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富佳木業有限公司  
FOCUS LUMBER BERHAD  
(Company No. 188710-V)

# 富佳木業有限公司 FOCUS LUMBER BERHAD

(Company No. 188710-V)

(Incorporated in Malaysia under the Companies Act, 1965)



## PROSPECTUS

FOCUS LUMBER BERHAD

PROSPECTUS



INITIAL PUBLIC OFFERING IN CONJUNCTION WITH OUR LISTING ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING:-

- (I) PUBLIC ISSUE OF 12,200,000 NEW ORDINARY SHARES OF RM0.50 EACH ("SHARES") IN THE FOLLOWING MANNER:-
- 6,000,000 NEW SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
  - 900,000 NEW SHARES AVAILABLE FOR APPLICATION BY OUR ELIGIBLE EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF OUR GROUP;
  - 5,300,000 NEW SHARES BY WAY OF PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY;

AND

- (II) OFFER FOR SALE OF UP TO 5,160,000 EXISTING SHARES IN THE FOLLOWING MANNER:-
- 412,000 EXISTING SHARES BY WAY OF PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY;
  - UP TO 4,748,000 EXISTING SHARES BY WAY OF PLACEMENT TO IDENTIFIED INVESTORS

AT AN ISSUE/OFFER PRICE OF RM0.60 PER SHARE, PAYABLE IN FULL UPON APPLICATION

**INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.**

**THERE ARE CERTAIN RISK FACTORS WHICH PROSPECTIVE INVESTORS SHOULD CONSIDER, SEE "RISK FACTORS" IN SECTION 4 OF THIS PROSPECTUS.**

**This Prospectus is dated  
6 April 2011**

Principal Adviser,  
Managing Underwriter,  
Underwriter and  
Placement Agent

**BANK ISLAM**  
BANK ISLAM MALAYSIA BERHAD  
(Company No. 98127-X)

Underwriter

**BIMB SECURITIES**  
BIMB SECURITIES SDN BHD  
(Company No. 290163-X)

## **RESPONSIBILITY STATEMENTS**

OUR DIRECTORS, PROMOTERS AND OFFERORS (AS DEFINED HEREIN) HAVE SEEN AND APPROVED THIS PROSPECTUS. THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED HEREIN AND CONFIRM THAT, AFTER HAVING MADE ALL REASONABLE ENQUIRIES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE IS NO FALSE OR MISLEADING STATEMENT OR OTHER FACTS WHICH IF OMITTED, WOULD MAKE ANY STATEMENT IN THIS PROSPECTUS FALSE OR MISLEADING.

BANK ISLAM MALAYSIA BERHAD ("BANK ISLAM"), BEING THE PRINCIPAL ADVISER, MANAGING UNDERWRITER, UNDERWRITER AND PLACEMENT AGENT, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE INITIAL PUBLIC OFFERING ("IPO").

## **STATEMENT OF DISCLAIMER**

THE SECURITIES COMMISSION ("SC") HAS APPROVED THE IPO AND A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SC. THE APPROVAL, AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE IPO OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORT EXPRESSED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE SECURITIES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

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

APPROVAL HAS BEEN OBTAINED FROM BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") FOR THE LISTING OF AND QUOTATION FOR THE SECURITIES BEING OFFERED. ADMISSION TO THE OFFICIAL LIST OF BURSA SECURITIES IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF THE INVITATION, OUR COMPANY OR OUR SECURITIES.

BURSA SECURITIES SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE IN THIS PROSPECTUS BY US AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO YOU PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE IPO FOR WHICH THE PERSONS SET OUT IN SECTION 236 OF THE CAPITAL MARKETS AND SERVICES ACT 2007, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

OUR SECURITIES ARE CLASSIFIED AS SHARIAH COMPLIANT BY THE SHARIAH ADVISORY COUNCIL ("SAC") OF THE SC BASED ON THE LATEST AUDITED FINANCIAL YEAR AT THE POINT OF SUBMISSION. THIS CLASSIFICATION REMAINS VALID FROM THE DATE OF ISSUE OF THIS PROSPECTUS UNTIL THE NEXT SHARIAH COMPLIANCE REVIEW IS UNDERTAKEN BY THE SAC OF THE SC. THE NEW STATUS IS RELEASED IN THE UPDATED LIST OF SHARIAH-COMPLIANT SECURITIES, ON THE LAST FRIDAY OF MAY AND NOVEMBER.

A COPY OF THIS PROSPECTUS, TOGETHER WITH THE APPLICATION FORM, HAS ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THE PROSPECTUS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT 2007.

THIS PROSPECTUS CAN ALSO BE VIEWED OR DOWNLOADED FROM BURSA SECURITIES' WEBSITE AT [www.bursamalaysia.com](http://www.bursamalaysia.com). THE CONTENTS OF THE ELECTRONIC PROSPECTUS ARE AS PER THE CONTENTS OF THE COPY OF THIS PROSPECTUS REGISTERED WITH THE SC. A COPY OF THIS PROSPECTUS SO REGISTERED IS AVAILABLE ON THE WEBSITE OF AFFIN BANK BERHAD AT [www.affinOnline.com](http://www.affinOnline.com), THE WEBSITE OF RHB BANK BERHAD AT [www.rhbbank.com.my](http://www.rhbbank.com.my), THE WEBSITE OF MALAYAN BANKING BERHAD AT [www.maybank2u.com.my](http://www.maybank2u.com.my), THE WEBSITE OF CIMB INVESTMENT BANK BERHAD AT [www.eipocimb.com](http://www.eipocimb.com) THE WEBSITE OF CIMB BANK BERHAD AT [www.cimbclicks.com.my](http://www.cimbclicks.com.my) AND THE WEBSITE OF PUBLIC BANK BERHAD AT [www.pbebank.com](http://www.pbebank.com).

YOU ARE ADVISED THAT THE INTERNET IS NOT A FULLY SECURED MEDIUM, AND THAT YOUR INTERNET SHARE APPLICATION IS SUBJECT TO THE RISK OF PROBLEMS OCCURRING DURING DATA TRANSMISSION, COMPUTER SECURITY THREATS SUCH AS VIRUSES, HACKERS AND CRACKERS, FAULTS WITH COMPUTER SOFTWARE AND OTHER EVENTS BEYOND THE CONTROL OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS. (INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE LISTED IN SECTION 16 OF THIS PROSPECTUS). THESE RISKS CANNOT BE BORNE BY THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

IF YOU ARE IN DOUBT AS TO THE VALIDITY OR INTEGRITY OF AN ELECTRONIC PROSPECTUS, YOU SHOULD IMMEDIATELY REQUEST FROM US, OUR ADVISER OR THE ISSUING HOUSE, A PAPER/PRINTED COPY OF THIS PROSPECTUS.

THE ELECTRONIC PROSPECTUS SUBMITTED TO THE SC AND BURSA SECURITIES IS THE SAME AS THE REGISTERED PAPER/PRINTED COPY. IN THE EVENT OF ANY DISCREPANCIES ARISING BETWEEN THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE CONTENTS OF THE PAPER/PRINTED COPY OF THIS PROSPECTUS FOR ANY REASON WHATSOEVER, THE CONTENTS OF THE PAPER/PRINTED COPY OF THIS PROSPECTUS, WHICH IS IDENTICAL TO THE COPY OF THE PROSPECTUS REGISTERED WITH THE SC, SHALL PREVAIL.

IN RELATION TO ANY REFERENCE IN THIS PROSPECTUS TO THIRD PARTY INTERNET SITES ("THIRD PARTY INTERNET SITES"), WHETHER BY WAY OF HYPERLINKS OR BY WAY OF DESCRIPTION OF THE THIRD PARTY INTERNET SITES, YOU ACKNOWLEDGE AND AGREE THAT:-

- (I) WE AND OUR ADVISER DO NOT ENDORSE AND ARE NOT AFFILIATED IN ANY WAY WITH THE THIRD PARTY INTERNET SITES AND ARE NOT RESPONSIBLE FOR THE AVAILABILITY OF, OR THE CONTENTS OR ANY DATA, INFORMATION, FILES OR OTHER MATERIAL PROVIDED ON THE THIRD PARTY INTERNET SITES. YOU SHALL BEAR ALL RISKS ASSOCIATED WITH THE ACCESS TO OR USE OF THE THIRD PARTY INTERNET SITES;
- (II) WE AND OUR ADVISER ARE NOT RESPONSIBLE FOR THE QUALITY OF PRODUCTS OR SERVICES IN THE THIRD PARTY INTERNET SITES, FOR FULFILLING ANY OF THE TERMS OF YOUR AGREEMENTS WITH THE THIRD PARTY INTERNET SITES. WE ARE ALSO NOT RESPONSIBLE FOR ANY LOSS, DAMAGE OR COST THAT YOU MAY SUFFER OR INCUR IN CONNECTION WITH OR AS A RESULT OF DEALING WITH THE THIRD PARTY INTERNET SITES OR THE USE OF OR RELIANCE ON ANY DATA, INFORMATION, FILES OR OTHER MATERIAL PROVIDED BY SUCH PARTIES; AND

- (III) ANY DATA, INFORMATION, FILES OR OTHER MATERIAL DOWNLOADED FROM THE THIRD PARTY INTERNET SITES IS AT YOUR OWN DISCRETION AND RISK. WE AND OUR ADVISER ARE NOT RESPONSIBLE, LIABLE OR UNDER OBLIGATION FOR ANY DAMAGE TO YOUR COMPUTER SYSTEM OR LOSS OF DATA RESULTING FROM THE DOWNLOADING OF ANY SUCH DATA, INFORMATION, FILES OR OTHER MATERIAL.

WHERE AN ELECTRONIC PROSPECTUS IS HOSTED ON THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS, YOU ARE ADVISED THAT:-

- (I) THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE LIABLE IN RESPECT OF THE INTEGRITY OF THE CONTENTS OF AN ELECTRONIC PROSPECTUS, TO THE EXTENT OF THE CONTENTS OF THE ELECTRONIC PROSPECTUS SITUATED ON THE WEB SERVER OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS WHICH MAY BE VIEWED VIA YOUR WEB BROWSER OR OTHER RELEVANT SOFTWARE. THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS SHALL NOT BE RESPONSIBLE IN ANY WAY FOR THE INTEGRITY OF THE CONTENTS OF AN ELECTRONIC PROSPECTUS WHICH HAS BEEN DOWNLOADED OR OTHERWISE OBTAINED FROM THE WEB SERVER OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS AND THEREAFTER COMMUNICATED OR DISSEMINATED IN ANY MANNER TO YOU OR OTHER PARTIES; AND
- (II) WHILE ALL REASONABLE MEASURES HAVE BEEN TAKEN TO ENSURE THE ACCURACY AND RELIABILITY OF THE INFORMATION PROVIDED IN AN ELECTRONIC PROSPECTUS, THE ACCURACY AND RELIABILITY OF AN ELECTRONIC PROSPECTUS CANNOT BE GUARANTEED AS THE INTERNET IS NOT A FULLY SECURED MEDIUM.

THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS SHALL NOT BE LIABLE (WHETHER IN TORT OR CONTRACT OR OTHERWISE) FOR ANY LOSS, DAMAGE OR COST, YOU OR ANY OTHER PERSON MAY SUFFER OR INCUR DUE TO, AS A CONSEQUENCE OF OR IN CONNECTION WITH ANY INACCURACIES, CHANGES, ALTERATIONS, DELETIONS OR OMISSIONS IN RESPECT OF THE INFORMATION PROVIDED IN AN ELECTRONIC PROSPECTUS WHICH MAY ARISE IN CONNECTION WITH OR AS A RESULT OF ANY FAULT OR FAULTS WITH WEB BROWSERS OR OTHER RELEVANT SOFTWARE, ANY FAULT OR FAULTS ON YOUR OR ANY THIRD PARTY'S PERSONAL COMPUTER, OPERATING SYSTEM OR OTHER SOFTWARE, VIRUSES OR OTHER SECURITY THREATS, UNAUTHORISED ACCESS TO INFORMATION OR SYSTEMS IN RELATION TO THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS, AND/OR PROBLEMS OCCURING DURING DATA TRANSMISSION, WHICH MAY RESULT IN INACCURATE OR INCOMPLETE COPIES OF INFORMATION BEING DOWNLOADED OR DISPLAYED ON AN APPLICANT'S PERSONAL COMPUTER.

THIS PROSPECTUS HAS NOT BEEN AND WILL NOT BE MADE TO COMPLY WITH THE LAWS OF ANY JURISDICTION OTHER THAN MALAYSIA, AND HAS NOT BEEN AND WILL NOT BE LODGED, REGISTERED OR APPROVED PURSUANT TO OR UNDER ANY APPLICABLE SECURITIES OR EQUIVALENT LEGISLATION OR WITH OR BY ANY REGULATORY AUTHORITY OR OTHER RELEVANT BODY OF ANY JURISDICTION OTHER THAN MALAYSIA.

WE WILL NOT, PRIOR TO ACTING ON ANY ACCEPTANCE IN RESPECT OF THE IPO, MAKE OR BE BOUND TO MAKE ANY ENQUIRY AS TO WHETHER YOU HAVE A REGISTERED ADDRESS IN MALAYSIA AND WILL NOT ACCEPT OR BE DEEMED TO ACCEPT ANY LIABILITY IN RELATION THERETO WHETHER OR NOT ANY ENQUIRY OR INVESTIGATION IS MADE IN CONNECTION THEREWITH.

NO ACTION HAS BEEN OR WILL BE TAKEN TO ENSURE THAT THIS PROSPECTUS COMPLIES WITH THE LAWS OF ANY COUNTRIES OR JURISDICTIONS OTHER THAN THE LAWS OF MALAYSIA. IT SHALL BE YOUR SOLE RESPONSIBILITY IF YOU ARE OR MAY BE SUBJECT TO THE LAWS OF ANY COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO CONSULT YOUR LEGAL AND/OR OTHER PROFESSIONAL ADVISERS AS TO WHETHER THE IPO WOULD RESULT IN THE CONTRAVENTION OF ANY LAWS OF SUCH COUNTRIES OR JURISDICTIONS. NEITHER WE NOR THE ADVISER NOR ANY OTHER ADVISER IN RELATION TO THE IPO SHALL ACCEPT ANY RESPONSIBILITY OR LIABILITY IN THE EVENT THAT ANY APPLICATION MADE BY YOU SHALL BECOME ILLEGAL, UNENFORCEABLE, AVOIDABLE OR VOID IN ANY SUCH COUNTRY OR JURISDICTION.

FURTHER, IT SHALL BE YOUR SOLE RESPONSIBILITY TO ENSURE THAT YOUR APPLICATION FOR THE IPO WOULD BE IN COMPLIANCE WITH THE TERMS OF THE IPO AND WOULD NOT BE IN CONTRAVENTION OF ANY LAWS OF COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO WHICH YOU MAY BE SUBJECTED. WE WILL FURTHER ASSUME THAT YOU HAD ACCEPTED THE IPO IN MALAYSIA AND WILL BE SUBJECT ONLY TO THE LAWS OF MALAYSIA IN CONNECTION THEREWITH.

HOWEVER, WE RESERVE THE RIGHT, IN OUR ABSOLUTE DISCRETION TO TREAT ANY ACCEPTANCES AS INVALID IF WE BELIEVE THAT SUCH ACCEPTANCE MAY VIOLATE ANY LAW OR APPLICABLE LEGAL OR REGULATORY REQUIREMENTS.

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**INDICATIVE TIMETABLE**

The following events are intended to take place on the following tentative dates:-

<b>Event(s)</b>	<b>Tentative Date(s)</b>
Issuance of this Prospectus/Opening of the application period for the IPO	6 April 2011
Closing of the application period for the IPO	18 April 2011
Balloting of the applications for the IPO shares	20 April 2011
Allotment of issue shares/transfer of offer shares to successful applicants	26 April 2011
Listing date	28 April 2011

**Note:-**

This timetable is tentative and is subject to changes which may be necessary to facilitate the implementation procedures. The application period for the IPO will close at the date stated above or such further period or periods as our Directors and the Offerors, together with the Managing Underwriter, in their absolute discretion may mutually decide.

In the event the closing date of the application period is extended, we will advertise the notice of the extension in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia prior to the original closing date of the application period. Following this, we will extend the dates for the balloting of the applications, allotment of issue shares/transfer of offer shares and listing accordingly.

Further information on the indicative timetable is set out in Section 3.2 of this Prospectus.

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**DEFINITIONS**

The following definitions shall apply throughout this Prospectus unless the definitions are defined otherwise or the context requires otherwise:-

<b>Act</b>	:	Companies Act, 1965 or any statutory modification, amendment or re-enactment thereof for the time being in force
<b>ADA</b>	:	Authorised Depository Agent
<b>Application</b>	:	The application for the IPO Shares by way of Application Form, Electronic Share Application and/or Internet Share Application
<b>Application Form(s)</b>	:	The printed application form(s) for the application of the IPO Shares
<b>ATM</b>	:	Automated Teller Machine
<b>Bank Islam / Managing Underwriter</b>	:	Bank Islam Malaysia Berhad (Company No. 98127-X)
<b>Board</b>	:	The Board of Directors of Focus Lumber
<b>Bonus Issue</b>	:	Bonus issue of 10,500,000 new ordinary shares of RM1.00 each credited as fully paid-up on the basis of three (3) new ordinary shares of RM1.00 each for every ten (10) ordinary shares of RM1.00 each held by our shareholders. The Bonus Issue was completed on 16 December 2010
<b>Bursa Depository</b>	:	Bursa Malaysia Depository Sdn Bhd (Company No. 165570-W)
<b>Bursa Securities</b>	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
<b>CARB</b>	:	California Air Resources Board  California's Legislature established the CARB in 1967 to, amongst others:  (i) Attain and maintain healthy air quality; and (ii) Conduct research into the causes of and solutions to air pollution.  The stated goals of CARB include attaining and maintaining healthy air quality, protecting the public from exposure to toxic air contaminants and providing innovative approaches for complying with air pollution rules and regulations. The CARB standards regulate formaldehyde emissions from wood products sold in California or used to make finished goods for sale in California.
<b>CDS</b>	:	Central Depository System
<b>CDS Account(s)</b>	:	Account(s) established for a depositor by Bursa Depository for the recording of deposits or withdrawals of securities and for dealings in such securities by the Depositor
<b>Central Depositories Act</b>	:	Securities Industry (Central Depositories) Act, 1991 or any statutory modification, amendment or re-enactment thereof for the time being in force
<b>CMSA</b>	:	Capital Markets and Services Act 2007 or any statutory modification, amendment or re-enactment thereof for the time being in force

