite the growth in revenue from Microflex Corporation as a customer, the revenue contribution from Microflex Corporation in proportion to our Group's revenue has been reducing over the last 3 financial years and the 6 months FPE 30 September 2007, as follows:

	FYE 2005	FYE 2006	FYE 2007	6 months FPE 30 September 2007
Revenue (RM'000)	109,579	160,275	240,915	137,563
% of total sales to Microflex Corporation	62.2	53.6	41.8	28.4

This is an indication of our Group's ability to increase our revenue from other customers but at the same time reduce our dependency on Microflex Corporation;

- (v) According to our Management, our Group supplies approximately 40% of the total requirements of Microflex Corporation. The ability of our Group to meet a substantial amount of Microflex Corporation's total requirements also creates a dependency by Microflex Corporation on our Group. As such, this business relationship creates a certain level of dependency on our Group;
- (vi) Nevertheless, throughout the years of business relationship, our Group has formed a close and stable relationship with Microflex Corporation including joint R&D on new products as demonstrated in the elastic high stress retention Nitrile Examination Gloves; and
- (vii) The joint development in elastic high stress retention Nitrile Examination Gloves has resulted in the filing of a patent by Microflex Corporation, whereby Microflex Corporation has been awarded and received the US Patent 7,176,260. Our Group, as the exclusive licenced manufacturer of the product, had on 20 June 2007 entered into an exclusive patent licence agreement with Microflex Corporation for the rights to manufacture this type of Nitrile Gloves for the duration of the patent, and the exclusive licence to sell this type of Nitrile Gloves to distributors, whose business is primarily in the acute healthcare market.

### Medline Industries, Inc

- (i) Medline Industries, Inc has been our customer for 2 years. Further, as set out in the table below, the revenue contribution from Medline Industries, Inc has continued to grow from 5.5% in the FYE 2006 to 20.8% in the 6 months FPE 30 September 2007. This is an indication of a continuing business relationship between our Group and Medline Industries, Inc:

	FYE 2005	FYE 2006	FYE 2007	6 months FPE 30 September 2007
Revenue (RM'000)	109,579	160,275	240,915	137,563
% of total sales to Medline Industries, Inc	-	5.5	17.3	20.8

; and



## 5. INFORMATION ON OUR GROUP (Cont'd)

- (ii) Medline Industries, Inc. manufactures and distributes more than 100,000 medical products with 7 manufacturing facilities in North America and more than 25 joint-venture manufacturing plants worldwide. The company has 29 distribution centers to service their health care customers such as hospitals, care facilities, surgery centers, commercial laundries, physician offices and others. This extensive distribution network of Medline Industries, Inc would enable our Group to access a wider customer base without the need to invest and establish a distribution network, warehousing and logistics.

Further, the following factors also help our Group in mitigating our dependency on our major customers:

- (i) Part of our Group's philosophy has always been focusing on nurturing and building strong long-term business relationships with our customers. In the 6 months FPE 30 September 2007, 9 of our top 20 customers have been dealing with our Group for more than 5 years or more (FYE 2007: 10 of our top 20 customers) and 6 out of our top 20 customers have been dealing with our Group for 8 or more years (FYE: 6 of our top 20 customers); and
- (ii) For the 6 months FPE 30 September 2007, our Group has developed a base of 885 customers (FYE 2007: 981) spread across 18 countries, including Malaysia (FYE 2007: 24 countries). Of these, 53 are brand owners and intermediaries (FYE 2007: 56), 818 are end-user customers (FYE 2007: 911) namely, dental clinics and physicians' offices, and 14 are distributors for products under our own brand names (FYE 2007: 14). The diversity and established number of customers would provide our Group with the platform for future business growth.

### 5.6 Major suppliers

Save for the following, there are no other major suppliers who have contributed 10% or more to our Group's purchases for the FYE 2005, 2006 and 2007 and the 6 months FPE 30 September 2007:

Customer/ (Supplies)	Length of relationship (year)	Level of Purchases					
		←-----FYE----->					
		2005		2006		2007	
		RM'000	%	RM'000	%	RM'000	%
Alcan Far East Pte. Ltd, Singapore (Natural rubber latex)	3	-	-	11,682	13.8	10,397	8.2
Nantex Industry Co. Ltd. Taiwan (Nitrile latex)	4	1,054	1.9	10,616	12.5	18,842	14.8
Revertex (M) Sdn Bhd (Natural rubber latex and chemicals)	19	9,421	17.0	9,610	11.4	2,047	1.6
ED & F MAN Malaysia Sdn Bhd <i>(formerly known as Safic-Alcan (Malaysia) Sdn Bhd)</i> (Natural rubber latex)	13	-	-	-	-	27,189	21.4
Zeon Asia Pte Ltd, Singapore (Nitrile latex)	10	8,141	14.7	7,693	9.1	16,236	12.8

## 5. INFORMATION ON OUR GROUP (Cont'd)

Customer/ (Supplies)	Length of relationship (year)	Level of Purchases	
		6 months FPE 30 September 2007	
		RM'000	%
Alcan Far East Pte. Ltd, Singapore (Natural rubber latex)	3	1,962	2.9
Nantex Industry Co. Ltd, Taiwan (Nitrile latex)	4	13,205	19.5
Revertex (M) Sdn Bhd (Natural rubber latex and chemicals)	19	9,299	13.7
ED & F MAN Malaysia Sdn Bhd <i>(formerly known as Safic-Alcan (Malaysia) Sdn Bhd)</i> (Natural rubber latex)	13	6,631	9.8
Zeon Asia Pte Ltd, Singapore (Nitrile latex)	10	15,931	23.5

However, the following factors help to mitigate our Group's dependency:

### Top suppliers of natural rubber latex

- (i) Our Group has been dealing with ED & F MAN Malaysia Sdn Bhd *(formerly known as Safic-Alcan (Malaysia) Sdn Bhd)* and Revertex (M) Sdn Bhd for the last 13 years and 19 years respectively. This continuing business relationship will provide some form of basis for the supply of natural rubber latex;
- (ii) As natural rubber latex is a commodity item, these materials can be sourced from other suppliers, locally and overseas. Furthermore, buying a significant proportion from the same supplier can enable our Group to obtain benefits of volume discount;
- (iii) In addition, our Group also deals with 3 other natural rubber latex suppliers within the top 20 suppliers for 6 months FPE 30 September 2007 (FYE 2007: 3), indicating that there are alternative suppliers that are currently able to meet our Group's requirements; and
- (iv) As for the availability of natural rubber latex, there is ample source of supply from local production and imports.