**DEFINITIONS (Cont'd)**

<b>Depositor</b>	:	A holder of a CDS Account
<b>Director(s)</b>	:	Director(s) of our Company and shall have the meaning given in Section 2 of the CMA
<b>EBITDA</b>	:	Earnings before interest, tax, depreciation and amortisation
<b>Electronic Prospectus</b>	:	A copy of this Prospectus that is issued, circulated or disseminated via the Internet, and/or an electronic storage medium, including but not limited to CD-ROMs or floppy disks
<b>Electronic Share Application</b>	:	An application for the Issue Shares through Participating Financial Institutions' ATM
<b>EPS</b>	:	Earnings per share
<b>ESOS</b>	:	Employees' Share Option Scheme
<b>Executive Director</b>	:	A natural person who holds a directorship in an executive capacity in any company within our Group and is on the payroll of that Company
<b>E &amp; E</b>	:	Electronic and Electrical
<b>FRS</b>	:	Financial Reporting Standards
<b>FYE</b>	:	Financial year(s) ended / ending
<b>Focus Lumber or Company</b>	:	Focus Lumber Berhad (Company No. 188710-V)
<b>Focus Lumber Group or Group</b>	:	Focus Lumber and our subsidiary, namely Untung Ria
<b>Focus Lumber Share(s) or Share(s)</b>	:	Ordinary shares of RM0.50 each in Focus Lumber
<b>GSSB</b>	:	Gasing Selatan Sdn. Bhd. (Company No. 710147-X)
<b>Internet Participating Financial Institution(s)</b>	:	Participating organisation(s) for the Internet Share Application, as listed in Section 16 of this Prospectus
<b>Internet Share Application</b>	:	Application for the Issue Shares through an online share application service provided by the Internet Participating Financial Institution(s)
<b>IPO</b>	:	Initial public offering of the Issue Shares and Offer Shares in conjunction with our listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities
<b>IPO Price</b>	:	The Issue Price and Offer Price of RM0.60 for each IPO Share
<b>IPO Share(s)</b>	:	The Issue Shares and Offer Shares, collectively
<b>Issue Price</b>	:	The issue price of RM0.60 for each Issue Share

**DEFINITIONS (Cont'd)**

<b>Issue Share(s)</b>	:	12,200,000 new Focus Lumber Shares, representing approximately 11.82% of our enlarged issued and paid-up share capital, which are to be issued pursuant to the Public Issue and subject to the terms and conditions of this Prospectus
<b>Issuing House or MIH</b>	:	Malaysian Issuing House Sdn Bhd (Company No. 258345-X)
<b>JAS</b>	:	Japanese Agriculture Standards  JAS are industrial standards for the agriculture industry maintained by the Japanese Government. They are comparable to Japanese Industrial Standards but are used for food and agricultural products. The JAS Certification is awarded by the Ministry of Agriculture, Forestry and Fisheries of Japan. JAS imposes stringent requirements on various aspects of production process.
<b>Korea</b>	:	The Republic of Korea
<b>Listing</b>	:	The admission to the Official List of Bursa Securities and the listing of and quotation for our entire enlarged issued and paid-up share capital of RM51,600,000 comprising 103,200,000 Focus Lumber Shares, and any Share(s) arising from the exercise of the ESOS options under the ESOS, on the Main Market of Bursa Securities
<b>Listing Scheme</b>	:	The Bonus Issue, Share Split, Public Issue, Offer for Sale and Listing, collectively
<b>Listing Requirements</b>	:	Main Market Listing Requirements of Bursa Securities
<b>LPD</b>	:	31 January 2011, being the latest practicable date prior to the printing of this Prospectus
<b>LVL</b>	:	Laminated veneer lumber
<b>m<sup>3</sup></b>	:	Cubic metres
<b>Malaysian Public</b>	:	Citizen of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
<b>Market Day</b>	:	Any day between Monday and Friday (inclusive) which is not a public holiday and when Bursa Securities is open for trading of securities
<b>MI</b>	:	Minority interests
<b>MIDA</b>	:	Malaysian Industry Development Authority
<b>MITI</b>	:	Ministry of International Trade and Industry
<b>mm</b>	:	Millimetres
<b>MOF</b>	:	Ministry of Finance
<b>NA</b>	:	Net assets
<b>NCA</b>	:	Net carrying amount

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**DEFINITIONS (Cont'd)**


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<b>Offer for Sale</b>	:	Offer for sale by the Offerors of up to 5,160,000 Offer Shares at the Offer Price comprising:-  (i) 412,000 Offer Shares by way of placement to Bumiputera investors approved by the MITI; and  (ii) Up to 4,748,000 Offer Shares by way of placement to identified investors
<b>Offer Price</b>	:	The offer price of RM0.60 for each Offer Share
<b>Offer Share(s)</b>	:	Up to 5,160,000 existing Focus Lumber Shares, representing up to 5.00% of our enlarged issued and paid-up share capital, which are to be offered for sale pursuant to the Offer for Sale and subject to the terms and conditions of this Prospectus
<b>Offerors</b>	:	Lu Chin Ting, Lin Fong Ming, Yang Chien Chih, Chen Chun Hsiung, Lu Chun Chien, Lu Wei Hsu, Lin Hao Wen, Lin Lieh Ming, Lin Hao Yu, Yang Sen, Yang Hsi Hsien and Yang Wei Szu, collectively
<b>Official List</b>	:	Official list of the Main Market of Bursa Securities
<b>PR</b>	:	Permanent resident
<b>Participating Financial Institutions(s)</b>	:	Participating financial institutions for Electronic Share Application as listed in Section 16 of this Prospectus
<b>PAT</b>	:	Profit after tax
<b>Payment of Dividend</b>	:	The payment of interim tax-exempt (single tier) dividend of RM6.20 million for the FYE 31 December 2010 by our Company as mentioned in Section 2.8 of this Prospectus
<b>PBT</b>	:	Profit before tax
<b>PE Multiple</b>	:	Price earnings multiple
<b>Placement Agent</b>	:	Bank Islam, being the agent to place out 5,300,000 Issue Shares to be issued pursuant to the Public Issue and 5,160,000 Offer Shares to be offered pursuant to the Offer for Sale
<b>Promoters</b>	:	Lu Chin Ting, Lin Fong Ming, Yang Chien Chih, Chen Chun Hsiung, Lu Chun Chien, Lu Wei Hsu, Lin Hao Wen, Lin Lieh Ming, Lin Hao Yu, Yang Sen, Yang Hsi Hsien, Yang Wei Szu and Lu Wei Sheng, collectively
<b>PRC</b>	:	People's Republic of China
<b>Prescribed Security</b>	:	Shares of a company that are prescribed by Bursa Securities to be deposited in the CDS subject to the provision of the Central Depositories Act and the Rules of Bursa Depository

**DEFINITIONS (Cont'd)**

<b>Public Issue</b>	:	Public issue of 12,200,000 new Focus Lumber Shares at the Issue Price comprising: <ul style="list-style-type: none"> <li>(a) 6,000,000 new Focus Lumber Shares available for application by the Malaysian Public;</li> <li>(b) 900,000 new Focus Lumber Shares available for application by eligible employees and persons who have contributed to the success of our Group; and</li> <li>(c) 5,300,000 new Focus Lumber Shares by way of placement to Bumiputera investors approved by the MITI</li> </ul>
<b>R&amp;D</b>	:	Research and development
<b>RM</b>	:	Ringgit Malaysia
<b>RV</b>	:	Recreational vehicle. In North America, the term recreational vehicle and its acronym, RV, are generally used to refer to a vehicle equipped with living space and amenities found in a home; they are sometimes called motor homes. A RV normally includes a kitchen, a bathroom, a bedroom and a living room.  RVs are intended for everything from brief leisure activities such as vacations and camping, to full-time living, for which they are often parked in special trailer parks. RVs can also be rented in most major cities and tourist areas. Furthermore, they are occasionally used as mobile offices for business travelers and often include customisations such as extra desk space, an upgraded electrical system, a generator, and satellite Internet.
<b>ROC</b>	:	Registrar of Companies
<b>Rules</b>	:	Rules of Bursa Depository
<b>SAC</b>	:	Shariah Advisory Council of the SC
<b>SC</b>	:	Securities Commission
<b>Share Split</b>	:	Share split of every one (1) ordinary share of RM1.00 each into two (2) ordinary shares of RM0.50 each. The Share Split was completed on 17 December 2010
<b>Underwriters</b>	:	Bank Islam and BIMB Securities Sdn Bhd, collectively
<b>Underwriting Agreement</b>	:	Underwriting agreement dated 17 March 2011 between Focus Lumber and the Underwriters for the underwriting of the 6,900,000 Issue Shares
<b>Untung Ria</b>	:	Untung Ria Sdn Bhd (Company No. 434316-V)
<b>US</b>	:	United States of America
<b>USD or US\$</b>	:	United States Dollar

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**DEFINITIONS (Cont'd)**

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All references to “our Company” and “Focus Lumber” in this Prospectus are to Focus Lumber Berhad, references to “our Group” and “Focus Lumber Group” are to our Company and our subsidiary taken as a whole and references to “we”, “us”, “our” and “ourselves” are to our Company and our subsidiary, save where the context otherwise requires.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Prospectus shall be a reference to Malaysian time, unless otherwise stated.

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**FORWARD-LOOKING STATEMENT**

This Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and objectives for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual result, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our management's current view with respect to future events and are not a guarantee of future performance. Forward looking statements can be identified by the use of forward looking terminology such as words "may", "will", "would", "could", "believe", "expect", "anticipate", "estimate", "aim", "plan", "forecast", or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- (i) demand of our products;
- (ii) our business strategies;
- (iii) our plans and objectives for future operations;
- (iv) our financial position; and
- (v) our future earnings, cash flows and liquidity.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond our control, including without limitation.

- (i) the economic, political and investment environment in Malaysia and globally; and
- (ii) government policies, legislation or regulation.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are limited to, those discussed in Sections 4 and 11 of this Prospectus. We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus.

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**1. CORPORATE DIRECTORY****BOARD OF DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Occupation</b>	<b>Nationality</b>
Aznam Bin Mansor (Chairman / Independent Non- Executive Director)	C-G-1, Madge Residences No.15 Jalan Madge 55000 Kuala Lumpur	Advocate & Solicitor	Malaysian
Lu Chin Ting (Vice Chairman / Non- Independent Non- Executive Director)	No.171, Po Hai Street Shin Shing District 80051 Kaohsiung Taiwan	Businessman	Taiwanese
Lin Fong Ming (Managing Director)	Mile 3, Jalan Masak Kg. Ulu Patikang 89008 Keningau Sabah	Businessman	Taiwanese
Lin Hao Wen (Executive Director)	Mile 3, Jalan Masak Kg. Ulu Patikang 89008 Keningau Sabah	Company Director	Taiwanese
Chen Chun Hsiung (Executive Director)	No. 26, Taman Sinar Baru Lorong Kenawai 7 Jalan Damai 88450 Kota Kinabalu Sabah	Businessman	Taiwanese/ Malaysian PR
Yang Chien Chih (Executive Director)	Mile 3, Jalan Masak Kg. Ulu Patikang 89008 Keningau Sabah	Businessman	Taiwanese
Lin Lieh Ming (Executive Director)	Mile 3, Jalan Masak Kg. Ulu Patikang 89008 Keningau Sabah	Company Director	Taiwanese
Wong Yoke Nyen (Independent Non- Executive Director)	48, Jalan 17/33 Taman Tan Sri Lee Yan Lian 46400 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian
Ng Tian Meng (Independent Non- Executive Director)	H28, Lot 549 Lorong Raja Udang 10 Taman Kingfisher Fasa 2 88400 Kota Kinabalu Sabah	Company Director	Malaysian

**1. CORPORATE DIRECTORY (Cont'd)****AUDIT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Wong Yoke Nyen	Chairman	Independent Non-Executive Director
Aznam Bin Mansor	Member	Chairman / Independent Non-Executive Director
Ng Tian Meng	Member	Independent Non-Executive Director

**REMUNERATION COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Ng Tian Meng	Chairman	Independent Non-Executive Director
Wong Yoke Nyen	Member	Independent Non-Executive Director
Lin Fong Ming	Member	Managing Director

**NOMINATION COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Aznam Bin Mansor	Chairman	Chairman/Independent Non-Executive Director
Wong Yoke Nyen	Member	Independent Non-Executive Director
Ng Tian Meng	Member	Independent Non-Executive Director

**COMPANY SECRETARIES**

: Tiu Oi Ping @ Vivian (MIA 16456)  
No. 62, Taman Regent  
Lorong Berembun 3  
88300 Kota Kinabalu  
Sabah

Wong Peir Chyun (MAICSA 7018710)  
15, Solok Nona  
Off Jalan Meru  
41050 Klang  
Selangor Darul Ehsan

Lew Nyok Khim (MAICSA 0792279)  
2, Lorong SS3/59B  
47301 Petaling Jaya  
Selangor Darul Ehsan

**REGISTERED OFFICE AND HEAD OFFICE**

: 11<sup>th</sup> Floor, Wisma Perindustrian  
Jalan Istiadat, Likas  
88400 Kota Kinabalu  
Sabah

Telephone No. : (088) 242 257

Website : [www.focuslumber.com.my](http://www.focuslumber.com.my)

Information on our website does not constitute part of this Prospectus

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**1. CORPORATE DIRECTORY (Cont'd)**


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- EXTERNAL AUDITORS AND REPORTING ACCOUNTANTS** : Ernst & Young (AF: 0039)  
Suite 1-10-W1, 10<sup>th</sup> Floor  
CPS Tower, Centre Point Sabah  
No.1, Jalan Centre Point  
88000 Kota Kinabalu  
Sabah  
Telephone No. : (088) 235 733
- SOLICITORS FOR THE LISTING** : Lee Choon Wan & Co.  
No.12, Lorong Dungun  
Damansara Heights  
50490 Kuala Lumpur  
Telephone No. : (03) 2093 0078
- PRINCIPAL ADVISER, MANAGING UNDERWRITER, UNDERWRITER AND PLACEMENT AGENT** : Bank Islam Malaysia Berhad (98127-X)  
11<sup>th</sup> Floor, Wisma Bank Islam  
Jalan Dungun  
Bukit Damansara  
50490 Kuala Lumpur  
Telephone No. : (03) 2688 2688
- UNDERWRITER** : BIMB Securities Sdn Bhd  
Level 32, Menara Multi Purpose  
Capital Square, 8  
Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Telephone No. : (03) 2691 8887
- SHARE REGISTRAR** : Tricor Investor Services Sdn Bhd (118401-V)  
Level 17, The Gardens North Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
Telephone No. : (03) 2264 3883
- PRINCIPAL BANKERS** : CIMB Bank Berhad (13491-P)  
Industrial Lot 10A  
89007 Keningau  
Sabah  
Telephone No. : (088) 332 595
- OCBC Bank (Malaysia) Berhad (295400-W)  
21 & 23, Jalan Pantai  
88000 Kota Kinabalu  
Sabah  
Telephone No. : (088) 267 479
- RHB Bank Berhad (6171-M)  
81/83, Jalan Gaya  
88000 Kota Kinabalu  
Sabah  
Telephone No. : (088) 216 188

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**1. CORPORATE DIRECTORY (Cont'd)**


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<b>ISSUING HOUSE</b>	:	Malaysian Issuing House Sdn Bhd (258345-X) Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan P.O. Box 13269 50804 Kuala Lumpur Telephone No. : (03) 7841 8000
<b>INDEPENDENT MARKET RESEARCHER</b>	:	Dun & Bradstreet (D&B) Malaysia Sdn Bhd (527570-M) Block C-17-02, 3 Two Square No. 2, Jalan 19/1 46350 Petaling Jaya Selangor Darul Ehsan Telephone No. : (03) 7966 6866
<b>LISTING SOUGHT</b>	:	Main Market of Bursa Securities
<b>SHARIAH STATUS</b>	:	Approved by the Shariah Advisory Council of the SC

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## 2. INFORMATION SUMMARY

**This section is only a summary of the salient information about us and the IPO and is extracted from the full text of this Prospectus. You should carefully read and understand this section together with the whole Prospectus before you decide whether to invest in us.**

### 2.1 BACKGROUND AND PRINCIPAL ACTIVITIES

Further information on our Group's background and business activities are set out in Section 5 of this Prospectus.

Our Company was incorporated in Malaysia under the Act on 30 October 1989 as a private limited liability company under the name of Focus Lumber Sdn Bhd. Our Company was subsequently converted to a public limited liability company and assumed our present name on 13 November 2009 to facilitate our listing on the Main Market of Bursa Securities. We are principally involved in the manufacturing and sale of plywood, veneer and LVL, and investment holding. Plywood is our core product, generating the bulk of our Group's revenue.

Our Group was established by our three (3) key founders, namely Lin Fong Ming, Lu Chin Ting and Yang Chien Chih who have developed our Group since incorporation into a major plywood manufacturer in Malaysia. They each have more than 30 years of business experience in the timber industry. Prior to establishing our Group, our founders were involved in timber trading and plywood manufacturing businesses in Taiwan. In the 1980's, after taking into consideration, inter-alia, Sabah's rich natural tropical forest resources and the Malaysian government's initiative to further develop the downstream timber industry, they incorporated Focus Lumber in 1989. We subsequently set up our plywood manufacturing mill in Keningau, Sabah in 1990. In November 1991, we saw the commencement of our plywood manufacturing business. As part of our management succession plan, in recent years, our Group has groomed key management personnel who have brought in new ideas to our Group. They are the children of our founders.

Over the years, we have gained vast experience in the manufacturing of plywood. With our strong technical capabilities and know-how, we have become a major player in the plywood industry. Our plywood is environmentally friendly and we were the first Malaysian plywood mill company certified as a CARB Certified Manufacturer on 2 October 2008 by Professional Service Industries, Inc., a CARB authorised third party certifier. The CARB standards regulate formaldehyde emissions from wood products sold in California or used to make finished goods for sale in California. In addition, our Company was also awarded with the JAS Certification by the Ministry of Agriculture, Forestry and Fisheries of Japan in 2009 for our quality plywood. JAS imposes stringent requirements on various aspects of production process. Hence, the JAS certification will facilitate our Group to supply to the Japanese market. These certifications awarded to our Company represent an official acknowledgement and endorsement of the quality of our plywood and enhance our customers' confidence on our plywood.

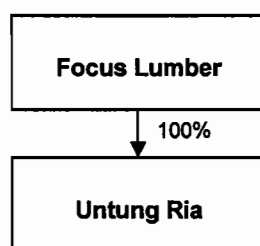
Our plywood can be used in many different applications where high-quality and high-strength sheet materials are required. We produce mainly thin panel plywood of which the thickness is below 6 mm and they are capable of further processing by laminate factories. These factories prefer thin panel plywood which is also a preferred choice for the RV market in the US, where most of our plywood is exported to. We also produce thick panel plywood ranging from 6 mm to 18 mm. For the FYE 31 December 2010, 95.2% of the revenue of our Group was derived from the manufacturing and sale of plywood. 55.1%, 20.3% and 2.0% of the plywood, veneer and LVL products produced were exported to the US, Taiwan and Korea markets respectively whilst the domestic market contributed to 12.5% of our Group's revenue. As part of our Group's strategy to consistently enhance our customer base, we have also exported our plywood to Mexico, India and other countries. Our plywood is widely used in various industries which include the RV industry (mainly in the US market), home decorating industry, furniture industry, vehicle internal body work, floors, walls and roofs in transport vehicles and house constructions. In 2009, our Group attained a market share of approximately 23.9% in the US market for the imports of plywood, veneered panels and similar laminated wood from Malaysia.

## 2. INFORMATION SUMMARY (Cont'd)

Our wholly-owned subsidiary, Untung Ria, commenced its operation in 2006 after the completion of its power plant construction in the same year. Untung Ria is principally involved in the generation, transmission, distribution and sale of electricity. Untung Ria reuses bulk waste to generate biomass energy to supply electricity to our Group's operations. This has resulted in substantial cost savings for our Group and has reduced our reliance on expensive fossil fuels which in turn has reduced our overall cost of production and improved our profit margin, thus putting our Group at a competitive advantage.

Our Group has also started a production line for the manufacturing of LVL which commenced operations in March 2010 and the sales of LVL started in April 2010. The start-up involved the purchase of new machinery amounting to RM0.48 million, which was financed through our internally generated funds. The manufacturing and selling of the new LVL product is part of our plan to diversify into different product market segments whilst maintaining our established position in the thin panel plywood market.

Our existing corporate Group structure is as follows:-



### 2.2 COMPETITIVE STRENGTHS

The competitive strengths of our Group include the following:-

- (a) Experienced management team;
- (b) Approved international recognition on product quality;
- (c) Reusing waste to generate biomass energy;
- (d) Established position in the plywood industry and capital intensiveness (barrier to entry);
- (e) Established track records and relationship with customers; and
- (f) Strategically located with easy accessibility to log supply.

Further details of our competitive strengths are set out in Section 5.1.2 of this Prospectus.

### 2.3 PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND DIRECTORS OF OUR GROUP

Our Company's promoters are Lu Chin Ting, Lin Fong Ming, Yang Chien Chih, Lin Hao Yu, Lin Hao Wen, Lin Lieh Ming, Lu Chun Chien, Lu Wei Hsu, Yang Wei Szu, Yang Sen, Yang Hsi Hsien, Chen Chun Hsiung and Lu Wei Sheng.

Our Company's existing substantial shareholders are the promoters mentioned above, Aznam Bin Mansor and Azizah Binti Kassim. After the Listing, Azizah Binti Kassim will cease as a substantial shareholder of our Company.

**2. INFORMATION SUMMARY (Cont'd)**

The Directors of our Company are as follows:-

<b>Name</b>	<b>Designation</b>
Aznam Bin Mansor	Chairman / Independent Non-Executive Director
Lu Chin Ting	Vice Chairman / Non-Independent Non-Executive Director
Lin Fong Ming	Managing Director
Lin Hao Wen	Executive Director
Lin Lieh Ming	Executive Director
Chen Chun Hsiung	Executive Director
Yang Chien Chih	Executive Director
Wong Yoke Nyen	Independent Non-Executive Director
Ng Tian Meng	Independent Non-Executive Director

Further details on our Promoters, substantial shareholders and Directors are disclosed in Section 7 of this Prospectus.

**2.4 PRINCIPAL STATISTICS RELATING TO THE IPO**

The following statistics relating to the IPO are derived from the full text of this Prospectus and should be read in conjunction with the text:-

	<b>No. of Shares</b>	<b>Share Capital (RM)</b>
<b>Authorised share capital</b>	300,000,000	150,000,000
<b>Issued and fully paid-up share capital as at the date of this Prospectus</b>	91,000,000	45,500,000
New shares to be issued pursuant to the Public Issue	12,200,000	6,100,000
<b>Enlarged share capital upon Listing</b>	<b>103,200,000</b>	<b>51,600,000</b>
<b>Offer for Sale</b>	5,160,000	2,580,000
<b>IPO Price</b>		0.60
- <b>Unaudited proforma consolidated NA per Share</b> (based on the enlarged issued and paid-up share capital after the IPO and after deducting the estimated listing expenses of RM2.80 million)		<b>RM</b> 0.97
- <b>Market capitalisation</b> (based on the IPO Price and enlarged issued and paid-up share capital after the IPO)		61,920,000

Further information on our IPO is disclosed under Section 3 of this Prospectus.

**2. INFORMATION SUMMARY (Cont'd)****2.5 UTILISATION OF PROCEEDS FROM THE IPO**

The total gross proceeds from the Public Issue will amount to RM7.32 million based on the Issue Price. We expect the proceeds to be utilised in the following manner:-

<b>Purpose</b>	<b>RM'000</b>	<b>%</b>	<b>Time frame for utilisation</b>
Working Capital	4,520	61.7	Within 12 months from the date of Listing
Estimated listing expenses	2,800	38.3	Within three (3) months from the date of Listing
<b>Total</b>	<b>7,320</b>	<b>100.0</b>	

Further details on the utilisation of proceeds are set out in Section 3.9 of this Prospectus.

There is no minimum subscription to be raised from the IPO.

The Offer for Sale may raise gross proceeds of up to approximately RM3.10 million. All the proceeds from the Offer for Sale will be credited to the Offerors and we will not receive any part of the proceeds. The Offerors shall bear all the expenses including registration and transfer fees, placement fee and miscellaneous expenses relating to their respective portion of the Offer for Sale amounting to an estimate of approximately RM0.10 million on a pro-rated basis.

The proforma impact of the utilisation of proceeds on our Unaudited Proforma Consolidated Statements of Financial Position as at 31 December 2010 is reflected in Section 11.2 of this Prospectus.

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**2. INFORMATION SUMMARY (Cont'd)****2.6 HISTORICAL AUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF OUR GROUP**

The following historical audited consolidated statements of comprehensive income for the past four (4) FYE 31 December 2007, 2008, 2009 and 2010 have been derived from the audited consolidated financial statements of our Group and should be read in conjunction with the Accountants' Report as set out in Section 12 of this Prospectus.

There has been no audit qualification on the audited consolidated financial statements of Focus Lumber for the four (4) FYE 31 December 2007, 2008, 2009 and 2010 under review. There were no exceptional or extraordinary items in the audited financial statements of our Group during the financial years under review. Our Group's audited consolidated financial statements were prepared in accordance with approved accounting standards in Malaysia and have been audited by our External Auditors, Messrs. Ernst & Young.

	-----Audited----->			
	FYE 31 December 2007 (Restated) RM'000	FYE 31 December 2008 (Restated) RM'000	FYE 31 December 2009 RM'000	FYE 31 December 2010 RM000
Revenue	113,837	114,373	102,300	120,378
Cost of sales	(90,157)	(91,468)	(75,508)	(88,706)
Gross profit	23,680	22,905	26,792	31,672
<b>Other items of income:-</b>				
Interest income	252	204	79	124
Other income	3,145 <sup>#</sup>	145	747	789
Discount on acquisition	-	-	2,766	-
<b>Other items of expense:-</b>				
Selling and distribution costs	(9,137)	(9,134)	(8,887)	(13,900)
Administrative expenses <sup>^</sup>	(6,119) <sup>#</sup>	(3,235)	(6,104)	(7,891)
Finance costs	(16)	(12)	(2)	(1)
PBT	11,805	10,873	15,391	10,793
Income tax expense	(1,663)	1,121	(3,587)	(576)
PAT	10,142	11,994	11,804	10,217
<b>Profit attributable to:</b>				
Owners of Focus Lumber	11,046	10,273	11,596	10,217
Minority interests	(904)	1,721	208	-
	10,142	11,994	11,804	10,217
No. of shares in issue ('000)	91,000 <sup>1</sup>	91,000 <sup>1</sup>	91,000 <sup>1</sup>	91,000
EBITDA	17,487	15,821	20,321 <sup>7</sup>	15,961
Basic EPS <sup>2</sup> (RM)	0.12	0.11	0.13	0.11
Gross profit margin <sup>3</sup> (%)	20.80	20.03	26.19	26.31
PBT margin <sup>4</sup> (%)	10.37	9.51	15.04	8.97
PAT margin <sup>5</sup> (%)	8.91	10.49	11.54	8.49
Effective tax rate <sup>6</sup> (%)	14.09	(10.31)	23.31	5.34

**2. INFORMATION SUMMARY (Cont'd)**

Notes:-

# Included in other income for the FYE 31 December 2007 was reversal of provision for doubtful debts provided in prior years of RM2.89 million. These doubtful debts were subsequently considered as bad by our Group during the financial year. Hence, these doubtful debts were written off as bad debts under administrative expenses and the corresponding provision for doubtful debts (which had been made in prior years) have been reversed and have resulted in an equivalent amount of credit entry under other income accordingly.

^ Administrative expenses for the FYE 31 December 2007 and 2008 were restated to include workers recruitment and staff advances written off amounting to approximately RM0.013 million and RM0.011 million respectively relating to a prior year adjustment identified during the FYE 31 December 2009.

The following adjustments relating to prior years financial statements of our Group were identified during the FYE 31 December 2009 and were accounted for retrospectively by way of prior year adjustment:-

	2007 RM'000	2008 RM'000	2009 RM'000
<b>Effects on retained earnings</b>			
At 1 January, as previously stated	46,033	57,091	67,375
Effects of prior year adjustment	(1,007)	(1,019)	(1,030)
At 1 January, as restated	45,026	56,072	66,345
<b>Effects on profit for the year</b>			
Profit for the year before prior year adjustment	10,155	12,005	11,804
Effects of prior year adjustment	(13)	(11)	-
Profit for the year	10,142	11,994	11,804

- 1) The number of ordinary shares in issue is adjusted for Bonus Issue and Share Split implemented on 16 December 2010 and 17 December 2010 respectively.
- 2) Basic EPS is calculated based on profit attributable to owners of our Company divided by the number of shares in issue.
- 3) Gross profit margin is calculated based on gross profit divided by revenue.
- 4) PBT margin is calculated based on PBT divided by revenue.
- 5) PAT margin is calculated based on PAT divided by revenue.
- 6) Effective tax rate is calculated based on income tax expense divided by PBT.
- 7) The EBITDA includes the one-off credit item for the FYE 31 December 2009, namely discount on acquisition. The following is the EBITDA before including the discount on acquisition:-

	RM'000
EBITDA	20,321
Less: Discount on acquisition	(2,766)
EBITDA before including discount on acquisition	17,555

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**2. INFORMATION SUMMARY (Cont'd)****2.7 UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP**

The Unaudited Proforma Consolidated Statements of Financial Position of our Group as at 31 December 2010 set out below, for which our Directors are solely responsible, have been prepared for illustrative purposes only to show the effects of Payment of Dividend, Public Issue and Offer for Sale on the audited consolidated statements of financial position of our Group as at 31 December 2010 on the assumptions that these transactions were implemented and completed on 31 December 2010. We advise you to read the Unaudited Proforma Consolidated Statements of Financial Position together with the basis of assumptions as set out in the accompanying notes included in the Reporting Accountants' Letter on the Unaudited Proforma Consolidated Statements of Financial Position as set out in Section 11.2 of this Prospectus.

	<b>Audited as at 31 December 2010</b>	<b>Adjustments</b>	<b>Proforma I After Payment of Dividend</b>	<b>Adjustments</b>	<b>Proforma II After Proforma I, Public Issue and Offer for Sale</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	46,987,450	-	46,987,450	-	46,987,450
Investment properties	1,517,720	-	1,517,720	-	1,517,720
Other investments	1,149,040	-	1,149,040	-	1,149,040
Deferred tax assets	3,417,853	-	3,417,853	-	3,417,853
	<u>53,072,063</u>	<u>-</u>	<u>53,072,063</u>	<u>-</u>	<u>53,072,063</u>

**2. INFORMATION SUMMARY (Cont'd)****2.7 UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP (Cont'd)**

	<b>Proforma I</b>		<b>Proforma II</b>	
	<b>Audited as at 31</b>	<b>Adjustments</b>	<b>After Payment of</b>	<b>After Proforma I,</b>
	<b>December 2010</b>		<b>Dividend</b>	<b>Public Issue and</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>Offer for Sale</b>
				<b>RM</b>
<b>Current assets</b>				
Inventories	22,284,827	-	22,284,827	22,284,827
Trade and other receivables	6,347,490	-	6,347,490	6,347,490
Tax refundable	3,679,073	-	3,679,073	3,679,073
Cash and bank balances	28,810,477	(6,200,000)	22,610,477	27,130,477
	61,121,867	(6,200,000)	54,921,867	59,441,867
<b>Total assets</b>	<b>114,193,930</b>	<b>(6,200,000)</b>	<b>107,993,930</b>	<b>112,513,930</b>
<b>Equity and liabilities</b>				
<b>Current liability</b>				
Trade and other payables	9,155,980	-	9,155,980	9,155,980
<b>Net current assets</b>	<b>51,965,887</b>	<b>(6,200,000)</b>	<b>45,765,887</b>	<b>50,285,887</b>

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**2. INFORMATION SUMMARY (Cont'd)****2.7 UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP (Cont'd)**

	<b>Audited as at 31 December 2010 RM</b>	<b>Adjustments RM</b>	<b>Proforma I After Payment of Dividend RM</b>	<b>Adjustments RM</b>	<b>Proforma II After Proforma I, Public Issue and Offer for Sale RM</b>
<b>Non-current liability</b>					
Deferred tax liabilities	2,880,341	-	2,880,341	-	2,880,341
<b>Total liabilities</b>	<b>12,036,321</b>	<b>-</b>	<b>12,036,321</b>	<b>-</b>	<b>12,036,321</b>
<b>NA</b>	<b>102,157,609</b>	<b>(6,200,000)</b>	<b>95,957,609</b>	<b>4,520,000</b>	<b>100,477,609</b>
<b>Equity attributable to owners of Focus Lumber</b>					
Share capital	45,500,000	-	45,500,000	6,100,000	51,600,000
Share premium	-	-	-	742,000	742,000
Retained earnings	56,657,609	(6,200,000)	50,457,609	(2,322,000)	48,135,609
<b>Total equity</b>	<b>102,157,609</b>	<b>(6,200,000)</b>	<b>95,957,609</b>	<b>4,520,000</b>	<b>100,477,609</b>
<b>Total equity and liabilities</b>	<b>114,193,930</b>	<b>(6,200,000)</b>	<b>107,993,930</b>	<b>4,520,000</b>	<b>112,513,930</b>
Number of ordinary shares in issue	91,000,000		91,000,000		103,200,000
NA per share (RM)	1.12		1.05		0.97

## 2. INFORMATION SUMMARY (Cont'd)

### 2.8 DIVIDEND POLICY

Our Company has declared and paid an interim tax-exempt dividend of 60% which amounted to RM21.00 million on 31 March 2009 for the FYE 31 December 2009. Our Company has also declared an interim tax-exempt (single tier) dividend amounting to RM6.20 million for the FYE 31 December 2010 on 28 January 2011 which was paid on 15 February 2011.

For the FYE 31 December 2011, our Board intends to recommend and distribute not less than 4.4 sen per Share net dividend, representing a net dividend yield of 7.3% based on the IPO Price per share, to our shareholders subject to the following factors:-

- (i) The availability of adequate distributable reserves and cash flows;
- (ii) Our operating cash flow requirements and financing commitments;
- (iii) Our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans; and
- (iv) Any material impact of tax laws and other regulatory requirements.

However, investors should note that the intention to recommend the dividends should not be treated as a legal obligation on our Company to do so. The level of dividends should also not be treated as an indication of our Company's future dividend policy. There is no assurance that dividends will be paid out in the future or on timing of any dividends that are to be paid in the future. In determining dividends in respect of subsequent financial years, consideration will be given to maximising shareholders' value.

### 2.9 RISK FACTORS

Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, certain risks and investment considerations that may affect our future financial performance. The following is a summary of the key risks and investment considerations (which may not be exhaustive) that we are currently facing or that may develop in the future:-

#### 2.9.1 Risks relating to business and operations of our Group

- (i) No long term contract with major customers;
- (ii) Log supply;
- (iii) Risk of labour shortage;
- (iv) Fluctuation in log prices;
- (v) Foreign exchange risk;
- (vi) Reliance on the US market and a single customer;
- (vii) Competition;
- (viii) Environmental issues;
- (ix) Dependency on key management;
- (x) Workplace safety and health matters; and
- (xi) Operational risks and insurance coverage.

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**2. INFORMATION SUMMARY (Cont'd)**

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**2.9.2 Risks relating to investing in our Shares**

- (i) No prior market for our Shares;
- (ii) Share price volatility and volume of our Shares;
- (iii) Ownership and control by our existing shareholders;
- (iv) Failure or delay in our Listing;
- (v) We may not be able to pay dividends to shareholders; and
- (vi) Forward looking statements.

Further information on our risk factors is disclosed under Section 4 of this Prospectus.

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### 3. PARTICULARS OF IPO

#### 3.1 INTRODUCTION

This Prospectus is dated 6 April 2011.

We have registered a copy of this Prospectus together with the Application Forms with the SC. We have also lodged a copy of this Prospectus, together with the Application Forms with the ROC, and neither the SC nor the ROC takes any responsibility for its contents.

We have received the SC's approval for our IPO vide its letter dated 12 October 2010. However, the approval of the SC shall not be taken to indicate that the SC recommends the IPO and/or the listing of Focus Lumber on the Main Market of Bursa Securities. Investors are advised to make their own individual assessment on the merits and risks of the IPO.

On 14 June 2010, we have voluntarily submitted an application to the SC for a Shariah compliance review to be carried out by the SAC of the SC as part of the process of determining our Shariah status at IPO. On 2 July 2010, the SAC has classified our shares as Shariah-compliant based on the audited consolidated financial statements of our Group for the FYE 31 December 2009. The classification will remain valid from the date of issue of this Prospectus until the next Shariah compliance review is conducted by the SAC. The new status will be released in the updated list of the Shariah-compliant securities on the last Friday of the month of May and November of each year.

We have obtained Bursa Securities' approval vide its letter dated 8 March 2011 for admission of our Company to the Official List of the Main Market of Bursa Securities and for the listing of and quotation for our Company's entire issued and paid-up share capital, including the IPO Shares which is the subject of this Prospectus and any Share(s) arising from the exercise of the ESOS options under the ESOS, on the Main Market of Bursa Securities. Our Shares will be admitted to the Official List and official quotation will commence upon receipt of confirmation from the Issuing House that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Acceptances of Application for the IPO Shares will be conditional upon the permission being granted by Bursa Securities to deal in and for quotation and listing of our entire issued and paid-up share capital on the Main Market of Bursa Securities. Accordingly, monies paid in respect of any application accepted from the IPO will be returned in full without interest within 14 days if the aforesaid permission for quotation is not granted within six (6) weeks from the date of issue of this Prospectus, or such longer period as may be specified by the SC, provided that we are notified by or on behalf of Bursa Securities within the aforesaid timeframe. If such monies are not repaid within the said period, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

Pursuant to Section 14(1) of the Central Depositories Act, Bursa Securities has prescribed our Shares as a Prescribed Security. Therefore, we will deposit the IPO Shares directly with Bursa Depository. Any dealings in these Shares will be carried out in accordance with the Central Depositories Act and the Rules. We will not issue any share certificates to successful applicants.

Pursuant to the Listing Requirements, at least 25% of the total number of shares for which the listing is sought must be in the hands of a minimum number of 1,000 public shareholders holding not less than 100 Shares each upon admission to the Main Market of Bursa Securities. In the event that the above requirement is not met pursuant to the IPO, we may not be allowed to proceed with our Listing on the Main Market of Bursa Securities. In such an event, we will return all the monies paid in respect of all applications without interest.

If you are submitting your application by way of an Application Form or Electronic Share Application or Internet Share Application, you **MUST** have a CDS account. If you presently do not have a CDS account, you should open a CDS account at an ADA prior to making an application for our IPO Shares. Please refer to **Section 16** of this Prospectus for further details on the procedures for application for the IPO Shares.

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**3. PARTICULARS OF IPO (Cont'd)**

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

The distribution of this Prospectus and the making of the IPO in certain other jurisdictions outside Malaysia may be restricted by law. The distribution of this Prospectus and the sale of any part of our IPO Shares are subject to the Malaysian laws and we, together with Bank Islam as the Principal Adviser, Managing Underwriter, Underwriter and Placement Agent, take no responsibility for the distribution of this Prospectus and the offer of any part of our IPO Shares outside Malaysia, which may be restricted by law in certain other jurisdictions. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation and/or offer to subscribe for our IPO Shares in any jurisdictions in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

The SC and Bursa Securities assume no responsibility for the correctness of any statements made or expressed in this Prospectus. Admission to the Official List is not to be taken as an indication of the merits of our Company or Shares.