### Top suppliers of nitrile latex

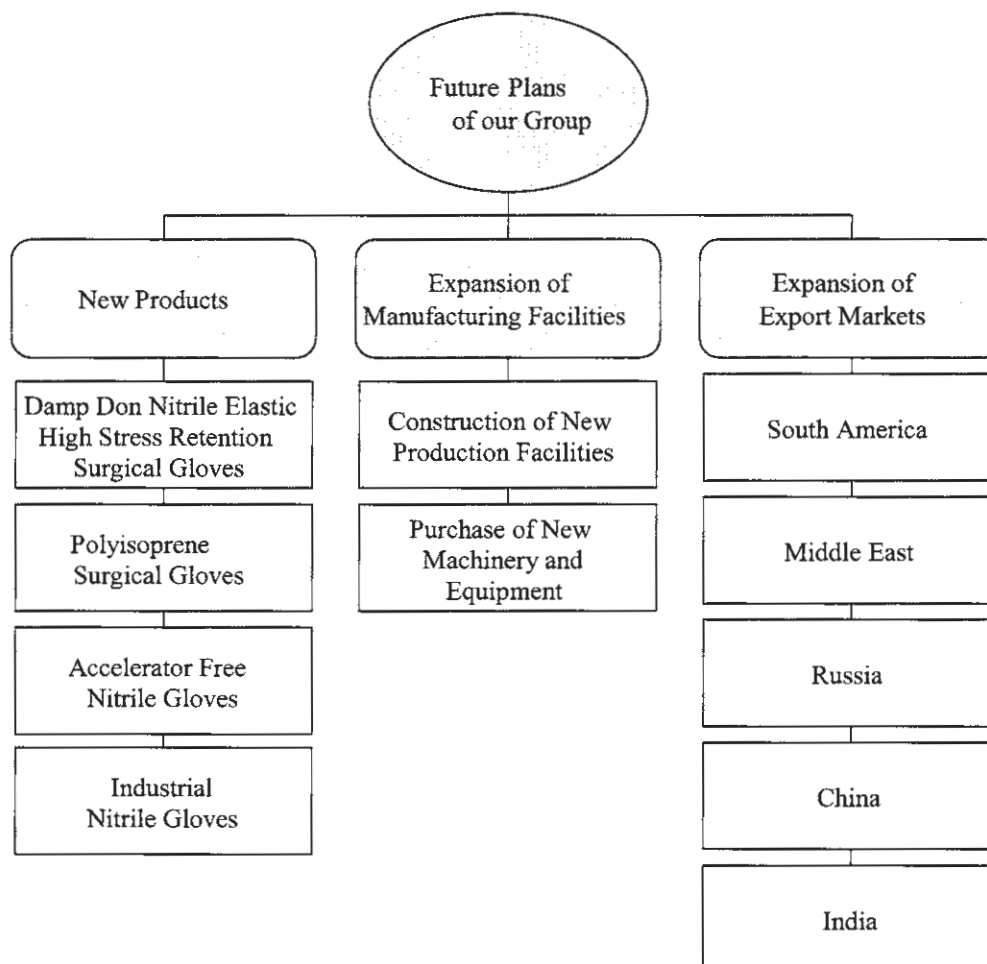
- (i) The top suppliers of nitrile latex, Zeon Asia Pte Ltd from Singapore and Nantex Industry Co. Ltd. from Taiwan, have been dealing with our Group for the last 10 years and 4 years respectively. This reinforces the suppliers' continuing business relationships with our Group;
- (ii) For the 6 months FPE 30 September 2007, our Group also sources nitrile latex from 2 other suppliers within the top 20 suppliers (FYE 2007: 2), indicating that there are alternative suppliers that are currently able to meet our Group's requirements; and
- (iii) As for availability in supply of nitrile latex, there are ample sources overseas. In Malaysia, there is one synthetic latex plant that started operations in 2003. However most of the synthetic latex used is primarily imported from a number of overseas suppliers.

## 5. INFORMATION ON OUR GROUP (Cont'd)

### 5.7 Future plans and prospects

#### 5.7.1 Future plans

The future plans of our Group are focused in 3 key areas as depicted in the diagram below:



#### (i) New products

In 2006, our Group has successfully completed R&D on developing the damp don nitrile elastic high stress retention Surgical Gloves, which is intended to be commercialised in the FYE 2009.

Further, our Group is currently undertaking R&D, all of which are expected to be completed by the FYE 2009, to develop a range of new products which includes:

- (a) Polyisoprene Surgical Gloves;
- (b) Accelerator free Nitrile Gloves; and
- (c) Industrial nitrile unsupported gloves.

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**5. INFORMATION ON OUR GROUP (Cont'd)**

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The introduction of new products that cater for different needs of users and markets is important to ensure sustainable business growth. As such, we have continuously worked with our customers and conduct market surveys to identify opportunities where we can develop new products that can address the needs and problems faced by the users or markets, such as, natural rubber protein allergy and accelerator allergy. In this respect, we have developed new products with the needs of our targeted customers in mind and at the same time ensuring that these products will be competitively priced.

Refer to Section 5.4.13 (v) of this Prospectus for further details of these products.

**(ii) Expansion on manufacturing facilities****(a) Construction of new production facilities**

As part of our expansion plans, we are currently setting up the proposed 4<sup>th</sup> Plant and envisage to commence the construction of the proposed 5<sup>th</sup> Plant on the land adjacent to our present factory at Batang Berjuntai to address areas of growth and opportunities in the expansion of export markets and the production of new products. These additional manufacturing plants are expected to be fully operational by the FYE 2009 and FYE 2010 respectively.

**(b) Purchase of new machinery and equipment**

We are currently installing 10 new production lines in the proposed 4<sup>th</sup> Plant, which will be fully operational by the FYE 2009. The proposed 4<sup>th</sup> Plant will provide us with an additional capacity of approximately 2.9 billion pieces of gloves per year.

In July 2008, we will be commencing the construction of a proposed 5<sup>th</sup> Plant, which will be fully operational by the FYE 2010. We will install 10 new production lines in the proposed 5<sup>th</sup> Plant. The proposed 5<sup>th</sup> Plant will provide us with an additional capacity of approximately 3.1 billion pieces of gloves per year.

In total, the 20 new production lines from the proposed 4<sup>th</sup> and the 5<sup>th</sup> Plants will provide our Group with an additional capacity of approximately 6.0 billion pieces of gloves per year or approximately 182% additional capacity from our present capacity of approximately 3.3 billion pieces of gloves.

Some of the new machinery and equipment that we intend to purchase are:

- Production lines;
- Chillers;
- River water treatment plant;
- Waste water treatment plant;
- Air compressor; and
- Cooling towers.

The above new machinery and equipment were purchased and/or shall be purchased between FYE 2007 and FYE 2010.

The new machinery and equipment will allow our Group to produce various types of gloves to cater for the demand of our customers in the future.

## 5. INFORMATION ON OUR GROUP (Cont'd)

### (iii) Expansion of export markets

Part of our Group's future plans is to focus on expanding into other overseas markets including:

- (a) South America; and
- (b) Middle East.

In addition, we will also be targeting new markets in the FYE 2009 such as:

- (a) Russia;
- (b) China; and
- (c) India.

Although our Group is already making small inroads into Brazil and Iran, we intend to focus our marketing efforts in these markets with the aim of increasing the revenue generated from exports to these countries.

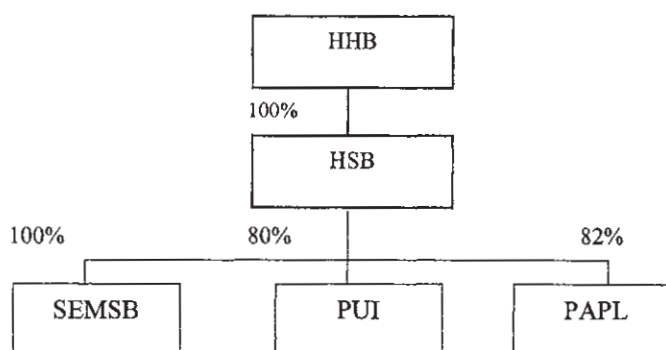
For overseas markets, we intend to utilise indirect distribution strategies through intermediaries such as trading houses, distributors and importers of Latex Gloves. This strategy of expansion will focus on utilising the existing network of intermediaries to expand our market coverage without the need for significant investments in setting-up sales and marketing offices and logistics.

### 5.7.2 Prospects of our Group

The prospects of our Group are **favourable**. This is in light of the outlook of the Latex Gloves industry and the prospects and future growth of the industry as set out in Sections 4.5 and 4.12 of this Prospectus respectively.

### 5.8 Subsidiaries

The following chart depicts our present Group's structure:



## 5. INFORMATION ON OUR GROUP (Cont'd)

Companies	Principal activities
HHB	Investment holding
HSB	Manufacturing of Latex Gloves
SEMSB	Automation systems R&D and leasing of property
PUI	Marketing of Latex Gloves
PAPL	Marketing of Latex Gloves and trading of Vinyl Gloves

### 5.8.1 HSB

#### (i) History and business

HSB was incorporated as a private limited company in Malaysia on 12 September 1981 under the Act and commenced operations in the FYE 1989. HSB is principally involved in the manufacturing of Latex Gloves. On 7 May 2007, HSB became our wholly owned subsidiary.

#### (ii) Share capital

HSB has an authorised share capital of RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each, of which RM15,681,997 have been issued and fully paid-up.

The changes in the issued and paid-up share capital of HSB since its incorporation are as follows:

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration	Cumulative issued and paid-up share capital (RM)
12.09.1981	3	Cash	3
14.11.1987	1	Cash	4
14.03.1988	299,996	Cash	300,000
20.08.1991	396,000	Bonus issue on the basis of approximately 1.32 new bonus shares for every one (1) ordinary share held via capitalisation of reserves	696,000
23.08.1991	174,000	Cash	870,000
12.06.1992	1,566,000	Bonus issue on the basis of approximately 1.80 new bonus shares for every one (1) ordinary share held via capitalisation of reserves	2,436,000
Between 05.10.1994 and 18.10.1994	1,792,895	Cash	4,228,895
23.11.1994	45,000	Cash	4,273,895
27.03.1996	110,904	Cash	4,384,799



## 5. INFORMATION ON OUR GROUP (Cont'd)

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration	Cumulative issued and paid-up share capital (RM)
Between 11.07.1997 and 26.07.1997	6,577,198	Cash	10,961,997
04.04.2005	4,720,000	Cash	15,681,997

As at 15 February 2008 (being the latest practicable date prior to the issuance of this Prospectus), there are no outstanding warrants, options, convertible securities or uncalled capital in HSB.

### (iii) Substantial shareholder

We are the holding company of HSB, holding 100% equity interest therein.

### (iv) Subsidiary

As at 15 February 2008 (being the latest practicable date prior to the issuance of this Prospectus), the subsidiaries of HSB are as follows:

Company	Date/ place of incorporation	Issued and paid-up share capital RM (unless otherwise stated)	Effective equity interest (%)	Principal activities
SEMSB	28.09.1987/ Malaysia	1,000	100	Automation systems R&D and leasing of property
PUI	11.02.2003/ USA	USD250,000	80	Marketing of Latex Gloves
PAPL	02.09.1996/ Australia	AUD70,001	82	Marketing of Latex Gloves and trading of Vinyl Gloves

HSB does not have any associated company.

### 5.8.2 SEMSB

#### (i) History and business

SEMSB was incorporated as a private limited company in Malaysia on 28 September 1987 under the Act and commenced operations in April 2000. SEMSB is principally involved in the automation systems R&D and leasing of property.

## 5. INFORMATION ON OUR GROUP (Cont'd)

### (ii) Share capital

SEMSB has an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which RM1,000 have been issued and fully paid-up.

The changes in the issued and paid-up share capital of SEMSB since its incorporation are as follows:

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration	Cumulative issued and paid-up share capital (RM)
28.09.1987	2	Subscribers' shares	2
26.02.1999	998	Cash	1,000

As at 15 February 2008 (being the latest practicable date prior to the issuance of this Prospectus), there are no outstanding warrants, options, convertible securities or uncalled capital in SEMSB.

### (iii) Substantial shareholder

SEMSB is a wholly owned subsidiary of HSB, which in turn is our wholly owned subsidiary.

### (iv) Subsidiary

As at 15 February 2008 (being the latest practicable date prior to the issuance of this Prospectus), SEMSB does not have any subsidiary or associated company.

## 5.8.3 PUI

### (i) History and business

PUI was incorporated on 11 February 2003 in the State of California, USA as a private limited liability company. PUI is principally involved in the marketing of Latex Gloves. PUI commenced its operations in May 2003.

### (ii) Share capital

PUI has a stockholders' equity of 250,000 common stock of USD1.00 each, of which all have been issued and fully paid-up.

The changes in the issued and paid-up share capital of PUI since its incorporation are as follows:

Date of allotment	No. of common stock of USD1.00 each allotted	Consideration	Cumulative stockholders' equity (USD)
26.03.2003	10,000	Cash	10,000
01.07.2003	240,000	Cash	250,000



## 5. INFORMATION ON OUR GROUP (Cont'd)

As at 15 February 2008 (being the latest practicable date prior to the issuance of this Prospectus), there are no outstanding warrants, options, convertible securities or uncalled capital in PUI.

### (iii) Substantial shareholder

The substantial shareholders of PUI and their shareholdings as at 15 February 2008 (being the latest practicable date prior to the issuance of this Prospectus) are as follows:

	Direct		Indirect	
	No. of common stock	%	No. of common stock	%
HSB*	200,000	80.00	-	-
I. Gregory Pak	50,000	20.00	-	-

Note:

\* HSB is our wholly owned subsidiary

### (iv) Subsidiary

As at 15 February 2008 (being the latest practicable date prior to the issuance of this Prospectus), PUI does not have any subsidiary or associated company.

## 5.8.4 PAPL

### (i) History and business

PAPL was incorporated on 2 September 1996 in Australia as a private limited company under the same name. PAPL is principally involved in the marketing of Latex Gloves and trading of Vinyl Gloves. PAPL commenced operations in April 2001.

### (ii) Share capital

PAPL has a contributed capital of AUD70,001.

The changes in the issued and paid-up share capital of PAPL since its incorporation are as follows:

Date of allotment	No. of ordinary shares allotted	Consideration	Cumulative issued and paid-up share capital (AUD)
02.09.1996	1	Subscribers' shares	1
20.04.2001	40,000	Cash	40,001
26.06.2002	30,000	Cash	70,001

As at 15 February 2008 (being the latest practicable date prior to the issuance of this Prospectus), there are no outstanding warrants, options, convertible securities or uncalled capital in PAPL.

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**5. INFORMATION ON OUR GROUP (Cont'd)**


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**(iii) Substantial shareholder**

The substantial shareholders of PAPL and their shareholdings as at 15 February 2008 (being the latest practicable date prior to the issuance of this Prospectus) are as follows:

Substantial shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
HSB*	57,401	82.00	-	-
David Wee Tze Teng	12,600	18.00	-	-

*Note:*

\* *HSB is our wholly owned subsidiary*

**(iv) Subsidiary**

As at 15 February 2008 (being the latest practicable date prior to the issuance of this Prospectus), PAPL does not have any subsidiary or associated company.

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

### 6.1 Promoters and substantial shareholders

#### 6.1.1 Promoters

Our Promoters and their respective shareholdings in our Company before and after the Offer for Sale and EES are as follows:

Name	Designation	Nationality/ Country of incorporation	<--- Before the Offer for Sale and EES --->		< --- After the Offer for Sale and EES --- >	
			< --- Direct --- > No. of Shares (‘000)	%	< --- Direct --- > No. of Shares (‘000)	%
Kuan Kam Hon @ Kwan Kam Onn	Managing Director	Malaysian	55,275	22.82	44,433	18.34
Kuan Kam Peng	Director of HSB and SEMSB	Malaysian	43,448	17.93	34,927	14.42
Chow Siew Fong	-	Malaysian	7,014	2.90	43,448 <sup>2</sup>	17.93
Wong Kin Seng @ Wong Kim Seng	Director of HSB	Malaysian	12,610	5.20	10,137	4.18
Ching Hean Chong	Director of HSB	Malaysian	12,610	5.20	10,137	4.18
					5,638 <sup>1</sup>	2.33
					34,927 <sup>2</sup>	14.42

Notes:

- <sup>1</sup> Deemed interest by virtue of his wife, Chow Siew Fong's direct interest in HHB
- <sup>2</sup> Deemed interest by virtue of her husband, Kuan Kam Peng's direct interest in HHB

After the completion of the Offer for Sale and EES, our Promoters will transfer all their shareholdings in our Company to HHSB, which details are set out in Section 6.1.4 (vii) of this Prospectus.

## 6. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

### 6.1.2 Substantial shareholders

Our substantial shareholders and their respective shareholdings in our Company before and after the Offer for Sale and EES are as follows:

Name	Designation	Nationality/ Country of incorporation	<--- Before the Offer for Sale and EES --->		<--- After the Offer for Sale and EES --->	
			< --- Direct --- > No. of Shares (‘000)	%	< --- Direct --- > No. of Shares (‘000)	%
Kuan Kam Hon @ Kwan Kam Omn	Managing Director	Malaysian	55,275	22.82	44,433	18.34
Kuan Kam Peng	Director of HSB and SEMSB	Malaysian	43,448	17.93	34,927	14.42
Chow Siew Fong	-	Malaysian	7,014	2.90	5,638 <sup>1</sup>	2.33
Wong Kin Seng @ Wong Kim Seng	Director of HSB	Malaysian	7,014	2.90	5,638	2.33
Ching Hean Chong	Director of HSB	Malaysian	12,610	5.20	10,137	4.18
BTSB	-	Malaysia	12,610	5.20	10,137	4.18
Md Jais bin Nghah	-	Malaysia	45,814	18.91	45,814	18.91
Sannusi bin Nghah	Director	Malaysian	-	-	-	-
			45,814 <sup>3</sup>	18.91	45,864 <sup>4</sup>	18.93
			45,814 <sup>5</sup>	18.91	50 <sup>^</sup>	0.02
					45,814 <sup>5</sup>	18.91