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

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**3. PARTICULARS OF IPO (Cont'd)****3.2 INDICATIVE TIMETABLE**

The following events are intended to take place on the following tentative dates:-

Event(s)	Tentative Date(s)
Issuance of this Prospectus/Opening of the application period for the IPO	6 April 2011
Closing of the application period for the IPO	18 April 2011
Balloting of the applications for the IPO Shares	20 April 2011
Allotment of Issue Shares/transfer of Offer Shares to successful applicants	26 April 2011
Listing date	28 April 2011

This timetable is tentative and is subject to changes which may be necessary to facilitate the implementation procedures. The application period for the IPO will close at the date stated above or such further period or periods as our Directors and the Offerors, together with the Managing Underwriter, in their absolute discretion may mutually decide.

In the event the closing date of the application period is extended, we will advertise the notice of the extension in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia prior to the original closing date of the application period. Following this, we will extend the dates for the balloting of the applications, allotment of Issue Shares/transfer of Offer Shares and Listing accordingly.

**3.3 PURPOSES OF THE IPO**

The purposes of the IPO are as follows:-

- (i) To obtain the listing of and quotation for the entire issued and paid-up share capital of our Company on the Main Market of Bursa Securities, which is expected to enhance our business, profile and future prospects;
- (ii) To provide our Group with access to the capital market and allow us to raise funds for future expansion and growth;
- (iii) To enhance the stature of our Group in the marketing of our products and to retain, and attract new and skilled employees;
- (iv) To provide an opportunity for Malaysian investors (including all our eligible employees and persons who have contributed to the success of our Group) to participate in our equity and continuing growth;
- (v) To assist our Group in expanding our customer base in Malaysia and abroad; and
- (vi) To generate additional funds to meet our general working capital requirements for present and future operations of our Group.

**3. PARTICULARS OF IPO (Cont'd)****3.4 SHARE CAPITAL AND RIGHTS ATTACHING TO THE ISSUE SHARES AND OFFER SHARES**

	<b>No. of Shares</b>	<b>Share Capital (RM)</b>
<b>Authorised share capital</b>	300,000,000	150,000,000
<b>Issued and fully paid-up share capital as at the date of this Prospectus</b>	91,000,000	45,500,000
New shares to be issued pursuant to the Public Issue	12,200,000	6,100,000
<b>Enlarged share capital upon Listing</b>	<b>103,200,000</b>	<b>51,600,000</b>
<b>Offer for Sale</b>	5,160,000	2,580,000
<b>IPO Price</b>		0.60
- <b>Unaudited proforma consolidated NA per Share</b> <i>(based on the enlarged issued and paid-up share capital after the IPO and after deducting the estimated listing expenses of RM2.80 million)</i>		<b>RM</b> 0.97
- <b>Market capitalisation</b> <i>(based on the IPO Price and enlarged issued and paid-up share capital after the IPO)</i>		61,920,000

The IPO Price is payable in full upon application.

We only have one (1) class of shares, being ordinary shares of RM0.50 each, all of which rank equally with each other. The Offer Shares and the Issue Shares will, upon allotment and issue, rank equally in all respects with our existing issued Shares which are fully paid-up including voting rights and rights to all dividends and distributions that may be declared where the entitlement date of which precedes the issue date of our Shares.

Subject to special rights attaching to any share which may be issued by us in the future, our shareholders shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions, and the whole of any surplus in the event of our liquidation, such surplus to be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with our Articles of Association and provisions of the Act.

Each shareholder shall be entitled to vote at any of our general meetings in person, by proxy or by attorney, and, on a show of hands, every person present who is a shareholder, or a representative, proxy or attorney of a shareholder, shall have one (1) vote, and on a poll, every shareholder present in person, by proxy, by attorney or by duly authorised representative shall have one (1) vote for each of our Shares held. A proxy may but need not be our member.

### 3. PARTICULARS OF IPO (Cont'd)

#### 3.5 DETAILS OF THE IPO

##### 3.5.1 Public Issue

The Public Issue of 12,200,000 new Shares, representing approximately 11.82% of our enlarged issued and paid-up share capital, at the Issue Price, payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner:-

**(i) Malaysian Public**

6,000,000 new Focus Lumber Shares, representing approximately 5.81% of our enlarged issued and paid-up share capital, to be made available for application by the Malaysian Public via balloting, of which at least 50% is to be set aside strictly for Bumiputera investors.

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

**(ii) Eligible employees and persons who have contributed to the success of our Group**

900,000 new Focus Lumber Shares, representing approximately 0.87% of our enlarged issued and paid-up share capital, to be reserved for the eligible employees and persons who have contributed to the success of our Group. Further details of our pink form share allocation are set out in Section 3.8 of this Prospectus.

**(iii) Private placement to Bumiputera investors approved by the MITI**

5,300,000 new Focus Lumber Shares, representing approximately 5.14% of our enlarged issued and paid-up share capital, to be placed out to Bumiputera investors approved by the MITI.

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**3. PARTICULARS OF IPO (Cont'd)****3.5.2 Offer for Sale**

The Offer for Sale of up to 5,160,000 Offer Shares, representing up to 5.00% of our enlarged issued and paid-up share capital, at the Offer Price, payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner:-

- (i) 412,000 Offer Shares, representing approximately 0.40% of our enlarged issued and paid-up share capital, by way of placement to Bumiputera investors approved by the MITI; and
- (ii) Up to 4,748,000 Offer Shares, representing approximately 4.60% of our enlarged issued and paid-up share capital, by way of placement to identified investors.

The breakdown of the Offer Shares offered by the respective Offerors and their respective material relationship with our Company for the past three (3) years are as follow:-

Shareholders	Material Relationship with our Company	Address	No. of Focus Lumber Shares as at the LPD		No. of Offer Shares	% of issued and paid-up share capital	% of enlarged issued and paid-up share capital	<-----After the IPO*----->	
				%				No. of Focus Lumber Shares	%
Chen Chun Hsiung	Executive Director / promoter / substantial shareholder / key management	No.26, Taman Sinar Baru Lorong Kenawai 7, Jalan Damai 88450 Kota Kinabalu Sabah	10,244,324	11.26	774,000	0.85	0.75	9,470,324	9.18
Lu Chin Ting	Vice Chairman/ Non-Independent Non-Executive Director / promoter / substantial shareholder	No.171, Po Hai Street Shin Shing District 80051 Kaohsiung Taiwan	8,195,458	9.01	619,200	0.68	0.60	7,576,258	7.34

## 3. PARTICULARS OF IPO (Cont'd)

Shareholders	Material Relationship with our Company	Address	No. of Focus Lumber Shares as at the LPD		No. of Offer Shares	% of issued and paid-up share capital	% of enlarged issued and paid-up share capital	<-----After the IPO*----->	
				%				No. of Focus Lumber Shares	%
Lin Fong Ming	Managing Director / promoter / substantial shareholder	Mile 3, Jalan Masak Kg. Ulu Patikang 89008 Keningau Sabah	6,829,550	7.51	516,000	0.57	0.50	6,313,550	6.12
Lin Hao Yu	Promoter / substantial shareholder	Mile 3, Jalan Masak Kg. Ulu Patikang 89008 Keningau Sabah	6,829,550	7.51	516,000	0.57	0.50	6,313,550	6.12
Lin Hao Wen	Executive Director / promoter / substantial shareholder / key management	Mile 3, Jalan Masak Kg. Ulu Patikang 89008 Keningau Sabah	6,829,550	7.51	516,000	0.57	0.50	6,313,550	6.12
Lin Lieh Ming	Executive Director / promoter / substantial shareholder / key management	Mile 3, Jalan Masak Kg. Ulu Patikang 89008 Keningau Sabah	5,463,640	6.00	412,800	0.45	0.40	5,050,840	4.89
Lu Chun Chien	Promoter / substantial shareholder	2F, No. 241 Mincyuan 1st Road 80043 Kaohsiung Taiwan	5,463,640	6.00	412,800	0.45	0.40	5,050,840	4.89
Lu Wei Hsu	Promoter / substantial shareholder	No.171, Po Hai Street Shin Shing District 80051 Kaohsiung Taiwan	4,780,684	5.25	361,200	0.40	0.35	4,419,484	4.28

**3. PARTICULARS OF IPO (Cont'd)**

Shareholders	Material Relationship with our Company	Address	No. of Focus Lumber Shares as at the LPD		No. of Offer Shares	% of issued and paid-up share capital	% of enlarged issued and paid-up share capital	<-----After the IPO*----->	
				%				No. of Focus Lumber Shares	%
Yang Chien Chih	Executive Director/promoter / substantial shareholder / key management	Mile 3, Jalan Masak Kg. Ulu Patikang 89008 Keningau Sabah	3,414,776	3.75	258,000	0.28	0.25	3,156,776	3.06
Yang Wei Szu	Promoter / substantial shareholder	No.229 TianJin Street San Ming District, 80742 Kaohsiung Taiwan	3,414,776	3.75	258,000	0.28	0.25	3,156,776	3.06
Yang Sen	Promoter / substantial shareholder / key management	No.28, Taman Sinar Baru Lorong Kenawai 7, Jalan Damai 88450 Kota Kinabalu Sabah	3,414,776	3.75	258,000	0.28	0.25	3,156,776	3.06
Yang Hsi Hsien	Promoter / substantial shareholders / key management	Mile 3, Jalan Masak Kg. Ulu Patikang 89008 Keningau Sabah	3,414,776	3.75	258,000	0.28	0.25	3,156,776	3.06
			<b>68,295,500</b>	<b>75.05%</b>	<b>5,160,000</b>	<b>5.66%</b>	<b>5.00%</b>	<b>63,135,500</b>	<b>61.18%</b>

Note:

\* Assuming all the Offer Shares will be fully subscribed by the investors.

### 3. PARTICULARS OF IPO (Cont'd)

All the 6,900,000 Issue Shares available for application by the Malaysian Public and our eligible employees and persons who have contributed to the success of our Group under Section 3.5.1(i) and Section 3.5.1(ii) of this Prospectus have been underwritten. Irrevocable written undertakings to subscribe for the 5,300,000 Issue Shares have been obtained from the Bumiputera investors approved by the MITI. As such, the Issue Shares under Section 3.5.1(iii) will not be underwritten.

Any Issue Shares which are not taken up by our eligible employees and persons who have contributed to the success of our Group under Section 3.5.1(ii) of this Prospectus will be re-offered to our Group's other eligible employees or persons who have contributed to the success of our Group. Subsequently, any of the unsubscribed Issue Shares re-offered which are not taken up will be offered for application by the Malaysian Public. Likewise, any Issue Shares which are not subscribed under Section 3.5.1(i) of this Prospectus will be offered to our eligible employees and persons who have contributed to the success of our Group.

In addition, any of the Issue Shares not subscribed under Section 3.5.1(i) and Section 3.5.1(ii) will be made available to identified investors via private placement. Thereafter, any remaining re-offered Issue Shares under Section 3.5.1(i) and Section 3.5.1(ii) of this Prospectus that are not subscribed for will then be subscribed by the Underwriters based on the terms of the Underwriting Agreement.

The Offer Shares under Section 3.5.2(i) of this Prospectus are not underwritten as irrevocable written undertakings have been obtained from the respective Bumiputera investors approved by the MITI to subscribe for the Offer Shares. The Offer Shares reserved for placement to identified investors under Section 3.5.2(ii) above will be placed out by our Placement Agent. Any Offer Shares not placed out to identified investors shall be retained by the Offerors.

There is no over-allotment or "greenshoe" option that will result in an increase in the amount of IPO Shares.

Please refer to Section 3.10.2 and Section 3.10.3 of this Prospectus for further details on the underwriting and placement arrangements.

#### 3.5.3 Reallocation

Any of the 5,300,000 Issue Shares and 412,000 Offer Shares not subscribed for by the Bumiputera investors under the Public Issue and Offer for Sale respectively shall be made available for application by the Bumiputera public as part of the IPO balloting process. Thereafter, any Issue Shares and Offer Shares that were reallocated to the Bumiputera public (as part of the IPO balloting process) and not taken up by the Bumiputera public, shall be made available for application by the public. Any of the 412,000 Offer Shares not taken up by the public shall be retained by the Offerors.

### 3.6 BASIS OF ARRIVING AT THE ISSUE PRICE AND OFFER PRICE

Our Directors and Bank Islam, as the Principal Adviser, Managing Underwriter, Underwriter and Placement Agent, had determined and agreed upon the Issue Price and Offer Price, after taking into consideration the following factors:-

#### (i) Financial and Operating History

Our Company has been in operations for approximately 20 years and based on the consolidated audited financial statements of our Group for the FYE 31 December 2010, we recorded a PAT of RM10.22 million representing a basic EPS of RM0.112 (based on the existing issued and paid-up share capital of 91,000,000 Shares) and RM0.099 (based on the enlarged issued and paid-up share capital of 103,200,000 Shares upon Listing)

**3. PARTICULARS OF IPO (Cont'd)**

resulting in net PE Multiple of 5.36 times and 6.06 times respectively. Our detailed financial and operating history is outlined in Section 5 and Section 11 of this Prospectus.

**(ii) Future Plans and Strategies**

Going forward, our Group will continue to expand our customer base in existing markets, penetrate new markets and further penetrate into industries such as furniture, home decorating and house constructions. In addition, our Group also plans to invest in new machineries to enhance our manufacturing process. Please refer to Section 5.8.1 of this Prospectus for further details on our future plans and strategies.

**(iii) Prevailing Market Condition, Competitive Strengths and Prospects of our Group and Industry**

The prevailing market condition, our competitive strengths and the prospects of our Group and the industry as outlined in Section 5 and Section 6 of this Prospectus.

**(iv) Unaudited Proforma Consolidated NA**

The unaudited proforma consolidated NA per Share as at 31 December 2010 of RM0.97 based on the enlarged issued and paid-up share capital of 103,200,000 Shares in our Company upon Listing and after net utilisation of proceeds.

You should also note that the market price of our Shares upon and subsequent to our Listing is subject to the vagaries of market forces and other uncertainties, which may affect the trading price of our Shares. You are reminded to consider the risk factors set out in Section 4 of this Prospectus before deciding to invest in our Shares.

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**3. PARTICULARS OF IPO (Cont'd)****3.7 DILUTION**

Pursuant to the Public Issue in respect of 12,200,000 Issue Shares at the Issue Price, our unaudited proforma NA per Share after adjusting for the estimated net proceeds from the Public Issue and based on the enlarged issued and paid-up share capital upon listing of 103,200,000 Shares, would have been RM0.97. As such, the IPO price represents a discount of 38.1% to the aforementioned unaudited proforma NA per Share.

		<b>RM</b>
Issue price/Offer price	a	0.60
Unaudited proforma NA per Share after adjusting for the Public Issue	b	0.97
Discount of the IPO price to the unaudited proforma NA per Share after adjusting for the Public Issue to new investor	b-a	0.37
Percentage of discount of the IPO price to the unaudited proforma NA per Share after adjusting for the Public Issue to new investor	(b-a)/b*100	38.1%

Save as disclosed below, there is no acquisition of any existing equity securities in our Company by the substantial shareholders, directors or key management, or persons connected with them during the past three (3) years, or which they have right to acquire:-

	<b>Number of shares acquired<sup>#</sup></b>	<b>Adjusted number of Shares acquired<sup>+</sup></b>	<b>Total consideration RM</b>	<b>Effective cash cost per share RM</b>
<b><u>Substantial shareholders</u></b>				
Lin Hao Yu	2,626,750	6,829,550	2,626,750	0.38
Lin Hao Wen <sup>^^</sup>	2,626,750	6,829,550	2,626,750	0.38
Lu Chun Chien	2,101,400	5,463,640	2,101,400	0.38
Lin Lieh Ming <sup>^^</sup>	2,101,400	5,463,640	2,101,400	0.38
Lu Wei Hsu	1,838,725	4,780,684	1,838,725	0.38
Yang Wei Szu	1,313,375	3,414,776	1,313,375	0.38
Yang Hsi Hsien <sup>^</sup>	1,313,375	3,414,776	1,313,375	0.38
Yang Sen <sup>^</sup>	1,313,375	3,414,776	1,313,375	0.38
<b>Public Investors</b>	<b>12,200,000<sup>@</sup></b>	<b>-</b>	<b>7,320,000</b>	<b>0.60</b>

Notes:-

<sup>#</sup> Ordinary share of RM1.00 each in Focus Lumber.

<sup>\*</sup> Also a Director of our Group.

<sup>^</sup> Also a key management of our Group.

<sup>@</sup> Ordinary share of RM0.50 each in Focus Lumber.

<sup>+</sup> After adjusting the number of shares acquired by the substantial shareholders for the effects of Bonus Issue and Share Split.

**3. PARTICULARS OF IPO (Cont'd)****3.8 ALLOCATION OF THE ISSUE SHARES TO OUR ELIGIBLE EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF OUR GROUP**

The eligible employees and persons who have contributed to the success of our Group have been allocated a total of 900,000 new Focus Lumber Shares.

The total number of persons eligible for the allocation is 99 comprising the following:-

Eligibility	No. of persons	Aggregate of number of Issue Shares allocated*
Employees <sup>(1)</sup>	39	570,000
Persons who have contributed to the success of our Group <sup>(2)</sup>	60	330,000
<b>Total</b>	<b>99</b>	<b>900,000</b>

Notes:-

(1) The criteria of allocation for the above mentioned Issue Shares to employees of our Group (as approved by our Board) are based on, inter-alia, the following factors:-

(i) The employee must be a full time employee and on the payroll of our Group; and

(ii) The number of shares allocated to the eligible employees is based on the seniority, position, their length of service, their past performance and respective contribution made to our Group as well as other factors deemed relevant to our Board.

(2) The Issue Shares to be allotted to the persons who have contributed to the success of our Group shall be based on their contribution to our Group and as approved by our Board. The persons who have contributed to the success of our Group include business contacts, suppliers, customers and others.

\* Any Issue Shares which are not taken up by our eligible employees or persons who have contributed to the success of our Group will be reoffered to our Group's other eligible employees or persons who have contributed to the success of our Group.

**3.9 UTILISATION OF PROCEEDS FROM THE IPO**

The total gross proceeds from the Public Issue will amount to RM7.32 million based on the Issue Price. We expect the proceeds to be utilised in the following manner:-

Purpose*	RM'000	%	Time frame for utilisation
Working Capital <sup>(i)</sup>	4,520	61.7	Within 12 months from the date of Listing.
Estimated listing expenses <sup>(ii)</sup>	2,800	38.3	Within three (3) months from the date of Listing.
<b>Total</b>	<b>7,320</b>	<b>100.0</b>	

Pending the eventual utilisation of the proceeds raised from the Public Issue, the funds will be placed in short-term deposits with licensed financial institutions.

Notes:-

\* If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the excess will be utilised for working capital purposes.

(i) **Working Capital**

RM4.52 million of the proceeds from the Public Issue will be utilised for our Group's day to day operations to support our existing business operations which includes procurement of raw materials and supplies, payment

**3. PARTICULARS OF IPO (Cont'd)**

*to creditors, payment of salaries and operating expenses and defrayment of other expenses which will improve our Group's liquidity and enable the smooth conduct of our operations.*

**(ii) Estimated listing expenses**

*Our listing expenses are estimated to be RM2.80 million, details of which are as follows:-*

	<b>RM'000</b>
<i>Professional fees</i>	<i>1,600</i>
<i>Fees to authorities</i>	<i>150</i>
<i>Estimated underwriting, placement and brokerage fees</i>	<i>180</i>
<i>Printing and advertising</i>	<i>400</i>
<i>Contingencies</i>	<i>470</i>
<b>Total</b>	<b>2,800</b>

There is no minimum subscription to be raised from the IPO.

The Offer for Sale may raise gross proceeds of up to approximately RM3.10 million. All the proceeds from the Offer for Sale will be credited to the Offerors and we will not receive any part of the proceeds. The Offerors shall bear all the expenses including registration and transfer fees, placement fee and miscellaneous expenses relating to their respective portion of the Offer for Sale amounting to an estimate of approximately RM0.10 million on a pro-rated basis.

The financial impact of the utilisation of proceeds on our Unaudited Proforma Consolidated Statements of Financial Position as at 31 December 2010 is reflected in Section 11.2 of this Prospectus.

**3.10 BROKERAGE, UNDERWRITING AND PLACEMENT FEE****3.10.1 Brokerage**

We will bear the brokerage fees to be incurred on the issue of the 6,000,000 Issue Shares pursuant to the IPO under Section 3.5.1(i) of this Prospectus at the rate of one percent (1.0)% of the Issue Price in respect of successful applications which bear the stamp of Bank Islam, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/or the Issuing House.

**3.10.2 Underwriting Commission**

Our Underwriters have agreed to underwrite 6,900,000 Issue Shares as set out in Section 3.5.1(i) and Section 3.5.1(ii) of this Prospectus. We will pay the Underwriters an underwriting commission at the rate of one point five percent (1.5%) of the total value of the Shares underwritten at the Issue Price. We will also pay the Managing Underwriter an underwriting management fee at the rate of one percent (1.0%) of the total value of the Shares underwritten at the Issue Price.

**3.10.3 Placement fee**

Our Placement Agent has agreed to place out 5,300,000 Issue Shares and 5,160,000 Offer Shares as set out in Sections 3.5.1(iii) and 3.5.2 of this Prospectus on best effort basis. We will pay our Placement Agent a placement agent fee and placement management fee at the rate of one point five percent (1.5%) and one percent (1.0%) respectively of the IPO Price for each Issue Share successfully placed. The placement fee to be incurred on the placement of the Offer Shares will be fully borne by the respective Offerors.

### 3. PARTICULARS OF IPO (Cont'd)

#### 3.10.4 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

The salient clauses of the Underwriting Agreement which may allow the Underwriters to withdraw from their obligations under the agreement after the IPO as extracted from the Underwriting Agreement, are set out below:-

Unless otherwise stated, all capitalised terms herein shall bear the same meanings as prescribed in the Underwriting Agreement.

#### **CONDITIONS PRECEDENT FOR UNDERWRITING**

*The obligations of the underwriters under this Agreement shall further be conditional upon:-*

- (a) *the approvals of the SC and Bursa Securities referred to in **Recital C** remaining valid and have not been revoked or amended and all the conditions imposed therein which have to be complied by the Company prior to Listing, have been complied by the Company;*
- (b) *the Managing Underwriter being reasonably satisfied that the Listing will be granted two (2) Market Days (or such other period as Bursa Securities may permit) after Bursa Securities has received all the necessary supporting documents and receipt of confirmation from the Depository that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants;*
- (c) *all other necessary approvals and consents required in relation to the Public Issue, the Offer for Sale, the Issue Shares and the Offer Shares including but not limited to governmental approvals having been obtained and are in full force and effect;*
- (d) *the issue of the Issue Shares having been approved by the shareholders of the Company in an extraordinary general meeting;*
- (e) *the issue and subscription of the Issue Shares in accordance with the provisions of this Agreement is not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities);*
- (f) *the Prospectus having been lodged with the ROC and registered with the SC together with all the required documents in accordance with the CMSA, the Companies Act and the relevant laws and regulations;*
- (g) *there having been, on or prior to the Closing Date or the Extended Closing Date, as the case may be, no breach of any representation, warranty, covenant, undertaking or obligation of the Company in this Agreement or which is contained in any certificate, statement, or notice provided under or in connection with this Agreement or which proves to be incorrect in any material respect;*
- (h) *there having been, on or prior to the Closing Date or the Extended Closing Date, as the case may be, no material adverse change, or any development involving a prospective material adverse change, in the financial condition or business or operations of the Group or in the prospects or future financial condition or business or operations of the Group (which in the reasonable opinion of the Managing Underwriter, is or will be material in the context of the Public Issue and Offer for Sale and the sale of any Underwritten Shares) from that set forth in the Prospectus, nor the occurrence of any event nor the discovery of any fact rendering inaccurate, untrue or incorrect to such extent which is or will be*

**3. PARTICULARS OF IPO (Cont'd)**

*material in any of the representations, warranties, covenants and undertakings and obligations of the Company herein contained;*

- (i) the Underwriters receiving a copy certified by a director or secretary of the Company to be a true resolution of the Board of Directors of the Company approving the Listing, the prospectus and this Agreement, the issue and offer of the Issue Shares and authorizing a person or persons to sign this Agreement on behalf of the Company; and*
- (j) the Managing Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in **Clause 15** hereof.*

**5.2** *In the event any of the conditions set forth in **Clause 5.1** are not satisfied on or before the Closing Date, the Underwriters shall, subject as mentioned below in this clause, be entitled to forthwith terminate this Agreement by notice in writing given to the Company whereupon the following shall take place within three (3) Market Days of the receipt of such notice:*

- (a) the Company shall make payment of the Underwriting Management Fee to the Managing Underwriter and Underwriting Commissions to the Underwriters; and*
- (b) each party shall return all other monies (in the case of the Managing Underwriter, after deducting the Underwriting Management Fee due and owing to the Managing Underwriter hereunder, and in the case of the Underwriters, after deducting the Underwriting Commissions due and owing to the Underwriters hereunder) paid to the other under this Agreement (except for monies paid by the Company for the payment of the expenses as provided hereunder);*

*and thereafter, this Agreement shall be terminated and of no further force and effect and none of the parties shall have a claim against the other save and except in respect of any antecedent breaches. The Underwriters reserve the right to waive or modify any of the conditions aforesaid and such waiver or modification shall not prejudice the Underwriters' rights under this Agreement.*

**TERMINATION**

*Notwithstanding anything herein contained, the Underwriters may by notice in writing to the Company given at any time before the Closing Date or the Extended Closing Date, as the case may be, terminate, cancel and withdraw its commitment to underwrite the Underwritten Shares if:-*

- (a) the approvals of the SC for the Listing and/or the approval of Bursa Securities for the admission of the Company to the official list of the Main Market of Bursa Securities or for the Listing is revoked, withdrawn or procured but subject to the conditions not acceptable to the Underwriters;*
- (b) there is any breach by the Company of any of the representations, warranties or undertakings contained in **Clauses 3** and **4**, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company; or*
- (c) there is a failure on the part of the Company to perform any of its obligations herein contained; or*
- (d) there is withholding of information of a material nature from the Underwriters which is required to be disclosed pursuant to this Agreement which, in the reasonable opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the*

**3. PARTICULARS OF IPO (Cont'd)**

*Group, the success of the Public Issue, or the distribution or sale of the Issue Shares; or*

- (e) there shall have occurred, or happened any material and adverse change in the business or financial condition of the Group; or*
- (f) the imposition of any moratorium, suspension or material restriction on trading in securities generally on Main Market of Bursa Securities due to exceptional financial circumstances or otherwise; or*
- (g) a material adverse change in the stock market condition occurs, and for the purposes of this clause, a material adverse change in the stock market condition shall be deemed to have occurred if the FTSE Bursa Malaysia KLCI Index ("Index") is, at the close of normal trading on Bursa Securities, on any Market Day:*

- (i) on or after the date of this Agreement; and*

- (ii) prior to the close of the offering of the Public Issue,*

*lower than 85% of the level of Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of this Agreement and remains at or below that level for at least three (3) Market Days or any other adverse change in the market conditions which the parties mutually agree to be sufficiently material and adverse to render it to be a terminating event; or*

- (h) there shall have occurred, or happened any of the following circumstances: -*

- (i) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or*

- (ii) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);*

*which, would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or the operations of the Group as a whole, the success of the Public Issue which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.*

**12.2** *In the event that this Agreement is terminated pursuant to **Clause 12.1**, the Underwriters and the Company may confer with a view to deferring the Public Issue by amending the terms of this Agreement and entering into a new underwriting agreement accordingly, but neither the Underwriters nor the Company shall be under any obligation to enter into a fresh agreement.*

**12.3** *Upon any such notice(s) being given pursuant to **Clause 12.1**, the Underwriters shall be released and discharged from their obligations hereunder whereupon the following shall take place within three (3) Market Days of the receipt of such notice:*

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**3. PARTICULARS OF IPO (Cont'd)**

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- (a) *the Company shall make payment of Underwriting Management Fee to the Managing Underwriter and the Underwriting Commissions to the Underwriters; and*
- (b) *each party shall return all other monies (in the case of the Managing Underwriter and the Underwriters, after deducting the Underwriting Management Fee and Underwriting Commissions due and owing to the Managing Underwriter and Underwriters hereunder) paid to the other under this Agreement (except for monies paid by the Company for the payment of the expenses as provided hereunder);*

*and thereafter, this Agreement shall be terminated and of no further force and effect and none of the parties shall have a claim against the other save and except in respect of any antecedent breaches.*

**3.11 FINANCIAL IMPACTS FROM THE IPO**

Our Group intends to utilise RM4.52 million of the proceeds from the Public Issue for our Group's working capital requirements, which includes procurement of raw materials and supplies, payment to creditors, payment of salaries and operating expenses and defrayment of other expenses, which will enhance our Group's working capital. This would further enhance our Group's cash flow position and enable us to fund future business activities of our Group.

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#### 4. RISK FACTORS

**NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY NOT BE EXHAUSTIVE) THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF OUR GROUP. YOU SHOULD CAREFULLY CONSIDER THE RISKS AND INVESTMENT CONSIDERATIONS SET OUT BELOW ALONG WITH OTHER INFORMATION CONTAINED HEREIN IN THIS PROSPECTUS BEFORE YOU MAKE YOUR INVESTMENT DECISION. IF YOU ARE IN ANY DOUBT AS TO THE INFORMATION CONTAINED IN THIS SECTION, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.**

**THE RISKS AND INVESTMENT CONSIDERATIONS SET OUT BELOW ARE NOT AN EXHAUSTIVE LIST OF THE CHALLENGES THAT WE CURRENTLY FACE OR THAT MAY DEVELOP IN THE FUTURE. ADDITIONAL RISKS, WHETHER KNOWN OR UNKNOWN, MAY HAVE A MATERIAL ADVERSE EFFECT ON THE FINANCIAL PERFORMANCE OF OUR GROUP.**

#### 4.1 RISKS RELATING TO THE BUSINESS AND OPERATIONS OF OUR GROUP

##### 4.1.1 No long term contract with major customers

Our Company does not have long term contracts with our major customers. Our customers provide us with their estimated orders and specifications which enable us to plan and allocate resources to meet the potential orders but they do not constitute confirmed orders until our customers provide us with their purchase orders. Hence, our Company's revenue is mainly generated on an order-by-order basis ("Order Basis"). This may give rise to the lack of sustainable and reliable cash flows as customers are not bound by long term contracts. It is a common industry practice for the Order Basis that allows for more flexibility in pricing our products.

In mitigation, despite the lack of formal long term contracts, we have developed long term business relationships with our customers and we have been receiving repeated orders from them. These long term relationships have enabled us to develop a good understanding of our customers' requirements and expectations, ensuring continuity of business with our existing customers.

##### 4.1.2 Log supply

As our Company is involved in the wood-based industry, availability of logs, being the main raw material for the manufacturing of our plywood, is important. Our Company may be subject to risk of shortage in supply of log. Our Company does not own any timber concessions and we presently source our logs mainly from Sabah, in particular Keningau. However, we believe that the above risk can be mitigated in the following manner:-

- (i) We would normally have various suppliers for the supply of logs so as not to be highly reliant on any one single supplier. We have dealt with more 40 log suppliers in Keningau and vicinity areas. For the FYE 31 December 2010, we have purchased our log supply from more than 20 log suppliers;
- (ii) To reduce our susceptibility towards any adverse repercussions arising from the shortage of log supplies, we have entered into a contract with a log supplier or contractor to secure reasonable supply of logs for our production and will seek to enter into contracts with other log suppliers or contractors in future.

#### 4. RISK FACTORS (Cont'd)

In respect of the timber supply agreement entered into between Focus Lumber and GSSB dated 1 October 2009, GSSB does not own any timber concession; instead, GSSB has entered into a log extraction and timber sale agreement with Rakyat Berjaya Sdn Bhd ("RBSB"). RBSB has appointed GSSB as the exclusive contractor for extracting logs in the timber concession area and Sabah Berjaya Sdn Bhd ("SBSB") as the authorised agent of RBSB for the sale and delivery of extracted logs to GSSB. Both RBSB and SBSB are 100% owned by Innoprise Corporation Sdn Bhd which is in turn owned by the Board of Trustees of Yayasan Sabah. If the said agreement is terminated or GSSB is not able to obtain the log supply for whatever reason, GSSB may in turn not be able to fulfil its obligations to deliver the logs to us. In this case, there is no assurance that the operations and profitability of our Group will not be affected accordingly;

- (iii) We would continuously negotiate with new log suppliers for the supply of logs and may enter into log supply agreement with these potential log suppliers; and
- (iv) We may obtain log supplies from other areas in Malaysia or other countries should the need arise. This may result in higher transportation cost and will in turn increase our cost of sales and reduce our profit margin accordingly.

Over the years, we have not faced any severe shortage in log supply and we believe that the current volume of log supplies is sufficient to meet our future consumption.

##### 4.1.3 Risk of labour shortage

As at the LPD, we have 1,007 employees out of which 955 are factory workers and 871 of our factory workers are foreign workers. Any shortage of labour due to the lack of supply or government restrictions on the employment of foreign workers may disrupt our operations and cause reduction or delays in our production.

Our key management, through their vast experience in the plywood industry, continuously strives to increase productivity and efficiency as well as apply technology such as automation of our manufacturing process to reduce the dependency on labour. For example, our Company has purchased one (1) set of shredder machine from Europe in February 2010. This new machinery helps to reduce manpower required to perform shredding tasks on log ends, centre cores, pallets and wood waste.

In addition, we continue to source for manpower via the following:-

- (i) Encouraging both foreign and local workers to introduce potential employees through their network of friends and relatives;
- (ii) Accepting referrals from human resource development agencies and government departments; and
- (iii) Working with foreign recruitment agencies both domestically and overseas for access to foreign labour.

##### 4.1.4 Fluctuation in log prices

Logs are our main raw materials. The price of logs is subject to fluctuation due to changes in supply and demand conditions. Any shortage in supply or upsurge in demand for logs may lead to an increase in the price of logs. Weather conditions and climate changes are also one of the factors that may influence the supply of logs as there will be less logging activities during the monsoon months due to wet weather conditions, hence resulting in lower supply of logs.

**4. RISK FACTORS (Cont'd)**

Our Group's average log purchase prices per m<sup>3</sup> for the FYE 31 December 2008 to 2010 were RM328.49, RM310.68 and RM364.77 respectively. The decrease in average log purchase prices in the past two (2) FYE 31 December 2008 and 2009 was generally due to the drop in demand for log as a result of the slowdown in the economy. In addition, the use of new upgraded machinery by our Company during the FYE 31 December 2009 enabled us to use higher quantity of smaller logs which are lower in cost. For the FYE 31 December 2010, the average log purchase price had increased as compared to the previous financial years generally in tandem with the increase in log price in the industry.

We believe that our Group is able to mitigate the risk of fluctuation in log prices given that if the price of logs increase over time, the selling price for plywood should likewise increase, and vice versa. In any event, all manufacturers will be similarly affected by the price increase of logs and should likely pass on the price increases to their respective customers in the longer term to ensure continuing business sustainability. It generally takes about one (1) to two (2) months to pass on any price increases to the customers. The adjustment to the selling price would normally be reflected in the next price quotation to the customers. Nevertheless, the extent of any adjustment to the selling prices would take into consideration the prevailing market demand for plywood and market acceptance to the price adjustment and to the extent that it would not materially affect the demand for our plywood products.

However, there is no assurance that the profitability of our Group will not be affected in the event that the increase in our selling price is not sufficient to offset the impact of the cost increase.

Nevertheless, we believe that our Group would be able to pass on the cost increase to our customers in the longer term, in the event of any increase in the log prices.

**4.1.5 Foreign exchange risk**

Our Company exported 87.5% of our products overseas for the FYE 31 December 2010. Our Company's products are exported to various countries such as the US, Taiwan, Korea, Singapore, Australia, India, Mexico and the PRC. These transactions are mostly denominated in USD. Hence, we are exposed to foreign exchange risk as a substantial portion of our business transactions are carried out in foreign currencies.

In this regard, any strengthening of the RM against the USD would have an impact on the results of our Group. Likewise, any weakening of the RM against the USD would contribute favourably to the results of our Group. Notwithstanding the fluctuation in foreign exchange, our Group may adjust our pricing of sales quotations within a certain period of time with certain degree of flexibility which may in turn reduce the impact of foreign currency movement accordingly. For example, in the event that the USD weakens against the RM, our Group may adjust our selling price to the extent that it would not affect the demand for our products materially to mitigate the impact of any unfavourable foreign exchange movement.

**4.1.6 Reliance on the US market and a single customer**

55.1% of our Group's revenue for the FYE 31 December 2010 was derived from exports to the US market, and 35.4% of our Group's revenue was from Iho Sales & Import Co. It is our Company's strategic decision to focus on the US market as we are able to command a better pricing for our plywood due to the higher quality requirements of the RV market, such as plywood with good finishing and low formaldehyde emission. Nevertheless, our Company would be able to divert our sales to other markets and countries in the event of unfavourable market condition in the US as reflected in our sales analysis in Section 11.4 of this Prospectus.

#### 4. RISK FACTORS (Cont'd)

The US market and the sales to Ihlo Sales & Import Co. are expected to continue to contribute substantially to the revenue of our Group. As such, our Company's future growth and profitability are expected to be linked to the political and economic risks in the US. There is no assurance that in the event of another slow down in the US economy in the future or the loss of Ihlo Sales & Import Co. as our customer, our Group's financial performance will not be affected accordingly.

Currently, to the best of our knowledge, our plywood sale to the US market is mainly consumed by the RV market. In 2009, our Group has attained a market share of approximately 23.9% in the US market for the imports of plywood, veneered panels and similar laminated wood from Malaysia. Going forward, we will continue to expand our customer base in the US market as we believe that we are in a position to procure more customers from the followings:-

- (i) The lucrative RV market in which our plywood can command higher pricing as the RV market demands higher quality plywood (e.g. good finishing and low formaldehyde); and
- (ii) Many other markets such as furniture, home decorating and house constructions.

Based on the information as stated in the Independent Market Research Report by Dun & Bradstreet (D&B) Malaysia Sdn Bhd, the US import of plywood, veneered panels and similar laminated wood from the world amounted to approximately RM4.53 billion in 2009, whereby approximately RM188.7 million were imported from Malaysia. It is also stated that the RV market in the US is recovering from one of the worst years ever in 2009, with projections of a robust increase in unit shipments in 2010 due to pent-up demand, improved credit availability, job security and consumer confidence, hence, the US market is a large market for us to tap. We foresee that the RV market in the US is a lucrative market for our Company to continue to expand our customer base.