## 6. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL *(Cont'd)*

### Notes:

- ^ Includes pink form allocation and on the assumption that he will subscribe for his entitlement of the pink form allocation
- <sup>1</sup> Deemed interest by virtue of his wife, Chow Siew Fong's direct interest in HHB
- <sup>2</sup> Deemed interest by virtue of her husband, Kuan Kam Peng's direct interest in HHB
- <sup>3</sup> Deemed interest by virtue of his direct interest in BTSB and his brother, Sannusi bin Ngah's direct interest in BTSB
- <sup>4</sup> Deemed interest by virtue of his direct interest in BTSB and his brother, Sannusi bin Ngah's direct interest in HHB via pink form allocation and his brother's direct interest in BTSB
- <sup>5</sup> Deemed interest by virtue of his direct interest in BTSB and his brother, Md Jais bin Ngah's direct interest in BTSB

After the completion of the Offer for Sale and EES, our Promoters will transfer all their shareholdings in our Company totalling 105,272,000 HHB Shares to HISB and BTSB shall also transfer part of its shareholding in our Company totalling 16,962,000 HHB Shares to HISB. HISB shall thereafter, be a direct substantial shareholder of our Company with 122,234,000 HHB Shares, representing approximately 50.4% of our issued and paid-up share capital. The shareholders and Directors of HISB are set out in Section 6.1.4 (vii) of this Prospectus.

### 6.1.3 Background information on our Promoters

#### (i) Kuan Kam Hon @ Kwan Kam Onn

Kuan Kam Hon @ Kwan Kam Onn, aged 61, was appointed as our Managing Director on 7 May 2007. He is also the Managing Director of HSB. He is primarily responsible for the overall business, strategic planning and the entire operations of our Group, including R&D. He began his career in the building and construction sector in 1969 under Kuan Yuen & Sons Company, a well-known quality homebuilder in the 70s' specialising in the upper class residential units in the Klang Valley. In 1978, he started Timol Weaving Sdn Bhd that was one of the pioneers in woven labels and badges. In 1981, he formed HSB. Under his leadership, HSB has since become a reputable manufacturer of Latex Gloves in the industry. He has established a set of management values that are quality-driven and encourages creativity and innovation to produce highly skilled personnel. He sits on the Board of several other private limited companies.

#### (ii) Kuan Kam Peng

Kuan Kam Peng, aged 69, is a Director of HSB and SEMSB. He is a director of HSB and is responsible for the strategic planning of the HSB Group. He started his career in the family's business in the building and construction sector under Kuan Yuen & Sons Company, a well-known quality homebuilder in the 70s' specialising in the upper class residential units in the Klang Valley. Soon after, he took over the business, turning it into one of the most reputable companies in the building and construction sector. He, along with his brother, Kuan Kam Hon @ Kwan Kam Onn, then ventured into the manufacturing industry, forming Timol Weaving Sdn Bhd and HSB. He is also presently a Director and substantial shareholder of various family-owned companies whose activities include manufacturing, construction and investment holding. He has more than 30 years of working experience with these companies.

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**6. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)**


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**(iii) Chow Siew Fong**

Chow Siew Fong, aged 68, is a shareholder of HSB. She completed her Cambridge O-Levels at Bukit Bintang Girls Secondary School, Kuala Lumpur in 1960. She left for training in Perth, Australia in 1962 and was certified as a Registered Nurse after completing her training in 1965. Upon returning to Malaysia in 1965, she joined Assunta Hospital in the same year as a Staff Nurse and was promoted to Nursing Sister within 5 years, taking charge of the entire ward. She was awarded the prestigious Nurse of the Year Award in 1988 due to her loyal and dedicated service to the hospital. After serving for 22 years, she opted for retirement in 1993.

**(iv) Wong Kin Seng @ Wong Kim Seng**

Wong Kin Seng @ Wong Kim Seng, aged 62, was appointed to the Board of HSB on 25 November 1987. He was the Technical Director of HSB since inception until April 2003. During that time, he was responsible for all special projects and assisted the Managing Director in the R&D aspect of the HSB Group. He is an Engineer by profession having graduated from Western Australia Institution of Technology in 1972. After holding various key positions in a few manufacturing organisations, he joined HSB and was involved in every aspect of the production process, from designing of equipment and machinery to the manufacturing of finished products. He has since resigned from the post of Technical Director in April 2003 and is currently sitting on the Board of HSB as a Non-Executive Director.

**(v) Ching Hean Chong**

Ching Hean Chong, aged 57, was appointed to the Board of HSB on 25 November 1987. He is presently a Director and substantial shareholder of various privately-owned companies whose activities comprise shoe manufacturing and trading in chemicals and industrial products. He has more than 36 years of working experience with these companies.

**6.1.4 Background information on our substantial shareholders****(i) Kuan Kam Hon @ Kwan Kam Onn**

As set out in Section 6.1.3(i) above.

**(ii) Kuan Kam Peng**

As set out in Section 6.1.3(ii) above.

**(iii) Chow Siew Fong**

As set out in Section 6.1.3(iii) above.

**(iv) Wong Kin Seng @ Wong Kim Seng**

As set out in Section 6.1.3(iv) above.

**(v) Ching Hean Chong**

As set out in Section 6.1.3(v) above.



## 6. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

### (vi) B T S B

BTSB was incorporated in Malaysia on 28 April 2004 as a private limited company under the Act under its present name. BTSB is principally an investment holding company.

The authorised share capital of BTSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which all have been issued and fully paid-up.

The directors and substantial shareholders of BTSB and their respective shareholdings in BTSB as at 15 February 2008 (being the latest practicable date prior to the issuance of this Prospectus) are as follows:

Names	< --- Direct --- >		< --- Indirect --- >	
	No. of shares	%	No. of shares	%
Md Jais bin Ngah	90,000	90.0	10,000 <sup>1</sup>	10.0
Sannusi bin Ngah	10,000	10.0	90,000 <sup>2</sup>	90.0

Notes:

<sup>1</sup> Deemed interest by virtue of his brother, Sannusi bin Ngah's direct interest in BTSB

<sup>2</sup> Deemed interest by virtue of his brother, Md Jais bin Ngah's direct interest in BTSB

### (vii) H I S B

HISB was incorporated in Malaysia on 24 January 1990 as a private limited company under the Act under its present name. HISB is principally an investment holding company.

The authorised share capital of HISB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each, of which RM100 comprising 100 ordinary shares of RM1.00 each have been issued and fully paid-up.

The directors and substantial shareholders of HISB and their respective shareholdings in HISB as at 15 February 2008 (being the latest practicable date prior to the issuance of this Prospectus) are as follows:

Names	< --- Direct --- >		< --- Indirect --- >	
	No. of shares	%	No. of shares	%
Kuan Kam Hon @ Kwan Kam Onn	26	26.0	49 <sup>1</sup>	49.0
Kuan Kam Peng	5	5.0	49 <sup>1</sup>	49.0
Wong Kin Seng @ Wong Kim Seng	10	10.0	-	-
Ching Hean Chong	10	10.0	-	-
Timol Industries Sdn Bhd	49	49.0	-	-

Note:

<sup>1</sup> Deemed interest by virtue of his direct interest in Timol Industries Sdn Bhd

## 6. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

Upon completion of the Proposed Share Transfer, the shareholdings of the substantial shareholders in HISB shall be as follows:

Names	< --- Direct --- >		< --- Indirect --- >	
	No. of shares	%	No. of shares	%
Kuan Kam Hon @ Kwan Kam Onn	44,459	36.3	49 <sup>1</sup>	^
Kuan Kam Peng	34,932	28.6	5,687 <sup>2</sup>	4.6
Chow Siew Fong	5,638	4.6	34,981 <sup>3</sup>	28.6
Wong Kin Seng @ Wong Kim Seng	10,147	8.3	-	-
Ching Hean Chong	10,147	8.3	-	-
BTSB	16,962	13.9	-	-
Md Jais bin Ngah	-	-	16,962 <sup>4</sup>	13.9
Sannusi bin Ngah	-	-	16,962 <sup>5</sup>	13.9

*Notes:*

^ Negligible

<sup>1</sup> Deemed interest by virtue of his direct interest in Timol Industries Sdn Bhd

<sup>2</sup> Deemed interest by virtue of his direct interest in Timol Industries Sdn Bhd and his wife, Chow Siew Fong's direct interest in HISB

<sup>3</sup> Deemed interest by virtue of her husband, Kuan Kam Peng's direct interest in HISB and his direct interest in Timol Industries Sdn Bhd

<sup>4</sup> Deemed interest by virtue of his direct interest in BTSB and his brother, Sannusi bin Ngah's direct interest in BTSB

<sup>5</sup> Deemed interest by virtue of his direct interest in BTSB and his brother, Md Jais bin Ngah's direct interests in BTSB

### 6.1.5 Promoters' directorships and substantial shareholdings in all other public corporations for the past 2 years

None of the Promoters hold any directorships and/or substantial shareholdings in other public corporations for the past 2 years preceding 15 February 2008 (being the latest practicable date prior to the issuance of this Prospectus).

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## 6. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

### 6.1.6 Substantial shareholders' directorships and substantial shareholdings in all other public corporations for the past 2 years

The directorship and/or the substantial shareholding of our substantial shareholder in all other public corporations for the past 2 years preceding 15 February 2008 (being the latest practicable date prior to the issuance of this Prospectus) is as follows:

Name	Company	Principal activities	< ---Direct --- >		< --Indirect -- >	
			No. of shares	%	No. of shares	%
Sannusi bin Ngah	Poly Tower Ventures Berhad (D)	Investment holding, manufacturing and marketing of plastic bags, films and related products	234,000	0.16	-	-

Note:

(D) A director of the company

### 6.1.7 Changes in our Promoters' and substantial shareholders' shareholdings in HHB since incorporation

Promoters/ substantial shareholders	Date	Par value (RM)	No. of Shares acquired/ allotted or (disposed)	<---Cumulative no. of Shares held --->			
				<----- Direct ----->		<----- Indirect----->	
				No. of Shares (000)	%	No. of Shares (000)	%
Tan Eng Hooi	24.07.06	1.00	1	1	50.00	1 <sup>1</sup>	50.00
	03.05.07	0.50*	2	2	50.00	2 <sup>1</sup>	50.00
	18.05.07	0.50	(2)	-	-	-	-
Chow Siew Ying	24.07.06	1.00	1	1	50.00	1 <sup>2</sup>	50.00
	03.05.07	0.50*	2	2	50.00	2 <sup>2</sup>	50.00
	18.05.07	0.50	(2)	-	-	-	-
Kuan Kam Hon @ Kwan Kam Onn	07.05.07	0.50	55,274,996	55,274,996	22.82	-	-
	18.05.07	0.50	4	55,275,000	22.82	-	-
Kuan Kam Peng	07.05.07	0.50	43,448,000	43,448,000	17.93	7,014,000 <sup>3</sup>	2.90
Chow Siew Fong	07.05.07	0.50	7,014,000	7,014,000	2.90	43,448,000 <sup>4</sup>	17.93
Wong Kin Seng @ Wong Kim Seng	07.05.07	0.50	12,610,000	12,610,000	5.20	-	-
Ching Hean Chong	07.05.07	0.50	12,610,000	12,610,000	5.20	-	-
BTSB	07.05.07	0.50	45,814,000	45,814,000	18.91	-	-
Md Jais bin Ngah	07.05.07	0.50	-	-	-	45,814,000 <sup>5</sup>	18.91
Sannusi bin Ngah	07.05.07	0.50	-	-	-	45,814,000 <sup>6</sup>	18.91

## 6. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL *(Cont'd)*

### Notes:

- \* *Share Split*
- 1. *Deemed interest by virtue of his wife, Chow Siew Ying's direct interest in HHB*
- 2. *Deemed interest by virtue of her husband, Tan Eng Hooi's direct interest in HHB*
- 3. *Deemed interest by virtue of his wife, Chow Siew Fong's direct interest in HHB*
- 4. *Deemed interest by virtue of her husband, Kuan Kam Peng's direct interest in HHB*
- 5. *Deemed interest by virtue of his direct interest in BTSB and his brother, Sannusi bin Ngah's direct interest in BTSB*
- 6. *Deemed interest by virtue of his direct interest in BTSB and his brother, Md Jais bin Ngah's direct interest in BTSB*

After the completion of the Offer for Sale and EES, our Promoters will transfer all their shareholdings in our Company, totalling 105,272,000 HHB Shares, to HISB, and BTSB shall also transfer part of its shareholding in our Company totalling 16,962,000 HHB Shares to HISB. HISB shall thereafter, be a direct substantial shareholder of our Company with 122,234,000 HHB Shares, representing approximately 50.4% of our total issued and paid-up share capital.

### 6.2 Board of Directors

#### 6.2.1 Profiles

##### (i) **Kuan Kam Hon @ Kwan Kam Onn**

As set out in Section 6.1.3(i) above.

##### (ii) **Abdul Hamid bin Sh Mohamed**

Abdul Hamid bin Sh Mohamed, aged 43, was appointed as our Independent Non-Executive Director on 7 May 2007. He is a Fellow of the Association of Chartered Certified Accountants. Immediately preceding his appointment at Symphony House Berhad as Executive Director, he was the Chief Financial Officer of the Kuala Lumpur Stock Exchange ("KLSE") now known as Bursa Securities. He joined the KLSE in 1998 as Senior Vice President in charge of Strategic Planning & International Affairs Division and was promoted to Deputy President (Strategy and Development) in 2002 and was re-designated to Chief Financial Officer in 2003. In over five years with the KLSE Group, he had diverse roles and experience in strategy, corporate finance, business transformation, finance and administration, treasury, external affairs and public relations. He led KLSE's acquisitions of Kuala Lumpur Options and Financial Futures Exchange (KLOFFE) and Commodity and Monetary Exchange of Malaysia (COMMEX) and their merger to form the Malaysia Derivatives Exchange (MDEX), and the acquisition of MESDAQ. He also led the KLSE's demutualisation exercise. He started his career in the accounting firm Messrs Arthur Young, before moving on to merchant banking with Bumiputra Merchant Bankers Berhad. He later moved on to the Amanah Capital Malaysia Berhad Group, an investment banking and finance group, where he oversaw the corporate planning and finance functions until 1998 when he joined the KLSE.

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**6. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)**

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**(iii) Dato' Mohamed Zakri bin Abdul Rashid**

Dato' Mohamed Zakri bin Abdul Rashid, aged 65, was appointed as our Independent Non-Executive Director on 7 May 2007 and sits on our Audit Committee. He was appointed to HSB's Board on 27 November 1998 as a Non-Executive Director. He holds a Bachelor of Arts Degree with Honours and a Diploma in Public Administration from the University of Malaya. He also holds a Masters Degree in Public Administration from the University of Southern California, USA. He retired from government service in 1998 as the Director General of the Department of Immigration of Malaysia after having served the department for more than 4 years. Previously, he had served the Government in various capacities in the Ministry of Transport, Ministry of Finance and the Prime Minister's Department for more than 30 years. He is presently an Independent Non-Executive Director of another public-listed company.

**(iv) Sannusi bin Ngah**

Sannusi bin Ngah, aged 50, was appointed as our Non-Independent Non-Executive Director on 7 May 2007. He holds a Master in Business Administration majoring in Finance from the University of New Haven, Connecticut, USA, a Bachelor of Business Administration majoring in Finance from Ohio University, Athens, USA, and a Diploma in Accountancy from University Teknologi MARA. In 1987, he joined Kewangan Usaha Bersatu Berhad, a licenced finance company, as an Internal Audit Officer. In January 1990, he joined Rakyat Merchant Bankers Berhad as Assistant Manager in the Corporate Finance Department. His last position at Rakyat Merchant Bankers Berhad was Senior Manager of Corporate Finance Department. In October 1993, he joined Chase Perdana Berhad as Group General Manager, Corporate and Projects. In June 1995, he left Chase Perdana Berhad and was appointed director in several private limited companies. During the tenure of the above appointments, he was involved in various corporate advisory exercises ranging from initial public offerings, mergers and acquisitions, take-overs, reverse take-overs, general offers, corporate restructuring and other capital raising exercises. He currently sits on the board of another public-listed company as a Non-Independent Non-Executive Director.