In addition, we have customers from other markets such as Taiwan, India, Mexico, Korea, Singapore, Australia and the PRC. Our key management is also actively involved in diversifying our market portfolio within the existing countries by procuring new customers as well as penetrating into new countries and market segments to expand our customer base. Further, Ihlo Sales & Imports Co. has been a customer of our Company for the last nine (9) years and is an established trader of plywood. We have developed a good relationship with Ihlo Sales & Import Co. through the long term relationship, timely delivery and reliability and quality of our products which will facilitate continuous business dealings in the future. Ihlo Sales & Imports Co. presently sources majority of its supply of plywood for its supply to the RV market from Focus Lumber.

##### 4.1.7 Competition

Our Company faces competition from existing and new entrants, both locally and overseas. Competition from existing players would mainly be in the form of product differentiation and quality. The threats from new entrants are relatively low due to high barriers to entry in the segment of the plywood industry that we operate (thin panel plywood) in light of the followings:-

- (i) Access to supply of logs;
- (ii) Strong track record and good relationship with key customers;
- (iii) Technical ability in manufacturing plywood;
- (iv) The ability to reap the benefits of efficiencies and cost reductions brought about by the high economies of scale; and
- (v) Sufficient working capital.

Please refer to Section 5.1.2 of this Prospectus for further details on the competitive edge of our Group.

#### 4. RISK FACTORS (Cont'd)

Nevertheless, although we are confident of maintaining our competitive advantages, there can be no assurance that competitive pressures in the future will not materially affect our market share and consequently our financial results.

##### 4.1.8 Environmental issues

Being in the timber-related industry, we are subject to stringent environmental laws and regulations which may affect our business operations. The environmental issues that we may encounter include bulk waste comprising timber materials, smoke from burning wood for the boiler and sawdust in the air in the working areas.

In order to minimise the impact of our operations on the environment, we reuse our bulk waste to generate biomass fuel for use in our production plant and office in Keningau, Sabah. Our power plant operated by Untung Ria falls under the biomass project promoted by the government. We also reuse waste in the manufacturing of our new timber product, LVL. In addition, our main manufacturing plant is equipped with a dust collecting machine to ensure that waste generated from the veneer process is collected and disposed of properly.

This is further mitigated in view that our Company is a CARB Certified Manufacturer. The formaldehyde emission of our plywood is below 0.05 parts per million. Besides that, our products are also certified by the Japanese government under the JAS which standard imposes stringent requirements on, amongst others, the production process including receiving and storing of raw materials, formulations of finished products and processing methods and machinery and/or tools used in production. These certifications are endorsements that our products are environmental friendly.

##### 4.1.9 Dependency on key management

To a large extent, our continued success will depend on the abilities and continued efforts of our existing Directors and key management team. We are managed by qualified personnel with vast experience in the plywood and timber industry. The loss of any of our Directors or key management may adversely affect our operations and competitiveness in the market.

We strive to minimise this risk by ensuring that we have the ability to retain our existing key management and have a succession plan through grooming the junior and middle level executives to support key management and/or to shoulder further responsibilities. In addition, in recent years, our Group has groomed key management personnel who are the children of our founders and they are also the shareholders of our Company. They include Yang Sen, who is the Head of Sales and Marketing, Yang Hsi Hsien who is the Deputy Head of Logs Department and Lin Hao Wen who is the Executive Director and the Assistant to the Managing Director. These will ensure continuity and competency of the management team.

Although we seek to limit our dependence on our Directors or key management, there can be no assurance that the above measures will always be successful in retaining our Directors or key management or in ensuring a smooth transition or management succession plan should such key persons be no longer able to serve our Group.

##### 4.1.10 Workplace safety and health matters

Our Group's operations are subject to various laws and regulations, including those relating to workplace safety and worker health. We believe that our existing operations are in compliance with the relevant laws and regulations and are not aware of any workplace safety and health matters currently, individually or in aggregate, that may have a material adverse effect on our financial condition. As at the LPD, there has not been any occurrence of major accidents during the course of operations.

#### 4. RISK FACTORS (Cont'd)

Furthermore, our Group has mitigated some of these potential workplace safety and health liabilities by purchasing, amongst others, employees' liability and workmen compensation insurance policies. However, the risks of workplace safety and health costs and liabilities exist in our Group's operations, and there can be no assurance that claims for damages resulting from our Group's operations will not have any material adverse effect on our Group's financial condition or results of operations.

##### 4.1.11 Operational risks and insurance coverage

We are susceptible to various operational risks such as accidents, outbreaks of fire or flood, energy or other natural calamities which may disrupt our business operations or cause significant losses or damage to our goods, production facilities, warehouse and office.

We seek to limit the above risks through the following risk measures:-

- (i) We have taken up property insurance covering our factory premises, fixed assets and inventories. As at 11 March 2011, our Group's insurance coverage for our assets is RM55.4 million which represents 80.8% of the total NCA of our factory premises, fixed assets and inventories as at 31 December 2010;
- (ii) Our premises are equipped with basic regulatory fire-fighting equipment such as fire hose reel system and fire extinguishers stored at strategic locations which can be easily accessible in the event of fire. In addition, we also have a mobile fire extinguisher which was custom-designed by us for use in our manufacturing plant in the event fire breaks out at unreachable areas (areas within the manufacturing plant whereby the fire brigade is unable to reach) within our premise. Employees are trained on the use of these equipment, proper fire-fighting techniques and procedures and evacuation drills; and
- (iii) We ensure that our facilities, manufacturing plant and warehouses comply with all safety requirements stipulated in various licences issued by the relevant authorities. In-house training and briefing on safety requirements and proper use of machineries are also conducted to ensure that our employees are adequately trained to minimise the risks of industrial accidents.

Notwithstanding the above measures, there is no assurance that our insurance coverage is sufficient to cover any potential losses in the event of fire, theft or accidents and in such event, we may be liable to cover the insufficiencies, which may adversely affect our business and financial performance.

However, our business operations have not been affected by any such events thus far including other risks such as natural disasters, general strikes, riots and any other risks which cannot reasonably be insured against.

#### 4.2 RISKS RELATING TO INVESTING IN OUR SHARES

##### 4.2.1 No prior market for our Shares

Prior to the IPO, there has been no public market for our Shares. Hence, there is no assurance that upon listing, an active market in our Shares will develop, or, if developed, that such a market can be sustained. The IPO Price was determined after taking into consideration various factors and we believe that a variety of factors could cause our Share price to fluctuate and such fluctuations may adversely affect the market price of our Shares.

There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the Main Market of Bursa Securities upon our Listing and the market price of our Shares will not decline below the IPO Price.

#### 4. RISK FACTORS (Cont'd)

##### 4.2.2 Share price volatility and volume of our Shares

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our listed Shares. Nevertheless, the profitability of our Group is not dependent on the performance of Bursa Securities as the business activities of our Group have no direct correlation with the performance of securities listed on Bursa Securities.

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, amongst others, the following factors, some of which are beyond our control:-

- (i) Variations in our results and operations;
- (ii) Success or failure in our management team in implementing business and growth strategies;
- (iii) Changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (iv) Changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;
- (v) Additions or departures of key personnel;
- (vi) Fluctuations in stock market prices and volumes; or
- (vii) Involvement in litigation.

##### 4.2.3 Ownership and control by our existing shareholders

As disclosed in Section 7.1.1 of this Prospectus, our Promoters will collectively hold in aggregate approximately 61.18% of our enlarged issued and paid-up share capital upon listing. As a result, they will still be able to, in the foreseeable future, effectively control the business direction and management of our Group as well as having voting control over our Group and as such, will likely influence the outcome of certain matters requiring the vote of our shareholders, unless it is required that they abstain from voting either by law and/or by the relevant guidelines or regulations.

Nevertheless, our Group has appointed three (3) independent directors and set up an Audit Committee to ensure that any future transactions involving related parties are entered into on arms-length basis or normal commercial terms that are not more favourable to the related parties than those generally available to third parties and are not detrimental to our minority shareholders, and to facilitate good corporate governance whilst promoting greater corporate transparency.

##### 4.2.4 Failure or delay in our Listing

The occurrence of any one or more of the following events, which is not exhaustive, may cause a delay in or cancellation of our Listing:-

- (i) The MITI approved investors fail to acquire the Shares allocated to them under the Public Issue;
- (ii) Our Underwriters exercising their rights pursuant to the Underwriting Agreement to discharge themselves from its obligations thereunder; and/or

**4. RISK FACTORS (Cont'd)**

- (iii) We are unable to meet the public spread requirement of the Listing Requirement, i.e. at least 25% of our issued and paid-up share capital for which listing is sought must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each at the point of our Listing.

In such event, investors will not receive any of our IPO Shares and we together with the Offerors will return in full, without interest, all monies paid in respect of any application for our IPO Shares in compliance with sub-section 243(2) of the CMA.

**4.2.5 We may not be able to pay dividends to shareholders**

Our ability to pay dividends or make other distributions to our shareholders may be subject to:-

- (i) our Group's dividend policy; or
- (ii) us having profits and excess funds which are not needed to fund our operations, obligations or business plans.

Our shareholders' claims will generally rank junior to all other creditors and claimants against our Group. In the event of liquidation, there may not be sufficient assets for us to pay out dividends.

Please refer to Section 11.5 of this Prospectus for details on our dividend policy.

**4.2.6 Forward looking statements**

This Prospectus contains certain forward-looking statements that are based on historical data, which may not be reflective of the future performance of our Group and others are forward-looking in nature which is subject to uncertainties and contingencies. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results to differ materially from future results.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies, the environment in which our present and future business strategies have been developed and the environment in which we will operate in the future.

Although our Group believes that the expectations reflected in such forward-looking statements are reasonable at this point in time, we can give no assurance that such expectations will be justifiable. Whether or not such statements prove to be accurate would be dependent upon a variety of factors that may have an effect on the business and operations of our Group.

In light of these uncertainties, the inclusion of such forward-looking statements in this Prospectus should not be regarded as a representation or warranty by us, the Offerors or our Principal Adviser, that our plans and objectives will be achieved.

## 5. INFORMATION ON OUR GROUP

### 5.1 INFORMATION ON FOCUS LUMBER

#### 5.1.1 Background and principal activities

Our Company was incorporated in Malaysia under the Act on 30 October 1989 as a private limited liability company under the name of Focus Lumber Sdn Bhd. Our Company was subsequently converted to a public limited liability company and assumed our present name on 13 November 2009 to facilitate our listing on the Main Market of Bursa Securities. We are principally involved in the manufacturing and sale of plywood, veneer and LVL, and investment holding. Plywood is our core product, generating the bulk of our Group's revenue.

Our Group was established by our three (3) key founders, namely Lin Fong Ming, Lu Chin Ting and Yang Chien Chih who have developed our Group since incorporation into a major plywood manufacturer in Malaysia. They each have more than 30 years of business experience in the timber industry. Prior to establishing our Group, our founders were involved in timber trading and plywood manufacturing businesses in Taiwan. In the 1980s, after taking into consideration, inter-alia, Sabah's rich natural tropical forest resources and the Malaysian government's initiative to further develop the downstream timber industry, they incorporated Focus Lumber in 1989. We subsequently set up our plywood manufacturing mill in Keningau, Sabah in 1990. In November 1991, we saw the commencement of our plywood manufacturing business. As part of our management succession plan, in recent years, our Group has groomed key management personnel who have brought in new ideas to our Group. They are the children of our founders.

Over the years, we have gained vast experience in the manufacturing of plywood. With our strong technical capabilities and know-how, we have become a major player in the plywood industry. Our plywood is environmentally friendly and we were the first Malaysian plywood mill company certified as a CARB Certified Manufacturer on 2 October 2008 by Professional Service Industries, Inc., a CARB authorised third party certifier. The CARB standards regulate formaldehyde emissions from wood products sold in California or used to make finished goods for sale in California. In addition, our Company was also awarded with the JAS Certification by the Ministry of Agriculture, Forestry and Fisheries of Japan in 2009 for our quality plywood. JAS imposes stringent requirements on various aspects of production process. Hence, the JAS certification will facilitate our Group to supply to the Japanese market. These certifications awarded to our Company represent an official acknowledgement and endorsement of the quality of our plywood and enhance our customers' confidence on our plywood.

Our plywood can be used in many different applications where high-quality and high-strength sheet materials are required. We produce mainly thin panel plywood of which the thickness is below 6 mm and they are capable of further processing by laminate factories. These factories prefer thin panel plywood which is also a preferred choice for the RV market in the US, where most of our plywood is exported to. We also produce thick panel plywood ranging from 6 mm to 18 mm. For the FYE 31 December 2010, 95.2% of the revenue of our Group was derived from the manufacturing and sale of plywood. 55.1%, 20.3% and 2.0% of the plywood, veneer and LVL products produced were exported to the US, Taiwan and Korea markets respectively whilst the domestic market contributed to 12.5% of our Group's revenue. As part of our Group's strategy to consistently enhance our customer base, we have also exported our plywood to Mexico, India and other countries. Our plywood is widely used in various industries which include the RV industry (mainly in the US market), home decorating industry, furniture industry, vehicle internal body work, floors, walls and roofs in transport vehicles and house constructions. In 2009, our Group attained a market share of approximately 23.9% in the US market for the imports of plywood, veneered panels and similar laminated wood from Malaysia.

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

Our wholly-owned subsidiary, Untung Ria, commenced its operation in 2006 after the completion of its power plant construction in the same year. Untung Ria is principally involved in the generation, transmission, distribution and sale of electricity. Untung Ria reuses bulk waste to generate biomass energy to supply electricity to our Group's operations. This has resulted in substantial cost savings for our Group and has reduced our reliance on expensive fossil fuels which in turn has reduced our overall cost of production and improved our profit margin, thus putting our Group at a competitive advantage.

Our Group has also started a production line for the manufacturing of LVL which commenced operations in March 2010 and the sales of LVL started in April 2010. The start-up involved the purchase of new machinery amounting to RM0.48 million, which was financed through our internally generated funds. The manufacturing and selling of the new LVL product is part of our plan to diversify into different product market segments whilst maintaining our established position in the thin panel plywood market.

Please refer to Section 5.7 of this Prospectus for further details of our Group's business.

### 5.1.2 Our competitive strengths

Our competitive strengths are as follows:-

#### (a) Experienced management team

Our Group has a management team comprising experienced, skilled, dynamic and competent individuals whose commitment and dedication have been the driving force of the present achievements and growth since the date of incorporation.

Our founders, namely our Vice Chairman, Lu Chin Ting, Managing Director, Lin Fong Ming and Executive Director, Yang Chien Chih possess more than 30 years of experience each in the trading of timber and plywood manufacturing. They played an instrumental role in charting the strategic direction of our Group. Under their leadership, our Group has grown from a small company to a major player in plywood manufacturing in Malaysia. In order to stay competitive in the plywood manufacturing industry, the ability to produce good quality plywood is of utmost importance. With their vast experience and technical expertise and know-how in the manufacturing of plywood, our Group has been able to produce a wide range of quality plywood that meets our customers' stringent requirements and international quality standards. Due to their vast experience, they have also in-depth expertise in timber logs selection. There are numerous types of timber logs with different characteristics. Our Group is able to select quality and suitable timber logs to produce the types of plywood required by the customers.

Our Company gained technical know-how in the manufacturing of plywood through numerous testing and research in order to meet the customers' requirements. Our key management takes the initiative to understand the requirements of the customers as well as the requirements of the end-users of our Company's products to continuously improve our manufacturing process. It represents the commitments of our Company on continuous enhancement in our manufacturing process.

Over the years, our Group has also invested in machineries to enhance the efficiency of our manufacturing process as listed below. Our Group has been able to blend our technical know-how with our ability in operating the advanced machineries to produce quality plywood.

With the above, our Group is capable of the following:-

- (i) Integrating different types of timber logs to produce plywood. This has reduced the restriction in the use of only certain types of timber logs;

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

- (ii) Better production efficiency which increased the recovery of logs resulting in lower production cost;
- (iii) Use of smaller logs (which are lower in cost) in our manufacturing operation which has resulted in lower cost of raw material and broaden the source of log supply for our production;
- (iv) Producing plywood with low content of formaldehyde; and
- (v) Reusing waste to generate biomass energy.

In recent years, our Group has groomed key management personnel who have brought in new ideas to our Group which include, amongst others, penetration into overseas markets such as US, Mexico, European countries, Middle East, Singapore, Australia, India, Korea and Japan, and introducing and commercialising the new LVL products. They are the children of our founders who have provided impetus for our growth and to-date, they have played a significant role in assisting our Group expand our sales successfully in the overseas markets. In addition, in order to remain competitive, our management team takes the initiative to understand the market requirements and has been able to meet the expectations of our customers.

**(b) Approved international recognition on product quality**

Our Group adopts the following standards in manufacturing plywood to ensure our plywood is well accepted by our customers from various countries in the world:-

- (i) The product standard for imported wood veneer and platforms (IHPA-2000) – by the International Wood Products Association, US ("IWPA"). IWPA's mission is the development and promotion of voluntary industry standards. The "IHPA grade" mark clearly identifies products as meeting the highest standards of quality and consistency in the market place; and
- (ii) Export standard specification of Japanese plywood.

We produce mainly thin panel plywood of which the thickness is below 6 mm. With our strong technical capabilities and know-how in plywood manufacturing, we take pride in our capability to produce high quality plywood which is manufactured according to the tightly controlled customers' specifications and requirements. Hence, new companies often find great difficulty in penetrating into our market segment as it takes many years to obtain the technical know-how to manufacture good quality plywood. New companies need to ensure that before their plywood can be marketed, they have to meet a high standard of quality and obtain market acceptance for their plywood. This can prove to be difficult as the market is being dominated by the existing established players, which have long-term relationships with the customers.

A testament of the quality of our plywood is our ability to penetrate into the RV market in the US. The RV market requires high quality plywood and our Group has, over the years, created a name in the RV market in the US, testifying to the quality of our plywood. In 2009, our Group attained a market share of approximately 23.9% in the US market for the imports of plywood, veneered panels and similar laminated wood from Malaysia.

We are the first plywood mill company in Malaysia certified as a CARB Certified Manufacturer by Professional Service Industries, Inc.. The CARB standards regulate formaldehyde emissions from wood products sold in California or used to make finished goods for sale in California. Through our technical expertise and know-how, we have been able to produce good quality plywood, which includes amongst others, the following features:-

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

- (i) Low content of formaldehyde emissions. It is a pre-requisite requirement for sale of plywood in certain areas. The formaldehyde emission of our Company's plywood is below 0.05 parts per million. Formaldehyde is a chemical used widely by industry to manufacture building materials and household products. In the manufacturing of plywood, formaldehyde is used as a component of glue and adhesive. Formaldehyde emits a pungent smell, can cause watery eyes, burning sensations in the eyes and throat, nausea, and difficulty in breathing in some humans exposed at elevated levels. High concentrations may trigger attacks in people with asthma; and
- (ii) Plywood that has smooth and straight edges for easy bonding, smooth surface finishing and uniform thickness throughout the plywood to ease laminating process.

In addition, our Company was also awarded the JAS Certification by the Ministry of Agriculture, Forestry and Fisheries of Japan. The JAS imposes stringent requirements on, amongst others, the production process including receiving and storing of raw materials, formulations of finished products and processing methods and machinery and/or tools used in production.