**(v) Chuah Phaik Sim**

Chuah Phaik Sim, aged 39, was appointed as our Independent Non-Executive Director on 7 May 2007. She is a member of the Malaysian Institute of Certified Public Accountants and a Chartered Accountant with the Malaysian Institute of Accountants. She started her career in January 1989 with KPMG Desa Megat & Co (now known as KPMG) as an articled student and rose through the ranks to a qualified Audit Senior in 1993. Her experience in KPMG includes external audits, restructuring, initial public offering and valuation exercises. She left KPMG in 1994 to be the Finance Manager of a public listed company and was responsible for the overall financial and administrative management of the company and the consolidation of the group accounts. In 1995, she joined Kumpulan Jetson Berhad as the Internal Auditor, reporting functionally to the Audit Committee. She was responsible for the setting up and the overall management of the Internal Audit Department. In 2000, she left Kumpulan Jetson Berhad and was appointed director of several private limited companies. She has since remained active in providing corporate advisory and consultancy services in respect of restructuring, mergers and acquisitions and valuation exercises.



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**6. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)**

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**(vi) Liew Ben Poh**

Liew Ben Poh, aged 59, was appointed as our Non-Independent Executive Director on 7 May 2007. Presently, he is the Export and Marketing Director of HSB. He has been with HSB since inception. His vast experience of over 28 years has helped HSB in establishing a strong client base. He has continuously upgraded his knowledge through marketing courses and seminars during the span of his career. In addition, he is also one of the key personnel involved in the R&D aspects of HSB. He is very active in the Latex Gloves industry and was President of the Malaysian Rubber Glove Manufacturers' Association (MARGMA) for 2 terms. He was the first Chairman of ASEAN Rubber Gloves Manufacturers' Association and currently serves as Secretary General. He is also a Board Member of the Malaysian Rubber Export and Promotion Council (MREPC) under the Ministry of Primary Products and Commodities. Owing to his vast knowledge of the Latex Gloves industry, he has been regularly invited to speak at international conferences in Malaysia as well as overseas.

**(vii) Kuan Mun Leong**

Kuan Mun Leong, aged 32, was appointed as our Non-Independent Executive Director on 7 May 2007. Presently, he is the Manager in the Managing Director's office and is responsible for assisting the Managing Director in running the operations of HSB. He graduated with Honours in Mechanical Engineering from Monash University, Australia in 1999 and obtained a Masters of Business Administration (MBA) from the University of Strathclyde Business School, Scotland in 2007. In 1999, he joined MechMar Energy Sdn Bhd as Project Engineer specialising in installation and commissioning of industrial boilers and mini power plants. Upon leaving MechMar Energy Sdn Bhd in year 2001, he joined HSB as the Technical Executive and was subsequently promoted to Technical Manager in 2004. He was responsible in providing technical supports in all engineering aspects including engineering designs, process improvements and engineering change control with special emphasis on cost reduction and improvements in process and equipment efficiency. He is the person directly responsible for the successful implementation of the biomass energy system allowing HSB a substantial savings in energy costs. He was also directly responsible for the completion of the expansion project including designing and planning of the new production lines and systems for the third manufacturing plant of our Group.

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6. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

6.2.2 Directors' shareholdings in our Company

Our Board and their respective shareholdings in our Company before and after the Offer for Sale and EES are as follows:

Name	Designation	Nationality/ Country of incorporation	<---Before the Offer for Sale and EES--->		<--- After the Offer for Sale and EES --- >			
			< --- Direct --- > No. of Shares ( <sup>'000</sup> )	%	< --- Direct --- > No. of Shares ( <sup>'000</sup> )	%	< --- Indirect --- > No. of Shares ( <sup>'000</sup> )	%
Kuan Kam Hon @ Kwan Kam Onn	Managing Director	Malaysian	55,275	22.82	44,433	18.34	-	-
Abdul Hamid bin Sh Mohamed	Independent Non-Executive Director	Malaysian	-	-	50 <sup>^</sup>	0.02	10,909 <sup>1</sup>	4.50
Dato' Mohamed Zakri bin Abdul Rashid	Independent Non-Executive Director	Malaysian	309	0.13	359 <sup>^</sup>	0.15	-	-
Sannusi bin Ngah	Non-Independent Non-Executive Director	Malaysian	-	-	50 <sup>^</sup>	0.02	45,814 <sup>2</sup>	18.91
Chuah Phaik Sim	Independent Non-Executive Director	Malaysian	-	-	50 <sup>^</sup>	0.02	4,852 <sup>3</sup>	2.00
Liew Ben Poh	Non-Independent Executive Director	Malaysian	309	0.13	562 <sup>^#</sup>	0.23	-	-
Kuan Mun Leong	Non-Independent Executive Director	Malaysian	-	-	50 <sup>^</sup>	0.02	-	-

## 6. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

### Notes:

- ^ Includes pink form allocation and on the assumption that all the respective individuals will subscribe for all their entitlements of the pink form allocation
- # Assuming that he will subscribe for all his entitlement pursuant to the EES (but not subject to the exercise of the entitlement)
1. Deemed interest by virtue of his direct interest in KCSB and his wife, Shahrina binti Markom's direct interest in KCSB
2. Deemed interest by virtue of his direct interest in BTSB and his brother, Md Jais bin Ngah's direct interest in BTSB
3. Deemed interest by virtue of her direct interest in PYSB and her brothers, Chuah Chin Heng and Chuah Kong Heng's direct interests in PYSB

After the completion of the Offer for Sale and EES, Kuan Kam Hon @ Kwan Kam Onn will transfer all his shareholding in our Company to HISB.

### 6.2.3 Directors' directorships and/or substantial shareholdings in other public corporations for the past 2 years

Save as disclosed below, none of our Directors have any directorships and/or substantial shareholdings in other public corporations for the past 2 years preceding 15 February 2008 (being the latest practicable date prior to the issuance of this Prospectus).

Name	Company	Principal activities	<--Direct-->		<--Indirect-->	
			No. of shares	%	No. of shares	%
Dato' Mohamed Zakri bin Abdul Rashid	Dialog Group Berhad (D)	Investment holding	868,467 <sup>1</sup>	0.06	185,068 <sup>2</sup>	0.01
Sannusi bin Ngah	Poly Tower Ventures Berhad (D)	Investment holding, manufacturing and marketing of plastic bags, films and related products	234,000	0.16	-	-
Abdul Hamid bin Sh Mohamed	Symphony House Bhd (D)	Investment holding, provision of application software development, computer solutions and information technology services and provisions of management services	-	-	-	-
	Genesis Malaysia Maju Fund Limited (D)	A UK based closed-end country investment fund specifically investing in Malaysia	-	-	-	-

**6. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)**

Name	Company	Principal activities	Direct		Indirect	
			No. of shares	%	No. of shares	%
Abdul Hamid bin Sh Mohamed	Pos Malaysia Bhd (D)	Investment holding and provision of postal and related services, printing and insertion, sale of digital certificates and property investment	-	-	-	-

Notes:

(D) A director of the company

1. Shares are held in own name and/or nominees accounts

2. Deemed interest by virtue of his wife, Prof. Datin Dr. Rahimah binti Haji Ahmad's direct interest in Dialog Group Berhad

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## 6. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL *(Cont'd)*

### 6.2.4 Directors' remuneration, fees and material benefit in-kind

The remuneration, fees and material benefits in-kind (where applicable) (including any contingent or deferred compensation accrued for the year) paid or payable to our Directors' for their services to our Group are as follows:

Name	Remuneration band (RM)		
	FYE 2007 (Actual)	FYE 2008 (Proposed)	FYE 2009 (Proposed)
Kuan Kam Hon @ Kwan Kam Onn	900,000 - 950,000	900,000 - 950,000	950,000 - 1,000,000
Abdul Hamid bin Sh Mohamed	-	-	0 - 50,000
Dato' Mohd Zakri bin Abdul Rashid	0 - 50,000	0 - 50,000	50,000 - 100,000
Sannusi bin Ngah	-	-	0 - 50,000
Chuah Phaik Sim	-	-	0 - 50,000
Liew Ben Poh	250,000 - 300,000	250,000 - 300,000	300,000 - 350,000
Kuan Mun Leong	100,000 - 150,000	100,000 - 150,000	150,000 - 200,000

### 6.2.5 Involvement of Executive Directors in other business and corporation

Save as disclosed below, as at 15 February 2008 (being the latest practicable date prior to the issuance of this Prospectus), none of our Executive Directors are involved in the operations of other businesses/corporations:

- (i) Kuan Kam Hon @ Kwan Kam Onn holds directorships and/or equity interests in a number of private companies. However, he does not work full time in his other private businesses and is not involved in their day-to-day operations.

### 6.2.6 Representatives of corporate shareholders

Save as disclosed below, none of our Directors represent any corporate shareholders:

- (i) Sannusi bin Ngah representing BTSB;
- (ii) Abdul Hamid bin Sh Mohamed representing KCSB;
- (iii) Chuah Phaik Sim representing PVSBB; and
- (iv) Kuan Kam Hon @ Kwan Kam Onn representing HISB after the completion of the Proposed Share Transfer.



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**6. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)**

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**6.3 Key management and key technical personnel****6.3.1 Profiles****(i) Kuan Kam Hon @ Kwan Kam Onn**

As set out in Section 6.1.3(i) above.

**(ii) Kuan Kam Peng**

As set out in Section 6.1.3(ii) above.

**(iii) Liew Ben Poh**

As set out in Section 6.2.1(vi) above.

**(iv) Muhammad Hakimi Tan bin Abdullah**

Muhammad Hakimi Tan bin Abdullah, aged 44, is the Operations Manager of HSB. He graduated with a Bachelor Degree in Science majoring in Biology and Chemistry from Campbell University, USA in 1988. He began his career with HSB in the same year as the Production Supervisor. Due to his dedicated services and commitment to HSB, he was promoted to the position of an Executive in 1989 and Deputy Factory Manager in 1995 before assuming his current position as Operations Manager in 1996. He is currently responsible for overseeing the operations of HSB's factory, comprising the Production, Post-Treatment, Quality Control, Packing and Housekeeping departments. In 2007, he obtained the qualification of Certified in Production and Inventory Management (CPIM) from the APICS Association for Operations Management, USA, equipping him with knowledge of current best practices in operations management.

**(v) Kuan Eu Jin**

Kuan Eu Jin, aged 37, is the Deputy Operations Manager and R&D Manager of HSB. He graduated with a Bachelor's Degree in Business (Manufacturing Management) from Monash University in 1993. Upon graduation, he joined HSB as a Management Trainee. In the same year, he was transferred to the QA Department and promoted to the position of QA Manager. In 1996, he was promoted to his current position. He is also the Management Representative of HSB responsible for all matters relating to HSB's Quality System. Besides managing the R&D Department and assisting the Managing Director in R&D of new products, he is also responsible for the daily operations of the Post-Treatment Department and assisting the Operations Manager in monitoring the production operations. In 2006, he graduated with a Masters of Business Administration (MBA) qualification from the University of Strathclyde Business School, Scotland.

**(vi) Kuan Mun Keng**

Kuan Mun Keng, aged 33, is the Deputy Operations Manager of HSB. He graduated with a Bachelor's Degree in Business (Accounting) and Bachelor's Degree in Computing from Monash University in 1997. Upon graduation, he joined Kassim Chan Business Services as an Analyst in the Information Technology Consultancy division in 1997. In 1998, he left and joined HSB as a Production Executive. He then worked in the Accounts and Management Information Services Departments implementing various beneficial changes before he was promoted to his current position in 2003. He is currently responsible for the daily operations of the Quality Control and Packing departments. He also assists the Operations Manager in monitoring the production operations.

**6. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)****(vii) Kuan Vin Seung**

Kuan Vin Seung, aged 34, is the Human Resource Manager of HSB. He graduated with a Bachelor's Degree in Commerce (Accounting & Finance) from Monash University in 1997. He joined Ernst & Young in 1997 as Audit Assistant and left the firm at the end of 2000 as Audit Senior in the Assurance and Advisory Business Services (AABS) Department. He was certified as a Certified Practising Accountant (CPA) by CPA Australia in 2000. In 2001, he joined HSB as Production Executive and was then transferred to the Human Resource Department as Acting Manager at the end of 2001. In 2004, he was promoted to Human Resource Manager and is responsible for all aspects of human resource management including recruitment and selection, discipline and staff development, compensation and benefits, safety and health and industrial relations. He is currently pursuing a Masters of Business Administration (MBA) qualification from the Manchester Business School, UK.

**(viii) Kuan Mun Leong**

As set out in Section 6.2.1(vii) above.

**(ix) Yong Pat Chau**

Yong Pat Chau, aged 45, is the Accountant of HSB. He is a fellow member of the Association of Chartered Certified Accountants ("FCCA") and a member of the Malaysian Institute of Certified Public Accountants. He worked for 3 years from 1991 in BDO Binder, an international firm of Public Accountants, gaining experience in auditing, taxation and accounting. Thereafter, he worked as an Accountant from 1994 to 1998 for IJM Corporation Bhd both locally and overseas. In 1999, he worked overseas for Donguan Zhaojing Construction Material Co. Ltd and PK Electronics before joining HSB in 2000 as the Accountant. He is currently responsible for the financial, accounting and general administrative functions.

**(x) Foong Teck Sing**

Foong Teck Sing, aged 40, is the Engineering Manager of HSB. He graduated with a Bachelor of Science Degree in Mechanical Engineering from the Louisiana State University in 1990 and subsequently with a Master of Business Administration (MBA) qualification from the University of Hull, UK in 2000. After graduating in 1990, he joined Cabot Corporation at Louisiana, USA. He worked for Cabot Corporation and its Malaysia subsidiaries Cabot Material Research Sdn Bhd for 9 years, holding various positions in production, capital engineering to R&D department. His last position with Cabot Corporation was technical/commercial development manager, overseeing the entire plant of Cabot Material Research Sdn Bhd at Port Dickson. During his tenure, he was awarded the Global Cabot Award for the successful start up of Cabot Materials Research. Subsequently, he also worked for several local companies in oil and gas, trading and automotive sectors. In 2007, he joined HSB as the Engineering Manager. He is currently responsible for all engineering projects including the expansion of the proposed 4<sup>th</sup> Plant and 5<sup>th</sup> Plant. His additional role is to oversee the Maintenance Department.

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**6. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)**

**6.3.2 Key management and key technical personnels' shareholdings in our Company**

Our key management and key technical personnels' shareholdings in our Company before and after the Offer for Sale and EES are as follows:

Name	Designation	Nationality/ Country of incorporation	<---Before the Offer for Sale and EES--->		<---After the Offer for Sale and EES--->	
			No. of Shares ( '000)	%	No. of Shares ( '000)	%
Kuan Kam Hon @ Kwan Kam Onn	Managing Director	Malaysian	55,275	22.82	44,433	18.34
Kuan Kam Peng	Director of HSB and SEMSB	Malaysian	43,448	17.93	34,927	14.42
Liew Ben Poh	Non- Independent Executive Director, Export and Marketing Director	Malaysian	309	0.13	562 <sup>#</sup>	0.23
Muhammad Hakimi Tan bin Abdullah	Operations Manager	Malaysian	-	-	201 <sup>#</sup>	0.08
Kuan Eu Jin	Deputy Operations Manager/ R&D Manager	Malaysian	710	0.29	710	0.29
Kuan Mun Keng	Deputy Operations Manager	Malaysian	-	-	-	-

6. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

Name	Designation	Nationality/ Country of incorporation	<---Before the Offer for Sale and EES--->		<--- After the Offer for Sale and EES--->	
			< --- Direct --- > No. of Shares ( '000)	%	< --- Direct --- > No. of Shares ( '000)	%
Kuan Vin Seung	Human Resource Manager	Malaysian	-	-	-	-
Kuan Mun Leong	Executive Director, Manager in the Managing Director's Office	Malaysian	-	-	50 <sup>^</sup>	0.02
Yong Pat Chau	Accountant	Malaysian	-	-	125 <sup>#</sup>	0.05
Foong Teck Sing	Engineering Manager	Malaysian	-	-	75 <sup>#</sup>	0.03

## Notes:

- <sup>^</sup> Includes pink form allocation and on the assumption that the respective individuals will subscribe for their entitlements of the pink form allocation
- <sup>#</sup> Assuming that the respective individuals will subscribe for all their entitlements pursuant to the EES but not subject to the exercise of the entitlements
1. Deemed interest by virtue of his wife, Chow Siew Fong's direct interest in HHB

After the Offer for Sale and the EES, Kuan Kam Hon @ Kwan Kam Onn and Kuan Kam Peng, being our Promoters, will transfer all their shareholdings in our Company to HISB.