These certifications represent an official acknowledgement and endorsement of the quality of our plywood and enhance our customers' confidence on our plywood.

### (c) Reusing waste to generate biomass energy

Our Group, under our subsidiary, Untung Ria, reuses waste to generate biomass energy to supply electricity for our Group's manufacturing operations in Keningau. This has resulted in substantial cost savings for our Group and has reduced our reliance on expensive fossil fuels, which in turn has reduced our overall cost of production and improved our profit margin, thus putting our Group at a competitive advantage. In addition, the reuse of waste has also minimised the impact of our operations on the environment, which is in line with the global awareness to protect the environment.

### (d) Established position in the plywood industry and capital intensiveness (barrier to entry)

Since the commencement of our plant's operations in Keningau in November 1991, we have been very focused in doing what we excel at, i.e. plywood manufacturing. We have grown from strength to strength and become a major plywood manufacturer in Malaysia. As part of our growth strategy, we have started manufacturing and selling LVL, an engineered wood product and a secondary processed product, in April 2010. We take pride in our achievements in using our own internally generated funds and minimal bank borrowings in the recent years to fund our business expansions.

Within the highly capital intensive plywood manufacturing industry, it is crucial that we are able to manage and maintain sufficient liquidity to ensure that our daily operations are not interrupted due to inadequate working capital and poor cash flow management. Furthermore, substantial cash outlay is required for the purchase of raw materials, particularly timber logs. It is also critical to ensure that sufficient raw materials are in stock to meet production requirements. In addition, operating in a customer-driven industry, our Group is constantly faced with the challenge of technical excellence in adopting cost-effective manufacturing processes using innovative production machinery and equipments. As a result, a company like us is capital intensive and this serves as a barrier to entry for new players.

We have been investing in high-end operations and large production facilities to increase production efficiency to maintain and enhance our competitive edge. To produce quality products, we have been investing in advanced machineries that are

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

usually imported from countries such as Japan and Taiwan. Automation of the production processes provides huge benefits in terms of the following:

- Production cost-savings whereby our Group is able to reduce labour usage hence reducing incidences of human error;
- Improved efficiencies with higher rate of output; and
- Enhanced product quality with minimal defect.

**(e) Established track records and relationship with customers**

Our Company has built a strong business relationship with our major customers through, amongst others, timely delivery, reliability, consistency in the quality of our plywood. These factors have enabled us to gain our customers' loyalty over the years and retain our market share, particularly in the US market, which places utmost importance on the quality of plywood and reliability and are willing to pay a premium for our good quality plywood. Through our track records established with these customers, we have created a reputation for our Company and been recognised as one of the trusted and highly recognised plywood manufacturers in the industry. Our Company's established business reputation and track records serve as an important reference to secure new potential customers, enabling us to expand our market presence and attract new customers globally. Currently, our Group's customer base includes a Fortune 500 company, namely Weyerhaeuser NR Company, based in the US.

**(f) Strategically located with easy accessibility to log supply**

Our manufacturing plant is strategically located in Keningau, Sabah which is a strategic timber district in Sabah. Keningau also provides a vast supply of the Seraya species timber logs, which is one of the better quality timber species for the manufacturing of plywood. Our strategic location gives us easy access to supplies of timber logs, our main raw material, which in turn allows us to obtain steady and timely delivery of raw materials and save on transportation costs, thus reducing our storage and production costs. These allow us to maintain our competitiveness. Our Group has dealt with more than 40 log suppliers in Keningau and vicinity areas.

**5.1.3 Share capital and changes in share capital**

As at the LPD, our authorised and issued and paid-up share capital is as follows:-

	No. of shares	Par value (RM)	Amount (RM)
Authorised	300,000,000	0.50	150,000,000
Issued and paid-up	91,000,000	0.50	45,500,000

Details of the changes in our issued and paid-up share capital for the last three (3) years are as follows:-

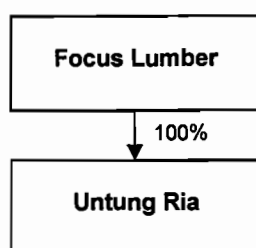
Date of Allotment / Share Split	No. of Shares allotted	Par value (RM)	Consideration	Cumulative Issued and Paid-up Share Capital (RM)
16 December 2010	10,500,000	1.00	Bonus Issue	45,500,000
17 December 2010	-	0.50	Share Split	45,500,000

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

As at the LPD, our Company does not have any outstanding warrants, options, convertible securities and uncalled capital.

### 5.1.4 Subsidiary and associated company

Our existing corporate Group structure is as follows:-



Details of our subsidiary are set out below:-

Subsidiary	Date and Place of Incorporation	Date of Commencement of Business	Issued and Paid-Up Share Capital (RM)	Effective Equity Interest (%)	Principal Activities
Untung Ria	9.6.1997 Malaysia	1 March 2006	5,000,000 (Ordinary Shares)  10,000,000 (Redeemable Non-Cumulative Preference Shares)	100.00	Generation, transmission, distribution and sale of electricity.

Further details on our subsidiary are set out in Section 5.2 below. As at the LPD, we do not have any associated companies.

## 5.2 INFORMATION ON UNTUNG RIA

### (a) Background and history

Untung Ria was incorporated in Malaysia under the Act on 9 June 1997 as a private limited liability company under the name of Untung Ria Sdn Bhd. Untung Ria commenced business on 1 March 2006 after completion of its power plant construction in the same year. On 1 August 2009, our Company acquired the remaining 20% equity interest in Untung Ria from Lin Hao Yu and Lu Wei Hsu, who are both the existing substantial shareholders of our Company, for a purchase consideration of RM1.00 million satisfied by way of cash which was based on willing-buyer willing-seller basis. The above acquisition gives rise to a discount on acquisition of approximately RM2.77 million after taking into consideration the unaudited NA of Untung Ria as at 31 July 2009 of approximately RM18.83 million. Subsequently, Untung Ria became a wholly-owned subsidiary of our Group. With the aforesaid acquisition, we can avoid any potential conflict of interest situation in the future and related party transactions arising from the sale of electricity from Untung Ria to our Company.

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

Untung Ria is principally involved in the generation, transmission, distribution and sale of electricity. Untung Ria reuses bulk waste to generate biomass energy to supply electricity to our Group's operations. This has resulted in substantial cost savings for our Group and has reduced our reliance on expensive fossil fuels which in turn has reduced our overall cost of production and improved our profit margin, thus putting our Group at a competitive advantage.

**(c) Share Capital****(i) Ordinary Shares**

As at the LPD, the authorised and issued and paid-up share capital of Untung Ria is as follows:-

	<b>No. of shares</b>	<b>Par value (RM)</b>	<b>Amount (RM)</b>
Authorised	5,000,000	1.00	5,000,000
Issued and paid-up	5,000,000	1.00	5,000,000

There were no changes in the issued and paid-up share capital of Untung Ria for the last three (3) years.

**(ii) 7% Redeemable Non-Cumulative Preference Shares**

The 7% Redeemable Non-Cumulative Preference Shares are held by Focus Lumber.

As at the LPD, the authorised and issued and paid-up 7% Redeemable Non-Cumulative Preference Shares of Untung Ria is as follows:-

	<b>No. of shares</b>	<b>Par value (RM)</b>	<b>Amount (RM)</b>
Authorised	10,000,000	1.00	10,000,000
Issued and paid-up	10,000,000	1.00	10,000,000

Details of the changes in the issued and paid-up 7% Redeemable Non-Cumulative Preference Shares of Untung Ria for the last three (3) years are as follows:-

<b>Date of allotment</b>	<b>No. of shares</b>	<b>Par value (RM)</b>	<b>Consideration</b>	<b>Cumulative Total (RM)</b>
14.07.2008	10,000,000	1.00	10,000,000	10,000,000

As at the LPD, Untung Ria does not have any outstanding warrants, options, convertible securities and uncalled capital.

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

### (d) Substantial Shareholder

Untung Ria is our wholly-owned subsidiary.

### (e) Subsidiary and Associated Companies

Untung Ria does not have any subsidiaries or associated companies.

## 5.3 LISTING SCHEME

In conjunction with and as an integral part of our listing of and quotation for the entire enlarged issued and paid-up share capital of our Company on the Main Market of Bursa Securities, the details of our Listing Scheme are as follows:-

### (i) Bonus Issue

Our Company has undertaken a bonus issue of 10,500,000 new ordinary shares of RM1.00 each credited as fully paid-up on the basis of three (3) new ordinary shares of RM1.00 each for every ten (10) ordinary shares of RM1.00 each held.

The Bonus Issue was completed on 16 December 2010. Upon completion of the Bonus Issue, the issued and paid-up share capital of our Company has increased from RM35,000,000 comprising 35,000,000 ordinary shares of RM1.00 each to RM45,500,000 comprising 45,500,000 ordinary shares of RM1.00 each.

### (ii) Share Split

After the Bonus Issue, our Company has implemented a share split of every one (1) ordinary share of RM1.00 each into two (2) ordinary shares of RM0.50 each.

The Share Split was completed on 17 December 2010. The number of issued ordinary shares in our Company has changed from 45,500,000 ordinary shares of RM1.00 each to 91,000,000 ordinary shares of RM0.50 each after completion of the Share Split.

### (iii) Public Issue

After the Bonus Issue and Share Split, our Company will undertake a public issue of 12,200,000 new Shares, at the Issue Price, payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner:-

- (a) 6,000,000 new Focus Lumber Shares, representing approximately 5.81% of our enlarged issued and paid-up share capital, to be made available for application by the Malaysian Public via balloting, of which at least 50% is to be set aside strictly for Bumiputera investors;
- (b) 900,000 new Focus Lumber Shares, representing approximately 0.87% of our enlarged issued and paid-up share capital to be reserved for the eligible employees and persons who have contributed to the success of our Group; and
- (c) 5,300,000 new Focus Lumber Shares, representing approximately 5.14% of our enlarged issued and paid-up share capital, has been allocated to be placed out to Bumiputera investors approved by the MITI.

Upon completion of the Public Issue, the issued and paid-up share capital of our Company will increase to RM51,600,000 comprising 103,200,000 Shares.

**5. INFORMATION ON OUR GROUP (Cont'd)****(iv) Offer for Sale**

The Offerors will also undertake an offer for sale of up to 5,160,000 Offer Shares, representing up to 5.00% of our enlarged issued and paid-up share capital, at the Offer Price, payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner:-

- (a) 412,000 Offer Shares, representing approximately 0.40% of our enlarged issued and paid-up share capital, to be made available by way of placement to Bumiputera investors approved by the MITI; and
- (b) Up to 4,748,000 Offer Shares, representing approximately 4.60% of our enlarged issued and paid-up share capital, to be made available by way of placement to identified investors.

Pursuant to the Offer for Sale, the Offerors are expected to raise up to approximately RM3.10 million based on the Offer Price.

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

**(v) Listing**

The admission and the listing of and quotation for our entire enlarged issued and paid-up share capital of RM51,600,000 comprising 103,200,000 Focus Lumber Shares, and any share(s) arising from the exercise of the ESOS options under the ESOS (as mentioned in Section 5.3(vi) below) on the Main Market of Bursa Securities.

**(vi) ESOS**

In conjunction with the Listing, our Company will also implement an ESOS involving up to 10% of the issued and paid-up share capital of Focus Lumber at any time during the existence of the ESOS, to be issued pursuant to the options to be granted under the ESOS to the eligible Directors and employees of our Group.

In determining the number of ESOS options to be offered to the eligible Directors and employees under the ESOS, the seniority and performance of the eligible Directors and employees and his/her length of service and contribution to our Group as at the date of offer shall be taken into consideration, subject to a minimum of 100 ESOS options and in multiples of 100 ESOS options. Further information on the basis of allotment is set out in Section 14 of this Prospectus.

The subscription price of each Focus Lumber Share comprised in any option shall, subject always to the provision as set out in Section 14 of this Prospectus, be as follows:-

- (a) In respect of any offer under the ESOS By-laws which is made in conjunction with our Company's listing on the Main Market of Bursa Securities, not less than the IPO Price; and
- (b) In respect of any offer under the ESOS By-laws which is made subsequent to our Company's listing on the Main Market of Bursa Securities:-
  - (i) The weighted average market price of the Focus Lumber Shares for the five (5) market days immediately preceding the date of offer with a discount of not more than 10%; and

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

- (ii) The price so determined shall not be less than the par value of the Focus Lumber Shares;

or at a subscription price in accordance with any guidelines, rules and regulations of the relevant authorities governing the ESOS at the time of the offer under the ESOS By-laws.

The ESOS shall be in force for a duration of five (5) years. However, our Board at its discretion, upon the recommendation of the option committee may extend the ESOS for a further period of up to five (5) years or any other duration that is allowed by the relevant authorities.

The new Shares to be issued pursuant to the exercise of the ESOS options will, upon allotment and issue, rank *pari passu* in all respects with our existing issued and paid-up share capital, except that the new Shares will not be entitled to any dividend, right, allotment or other distribution, the entitlement date of which is prior to the date of allotment of the said Shares. The new Shares will be subject to all provision of our Articles of Association.

**5.4 LOCATION OF OPERATIONS**

The locations of our Group's operational and administrative premises are as follows:-

Company	Purpose	Location
Focus Lumber	Corporate Office	11 <sup>th</sup> Floor, Wisma Perindustrian Jalan Istiadat, Likas 88400 Kota Kinabalu Sabah
	Factory and warehouse	Mile 3, Jalan Masak Kg. Ulu Patikang 89008 Keningau Sabah

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**5. INFORMATION ON OUR GROUP (Cont'd)****5.5 KEY ACHIEVEMENTS / MILESTONES / AWARDS**

Since the commencement of our plant's operations in Keningau in November 1991, we have been very focused in doing what we excel at, i.e. plywood manufacturing. Our most significant achievement is that we have grown from strength to strength and become a major plywood manufacturer in Malaysia. Our other key milestones are as follows:-

Year	Key Milestones
1996	Installed a new Uroko Rotary Lathe machine which increased production capacity and improved the quality of our product.
2001	Successfully penetrated into the US market and become the sole supplier of plywood to one of our long term customers from the US, Ihlo Sales & Import Co. Our plywood is mainly used in the RV market and high value added furniture industry.
2003	For continuous quality improvement, we added a Meinan SBAL-4 Rotary Lathe machine into the existing production line. The installation of the new machinery allowed us to reduce man power used in production, increase product quality and facilitate production processes.
2005	In order to cope with increasing demand, we added a Sunway four deck automatic Roller Dryer, which enabled us to expand our production capacity.  Our subsidiary, Untung Ria, was granted the Investment Tax Allowance ("ITA") under the Promotion of Investment Act, 1986 at the rate of 100% on the qualifying capital expenditures for its power generation activity for a period of five (5) years.
2006	Setting up of a power plant under Untung Ria which reuses bulk waste to generate biomass energy to supply electricity to our office, production plant and hostel, which has significantly reduced our dependency on fossil fuel for our production.
2007	Installed a new Kikukawa sanding machine with computer-aided thickness detection. The computerised production process increased our quality control and production quality further.
2008	Added another upgraded Meinan Rotary Lathe machine into our production line. The installation of the new machinery was to improve our processing technique to achieve higher wood recovery rates.  Acquired the Blue Cube formaldehyde emissions testing machine from the US and established our own small chamber room for formaldehyde emissions testing. This investment further reflected our commitment towards quality control and ensuring we continuously meet our customers' specifications and requirements.  Became the first Malaysian plywood mill company certified as a CARB Certified Manufacturer by Professional Service Industries, Inc. The CARB standards regulate formaldehyde emissions from wood products sold in California or used to make finished goods for sale in California.
2009	Awarded the JAS certification by the Japan Plywood Inspection Corporation. JAS requires evaluation of the internal structure and managerial competence that supports the processes that occur along the organic chain and further focuses on verifying that systems are in place for deciding and ensuring the products meet the relevant standards (grading).  Our Group attained a market share of approximately 23.9% in the US market for the imports of plywood, veneered panels and similar laminated wood from Malaysia.
2010	Started a new production line for the manufacturing and sale of LVL as part of our growth strategy.

**5. INFORMATION ON OUR GROUP (Cont'd)****5.6 CAPITAL EXPENDITURE AND DIVESTITURES**

Save as disclosed below, our Company did not incur any other capital expenditure and had no other divestitures for the past three (3) FYE 31 December 2008 to 2010:-

	Transaction value for FYE 31 December		
	2008	2009	2010
	RM'000	RM'000	RM'000
<b>Capital Expenditures</b>			
Factory and Office Building	12	127	494
Motor vehicle	262	-	709
Heavy Equipment, plant and machinery	6,116	4,770	4,548
Furniture and fittings	31	25	77
<b>Total capital expenditures</b>	<b>6,421</b>	<b>4,922</b>	<b>5,828</b>
<b>Investment</b>			
Acquisition of the remaining 20% equity interest in Untung Ria	-	1,000	-
<b>Divestitures</b>			
Heavy equipment, plant and machinery	-	510	43
Motor vehicles	-	-	141
<b>Total Divestitures</b>	<b>-</b>	<b>510</b>	<b>184</b>

The above capital expenditures and investment were financed through internally generated funds. The capital expenditures incurred on heavy equipment, plant and machinery was mainly to enhance our Group's manufacturing process such as improving recoverability of logs and production quality as well as to test formaldehyde emissions. Our Group incurred capital expenditure on a need-be basis, hence the amount of capital expenditure incur every year may vary based on requirement.

In 2008, our Group invested in an upgraded rotary machine to improve our processing technique to achieve higher log recovery rates. In the same year, we purchased a formaldehyde emissions testing machine from the US. Therefore, there is a significant increase in capital expenditure in the FYE 31 December 2008.

In 2009, we purchased two (2) rotary lathe machineries to further enhance our Group's manufacturing process for better log recovery and quality to meet the demand from our customers. In addition, our Group also acquired a few machineries for our new LVL production line in 2009.

In 2010, our Group purchased nine (9) sets of full automatic veneer builder and three (3) sets of automatic veneer reeling for our manufacturing process. In addition, we have also purchased a sanding belt equipment for our core sanding process. In the same year, our Group has disposed of nine (9) sets of full automatic core builder which was replaced by the purchase of the above machineries. The purchase of the abovementioned machineries is to further improve our manufacturing process to achieve better efficiency.

As at the LPD, we have not undertaken any material capital expenditure and material divestitures that is currently in progress.

**5. INFORMATION ON OUR GROUP (Cont'd)****5.7 BUSINESS OVERVIEW****5.7.1 Our Products**

The main products manufactured and sold by us include plywood and veneer. The breakdown of our Group's revenue by products for the past three (3) FYE 31 December 2008 to 2010 are as follows:-

	<-----FYE 31 December ----->					
	2008		2009		2010	
	RM'000	%	RM'000	%	RM'000	%
Plywood	105,039	91.84	98,030	95.83	114,591	95.19
Veneer	9,178	8.02	4,270	4.17	4,514	3.75
LVL	-	-	-	-	1,216	1.01
Others	156	0.14	-	-	57	0.05
Total	114,373	100.00	102,300	100.00	120,378	100.00

**5.7.1.1 Plywood**

Plywood is a flat panel built up of sheets of veneer called plies, united under pressure by a bonding agent to create a panel with an adhesive bond between the plies. Plywood can be made from either softwood or hardwood. It is always constructed with an odd numbers of layers with the grain direction of adjacent layers oriented perpendicular to one another. Cross-laminating layers of wood veneer actually improve upon the inherent structural advantages of wood by distributing along-the-grain strength in both directions.