## 6. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL *(Cont'd)*

### 6.3.3 Key management and key technical personnels' directorships and/or substantial shareholdings in other public corporations for the past 2 years

None of our key management and key technical personnel have any directorships and/or substantial shareholdings in other public corporations for the past 2 years preceding 15 February 2008 (being the latest practicable date prior to the issuance of this Prospectus).

### 6.3.4 Involvement of key management and key technical personnel in other business and corporation

None of our key management or key technical personnel are involved in the operations of other businesses/corporations.

## 6.4 Board's practices

### 6.4.1 Directorships

As at 15 February 2008 (being the latest practicable date prior to the issuance of this Prospectus), the details of the date of expiration of the current term of office for each of our Director and the period for which the Director has served in that office are as follows:

Name	Designation	Date of expiration of the current term of office	No. of years in the office
Kuan Kam Hon @ Kwan Kam Onn	Managing Director	1 <sup>st</sup> Annual General Meeting ("AGM")	1
Abdul Hamid bin Sh Mohamed	Independent Non-Executive Director	1 <sup>st</sup> AGM	1
Dato' Mohamed Zakri bin Abdul Rashid	Independent Non-Executive Director	1 <sup>st</sup> AGM	1
Sannusi bin Ngah	Non-Independent Non-Executive Director	1 <sup>st</sup> AGM	1
Chuah Phaik Sim	Independent Non-Executive Director	1 <sup>st</sup> AGM	1
Liew Ben Poh	Non-Independent Executive Director	1 <sup>st</sup> AGM	1
Kuan Mun Leong	Non-Independent Executive Director	1 <sup>st</sup> AGM	1

## 6. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL *(Cont'd)*

### 6.4.2 Audit Committee

Our present Audit Committee was established on 7 May 2007 and consists of the following members:

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Chuah Phaik Sim	Chairwoman	Independent Non-Executive Director
Dato' Mohamed Zakri bin Abdul Rashid	Member	Independent Non-Executive Director
Abdul Hamid bin Sh Mohamed	Member	Independent Non-Executive Director

The main functions of our Audit Committee shall, inter-alia, include the following:

- (i) selects the external auditors, reviews the scope of the external audit plan and other services provided by them, and reviews the auditors' report;
- (ii) reviews the annual reports of our Group, reviews the quarterly announcements and ensures that our Group complies with the applicable new accounting standards;
- (iii) reviews and evaluates our Group's internal audit functions, reviews the adequacy of the internal audit scope, reviews the internal audit reports, assesses and evaluates the adequacy of the internal controls and recommends to our Board the appropriate actions to be taken based on the internal audit reports; and
- (iv) assesses the financial risks and matters in relation to the related party transactions and conflict of interests situations.

### 6.4.3 Remuneration Committee

Our present Remuneration Committee was established on 7 May 2007 and consists of the following members:

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Dato' Mohamed Zakri bin Abdul Rashid	Chairman	Independent Non-Executive Director
Abdul Hamid bin Sh Mohamed	Member	Independent Non-Executive Director
Sannusi bin Ngah	Member	Non-Independent Non-Executive Director

The main functions of our Remuneration Committee shall, inter-alia, include the following:

- (i) recommends to our Board the remuneration of the Executive and the Non-Executive Directors;
- (ii) assists our Board in assessing the responsibility and commitment undertaken by our Board members; and
- (iii) assists our Board in ensuring the remuneration of the Directors reflects the responsibility and commitment of the Directors concerned.

However, the determination of remuneration of our Directors shall be a matter to be determined by our Board as a whole after taking into consideration of the Remuneration Committee's recommendations.

## 6. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL *(Cont'd)*

### 6.4.4 Nomination Committee

Our present Nomination Committee was established on 7 May 2007 and consists of the following members:

Name	Designation	Directorship
Dato' Mohamed Zakri bin Abdul Rashid	Chairman	Independent Non-Executive Director
Chuah Phaik Sim	Member	Independent Non-Executive Director
Sannusi bin Ngah	Member	Non-Independent Non-Executive Director

The main functions of the Nomination Committee shall, inter-alia, include the following:

- (i) reviews the composition of our Board, the mix of skills and experiences and other core qualities of our Board;
- (ii) assesses our Directors on an on-going basis, i.e. the skill and performance of our Directors;
- (iii) nominates candidates to our Board, either to fill the vacancies when they arise or new members when the need arises; and
- (iv) ensures that our Board's appointees undergo appropriate introduction and training programmes.

### 6.5 Declarations from our Promoters, Directors, key management and key technical personnel

None of our Promoters, Directors, the key management and key technical personnel is involved in any of the following events (whether in or outside Malaysia):

- (i) a petition under any bankruptcy or insolvency laws was filed (and not struck out) against them or any partnership in which they were a partner or any corporation of which they were a director or key personnel;
- (ii) they were disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) they were charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) any judgment was entered against them involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (v) they were the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining them from engaging in any type of business practice or activity.

## 6. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL *(Cont'd)*

### 6.6 Family relationships and associations

Save as disclosed below, as at 15 February 2008 (being the latest practicable date prior to the issuance of this Prospectus), there are no family relationships and/or associations between/amongst our Promoters, substantial shareholders, Directors, key management and key technical personnel:

- (i) Kuan Kam Hon @ Kwan Kam Onn and Kuan Kam Peng are siblings;
- (ii) Kuan Mun Keng and Kuan Mun Leong are the sons of Kuan Kam Hon @ Kwan Kam Onn;
- (iii) Kuan Eu Jin and Kuan Vin Seung are the sons of Kuan Kam Peng and Chow Siew Fong;
- (iv) Chow Siew Fong is the spouse of Kuan Kam Peng; and
- (v) Sannusi bin Ngah and Md Jais bin Ngah are siblings.

### 6.7 Service agreements

As at 15 February 2008 (being the latest practicable date prior to the issuance of this Prospectus), none of our Directors, key management or key technical personnel has any existing or proposed service agreements with us and/or our subsidiaries.

### 6.8 Employees

As at 15 February 2008 (being the latest practicable date prior to the issuance of this Prospectus), our Group has a total of 1,493 employees, of which 381 are permanent employees and 1,112 are foreign workers on contractual basis.

#### (i) Permanent employees

The following table sets out the permanent employees structure of our Group as at 15 February 2008 (being the latest practicable date prior to the issuance of this Prospectus):

Category of employees	Average years of services		Total
	> 3 years	< 3 years	
Executive Directors	4	-	4
Managerial	11	3	14
Executives	18	16	34
Sales & Marketing <sup>1</sup>	4	5	9
Technical & R&D personnel <sup>2</sup>	6	5	11
Clerical & administrative	17	20	37
Factory workers <sup>3</sup>	143	129	272
<b>Total</b>	<b>203</b>	<b>178</b>	<b>381</b>

Notes:

- <sup>1.</sup> Includes Marketing Director, Sales Manager & Executives
- <sup>2.</sup> Includes Manager, Engineers & Executives
- <sup>3.</sup> Comprises of Supervisors, Fitters, Fabricators, Electricians, Storekeepers, Line Leaders, Technicians, Inspectors, Compounders, Operators & General Workers



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**6. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)**

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**(ii) Contractual employees**

As at 15 February 2008 (being the latest practicable date prior to the issuance of this Prospectus), our Group has 1,112 contractual workers, of which all are foreign factory workers.

None of our employees are members of any union which is recognised by MRB nor have there been any major industrial disputes in the past.

Our Group recognises the importance of human resource as a central element of any successful organisation and aims to build an experienced, capable and dynamic team. Hence, as part of our Group's general human resource planning, we conduct internal and in-house training for all employees to update them of new developments within our business operations. Our Group's policy is to ensure that each employee, regardless of position, receives the appropriate training hours in a year to ensure at least 80% of our employees trained achieved an acceptable level of effectiveness.

For employees who are supervisors and above, we send them for external training annually at various recognised training centres to develop their skills and knowledge. Such training covers courses on technical updates, current best practices, continuous improvement, people management, team-building and personal development. For the FYE 2008, our Group has allocated a total of RM185,000 to provide our employees with external training.

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