Since the layers can consist of a single ply or of two (2) or more plies laminated such that their grains are parallel, a panel can contain an odd or even number of plies. The outside plies are called faces or back plies; the inner plies are called cores or centres; and the plies with grains perpendicular to that of the face are called crossbands. The core could be either wood veneer or other materials such as oil palm veneer.

Plywood is a highly stable panel. When exposed to moisture or high humidity, plywood is up to seven (7) times more resistant to thickness swell than substitute wood-based panels. Plywood also returns to its original dimensions when it dries. Plywood is stronger than substitute wood-based panels in the four (4) important engineering strength properties of bending, tension, compression, and planar shear and plywood weighs up to 40% less than substitute wood-based panels of equivalent thickness. In addition, plywood is a highly impact-resistant panel and continues to perform even when wet.

Our company is capable of producing plywood with various number of plies. Our thin plywood, which is composed of three (3) plies, comes in thickness varying from 2.5 mm to 5.2 mm. This three (3) plies plywood also comes in different sizes ranging from 3 feet x 6 feet (914.4 mm x 1828.8 mm) to 4 feet x 8 feet (1219.2 mm x 2438.4 mm). Apart from the three (3) plies plywood, our plywood is also available in thickness ranging from 6 mm to 18 mm which is composed of five (5) plies or seven (7) plies.

We mainly produce and market the three (3)-ply plywood with the standard size of 4 feet x 8 feet (1219.2 mm x 2438.4 mm) with 2.7 mm in thickness while other combinations are usually manufactured to order. The types of wood used for conventional plywood are all sourced locally. The most common wood used includes Seraya, Mengilan, Kapur, Kembang, Keruing, Majau, Melapi and Nyatoh.

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

The followings are the grades of our plywood:-

- (i) Top grade (for use as overlays and direct varnishing);
- (ii) Utility grade (for general purpose and for direct retail to customers – minor surface defects); and
- (iii) Packing (for industrial use – reutilisation of wood waste).

**5.7.1.2 Veneer**

Veneer is a thin sheet of wood which forms the building block for plywood. Veneer used for our plywood varies in thickness from 0.60 mm to 3.60 mm.

**5.7.1.3 LVL (new product)**

Our Group has started a production line for the manufacturing of LVL which commenced operations in March 2010 and the sales of LVL started in April 2010.

LVL is an environmental-friendly product that utilises the new production technology which uses recycled wood chips and veneer slips to produce lumber-like products hence enabling us to reduce the average cost of production thus, creating a competitive advantage and generating additional revenue. The LVL is an engineered wood product that uses multiple layers of thin wood and veneer assembled with adhesives. It is also similar in appearance to plywood without the cross bands and is typically rated by manufacturers for elastic modulus and allowable bending stress. LVL is stronger than natural lumber and can be used for hand rail and base for staircases, wooden flooring and door and window frames. The new LVL product can also be used for the production of high-value furniture, housing materials and value-added products which can command a higher margin. In addition, due to its stronger, straighter and more uniformed structure, it can withstand the impact of earthquake when used in the construction industry. The new LVL product is targeted for the US, Taiwan and Japan markets and has a separate market of its own as compared to thin panel plywood.

**5.7.1.4 Others**

Others comprise sales of lumber core and sales of electricity to third party by Untung Ria. Lumber core is the remains of the round log after the peeling process. Since the FYE 31 December 2009, sales of lumber core has been phased out.

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**5. INFORMATION ON OUR GROUP (Cont'd)****5.7.2 Our Principal Markets**

Our principal markets are mainly overseas markets as shown below:-

	Revenue for the FYE 31 December 2010 RM'000	Proportion of total revenue %
Export	105,340	87.51
Local	15,038	12.49
	<u>120,378</u>	<u>100.00</u>

The export markets comprise the followings:-

	Revenue for the FYE 31 December 2010 RM'000	% of total revenue
US	66,328	55.10
Asia <sup>(1)</sup>	36,433	30.27
Others <sup>(2)</sup>	2,579	2.14
	<u>105,340</u>	<u>87.51</u>

Notes:-

(1) Comprising mainly sales from India, Taiwan, Korea, Japan, Singapore and the PRC.

(2) Comprising mainly sales from Mexico, Australia and Canada.

Our plywood can be used in many different applications where high-quality and high-strength sheet materials are required. We produce mainly thin panel plywood of which the thickness is below 6 mm (which consists of more than 77% of our total plywood sold for the FYE 31 December 2010) and they can be used for further processing by laminate factories. Thin panel plywood is a preferred choice in industries such as the RV industry (mainly in the US market), home decorating industry, furniture industry, vehicle internal body work, floors, walls and roofs in transport vehicles and house constructions.

The US market has been our key market since 2003. For the FYE 31 December 2010, we exported 55.1% of our plywood, mainly the thin panel plywood, to the US. It is estimated that majority of our plywood exported to the US is delivered to Elkhart, Indiana, which is the centre of the RV market in the US. As plywood is produced from organic material such as natural wood from timber log, it possesses the natural feature which is not harmful to human. Due to its light weight and natural feature which is friendly to human, our thin plywood, after further processing, is largely used in the interior of RV especially the ceiling, furniture and wall panels. The rest are essentially used in home decorating, furniture making and construction, etc.

Thin panel plywood is also the main product that we sell to other main markets such as Taiwan and India. It is commonly further processed and widely used in the furniture and construction industries such as home decorating and furniture making.

The thick panel plywood that we produced is mostly sold in the domestic market. The thick panel plywood can be used for floor base or wall panels. The lower grade of thick panel plywood is mainly used in construction sites for different applications such as concrete wall modeling and frame making. Thick panel plywood represented less than 23% of our total plywood sold for the FYE 31 December 2010.

We also export some veneer to Korea and the PRC which consisted of 3.8% of our Group's revenue for the FYE 31 December 2010. The veneers sold are mainly used by plywood factories in Korea and the PRC for making floor base panels, construction panels, container flooring and as general panel.

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

Please refer to Section 11.4.1 of this Prospectus for the commentary on the contributions of the abovementioned markets to our Group's revenue for the past four (4) FYE 31 December 2007, 2008, 2009 and 2010.

**5.7.3 Seasonality**

We do not experience any material seasonality in our business.

**5.7.4 Types, sources and availability of raw materials/input**

Our main source of raw material is logs which vary in many species such as White Seraya, Yellow Seraya, Majau and others. Our Company sources all our timber logs from local suppliers who are licensed timber concessionaries and/or timber contractors. These suppliers are bounded by the rules and regulations of the Department of Forestry, and they risk having their licences revoked in the event of any breach of the rules and regulations. The principal timber logs are subject to price fluctuations as it is affected by, amongst others, the demand and supply of timber and weather conditions.

Sourcing of logs for our business requires in-depth knowledge of the characteristics of various types of logs, understanding of our customers' specific products requirements, as well as years of experience in understanding the plywood industry. The ability to source, identify and select raw materials that are available in the market requires in-depth technical knowledge so that the plywood produced is of good quality.

Currently, we source our logs requirements mainly from Sabah, in particular Keningau. Our Group normally has various different suppliers for the supply of logs so as not to be highly reliant on any one single supplier. To reduce our susceptibility towards any adverse repercussions arising from the shortage of log supplies, we have entered into a contract with a log supplier or contractor to source reasonable supply of logs for our production and will seek to enter into contracts with other log suppliers or contractors in future. In addition, our Group may also obtain log supplies from the other areas in Malaysia or other countries should the need arise. A discussion on the impact of fluctuations in the prices of logs has been set out in Section 4.1.4 of this Prospectus.

Additionally, our Group has been purchasing new machineries that could peel smaller logs and improve the recoverability of logs. The ability to peel smaller logs provides us with more choices and availability of logs for our manufacturing process. In addition, better recoverability of logs also means that our Group is able to produce the same amount of output with lower input of logs.

Further, Focus Lumber is able to integrate different types of timber logs to produce plywood. This has reduced the restriction in the use of only certain types of timber logs. Our Group's yearly log consumption would depend on demand and production on our Company's plywood and inventory in hand during the year. For the FYE 31 December 2010, our Company's log consumption amounted to 131,758m<sup>3</sup>.

Besides logs, our other raw materials are glues, flour and veneer which are used primarily for the manufacturing of plywood. The prices of these raw materials fluctuate based on demand and supply conditions. However, the impact on any unfavourable price fluctuations on our Group's profitability is immaterial as these raw materials are not our principal raw material. In addition, we only purchase veneer on a need-be basis.

For the past 12 months up to the LPD, our Company has not experienced any significant shortage in the supply of raw materials used in our manufacturing process.

Please refer to Section 11.4.1 of this Prospectus for the analysis on the components of our raw material costs.

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

### 5.7.5 Production/operating capacities and output

Our maximum production capacities and utilisation levels are as follows:-

Types of products	Maximum production capacity (per month)	Average monthly utilisation					
		FYE 31 December					
		2008		2009		2010	
	(m <sup>3</sup> )	(m <sup>3</sup> )	%	(m <sup>3</sup> )	%	(m <sup>3</sup> )	%
Plywood / veneer	13,500*	6,116	45.30	5,302	39.27	6,238	46.21

Note:-

\* On the basis of two (2) shifts, 24 hours daily.

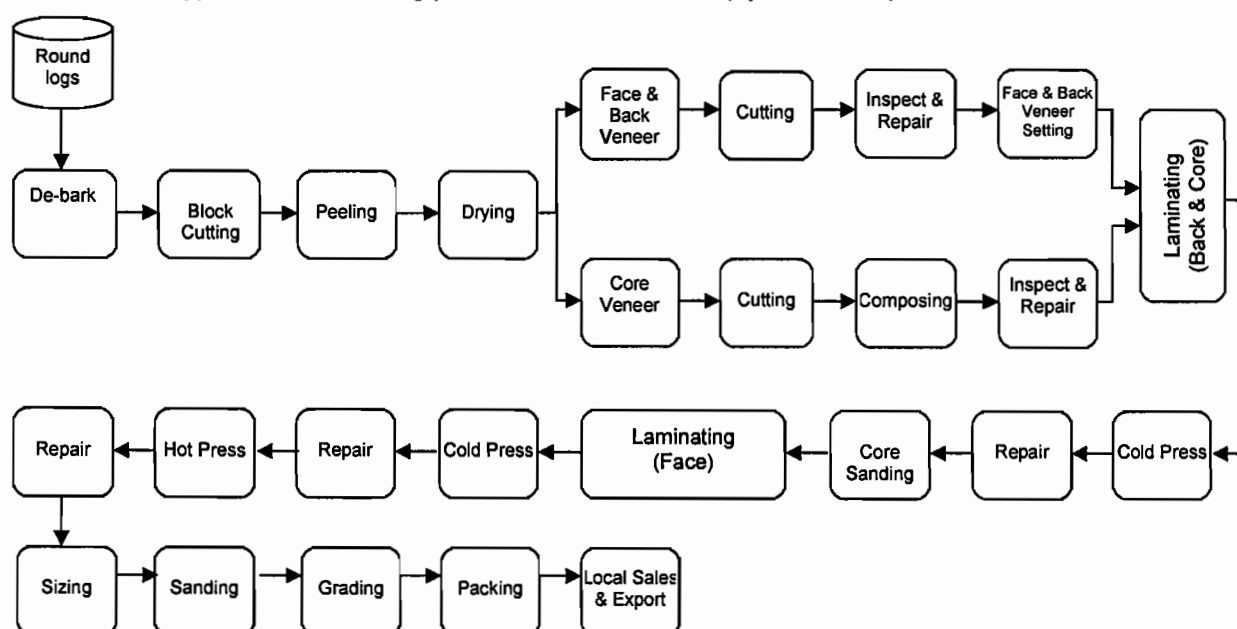
The slowdown in the US economy coupled with the start of the global financial crisis in the second half of 2008 has affected businesses in various industries globally. In 2009, our Group also needed to recruit to replace the workers whom we have made redundant during 2008 due to the global financial crisis. Recruitment for workers took place progressively during 2009 and by third quarter, our Company was able to attain the level of workers to commensurate with our Company's desired level of productions to meet our orders. Consistent with this, the average monthly utilisation rate has gradually increased after the first half of 2009. In 2010, our average monthly utilisation increased from 39.27% in 2009 to 46.21%. The increase was due to higher demand for our products as compared to 2009 arising from the gradual recovery of the global financial crisis.

In addition, Untung Ria's maximum capacity of electricity generation is four (4) mega watts. The current usage of our Group is approximately 2.2 mega watts (approximately 55% utilisation of maximum capacity).

### 5.7.6 Manufacturing process

#### Manufacturing process for plywood

The typical manufacturing process for conventional plywood is depicted in the chart below:-



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

### Log storage, block cutting, de-barking and peeling

The round log handling facility consists of log sorting and cutting section. Logs of similar species are de-barked, sorted and arranged for processing. De-barking involves the removal of the bark from the round logs. Once the logs are sorted, they are transported to the block cutting section. The logs are transported length-wise along a roller conveyor. Once the log reaches a predetermined point, it will be cut into sections, giving it the desired length. These log sections are then transported to the peeling section. The logs are sorted again based on their natural properties and dimensions. Our peeling facilities consist of lathe machines and veneer handling systems. The lathe machines are giant rotary peelers capable of peeling the veneer off logs of various lengths or dimensions as well as thickness. We utilise lathes of different dimensions and in different combinations to produce different dimensional types of plywood at any given time. Peeling is a process where logs are peeled lengthwise in a circular manner to obtain a continuous layer of wood known as veneers. Veneer production forms the first stage of the manufacturing of plywood.

Core veneers will be sandwiched by a face and back veneer. As the core veneer is hidden from view, the process of treating the core veneer is different from those of the front and back veneers.

### Drying, cutting and inspect and repair

After peeling, the veneers are sent to the dryers. The veneer is dried to a specific moisture content to facilitate the adhesion process later. Veneers that are not dried properly will not stick firmly when glued. The veneers are passed through a continuous dryer for the drying process.

After the drying process, the short grain veneer, better known as the core veneer, is sent to the core builder machine where the veneers are edge-joint with a special glue to form plies of standard sizes. The cores are stacked together and sent to the repair areas where any irregularities are repaired.

Long grain veneer, or known as the face and back veneer, are divided into two (2) categories, face and back quality, after the drying process. Once they are categorised, the long grain veneer is then set up and prepared to be used at the glue area.

### Laminating, cold press, repair, core sanding and hot press

The glue area is made up of the glue spreader, cold press and repair area. Firstly, the back veneer is placed down onto the receiving area, then the core is passed through the glue spreader and placed on top of the back. The laminated core and back is then placed into the cold press so that the glue is distributed evenly throughout the plywood and good bonding is achieved. After the cold press process, the rough plywood is inspected for defects. Any defects will be sent for repair. Sanding is then performed on the core surface to smoothen the surface and calibrate the thickness of the core to facilitate the lamination of the face veneer onto the core. After sanding, the face veneer is passed through the glue spreader and placed on top of the sanded core to create a three (3)-ply plywood. The plywood will then go through the same cold press and repair process. The acceptable ones will be sent for the hot press process. The hot press has layers of heated plates where the rough plywood is placed between the heated plates to be pressed to dry and harden the glue. After the pressing process, the plywood is then collected and stacked for the next stage.

### Sizing, sanding, inspecting, packing and shipping

The uncut plywood goes through another quality check where if it is not presentable, it will be puttied to fill minor cracks or defects on the face. Once completed, the uncut plywood is sent for finishing where the plywood is sent through a double sizer and trimmed to precise dimensions and then sanding is performed to give the face of the plywood a smooth level

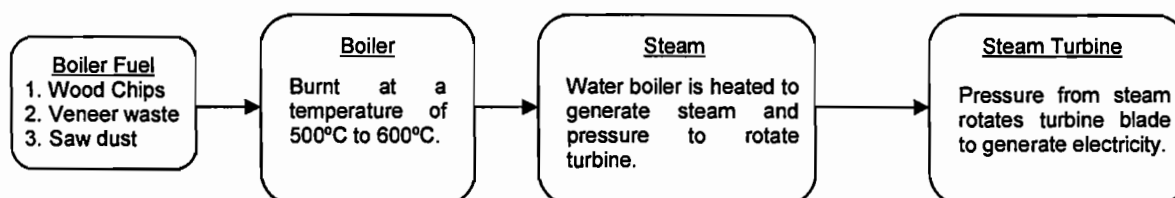
## 5. INFORMATION ON OUR GROUP (Cont'd)

finish. Finally, the finished plywood goes through a final round of quality check and grading, where each board is inspected to ensure that the manufacturing quality is appropriate to the grade being produced. They are then ready for packing and shipment.

### **Manufacturing process for LVL**

Our LVL uses recycled wood chips and veneer slips to produce lumber-like products. These wood chips and veneer slips are glued together to form sheets of veneer. The sheets of veneer are then glued together with the grains of all layers parallel to the length to form the uncut LVL of different thickness. This process is referred to as the lamination process. The uncut LVL would then go through the cold press process similar to that in the process for the manufacturing of plywood. After the cold press process, the uncut LVL would be inspected for defects. Any defects would be patched and repaired before the uncut LVL is sent for the hot press process similar to that in the process for the manufacturing of plywood. Sanding is then performed on the uncut LVL, which usually has a rough surface and uneven thickness, to give it a smooth finish and help achieve uniform thickness. The uncut LVL would then be cut into sections of predetermined length to form sticks of LVL. The LVL will be checked where any unsmooth edges would be puttied for a better finishing. Finally the finished LVL goes through a final round of quality check before being packed for shipment.

### **Biomass production process**



Our biomass energy is derived from bulk waste from the manufacturing of plywood. These bulk wastes include wood chips, veneer waste and saw dust which are placed into the boiler to be burnt at a temperature of 500 to 600 degrees celcius to heat up the water boiler to generate steam with a temperature of 320 to 380 degrees celcius. Steam generated at a pressure of 39kg/cm<sup>2</sup> from the heating process will move and rotate the turbine blade with a speed of 7,450 revolutions per minute ("rpm") where electricity will be generated. Once electricity has been generated, the rotation of the turbine will be reduced to a speed of 1,500rpm to gradually generate electricity up to a maximum capacity of 4.0 mega watts.

### **5.7.7 Quality control**

We place great emphasis in ensuring that our products are subject to stringent quality control in order to meet our customers' requirements and regulatory standards. The commitment on quality broadly entails areas such as processes and scope, document control and policy, planning, and supplier and procurement review and monitoring/evaluation.

We are committed in delivering high quality products to our customers by placing emphasis on defects prevention while ensuring that we have a consistent detection program in place. Our quality system is intended to ensure that our customer receives a product that is designed and manufactured in accordance with the customers', industry and our own strict quality requirements. The result of our commitment to quality is evidenced by the CARB and JAS certification awarded to us.

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

### 5.7.8 Technology used and R&D

Our Group uses automated equipments in some of our manufacturing processes, such as peeling, drying, cold press and hot press, to increase production and improve the quality of our products. Most of the machineries used in our manufacturing process are computer aided, particularly the dryer used in the drying process, where veneers are artificially force dried in chambers, where temperature and moisture content are regulated throughout the drying process.

We do not carry out any specific R&D activities. Our focus is essentially on enhancing our manufacturing process. Our Group has an in-house maintenance department which is responsible for regular maintenance activities on production machinery and equipment on a frequency of once a week and constantly conducts technical studies into the enhancement of the manufacturing process of plywood, catering for different needs and specifications of individual customers servicing wide spectrum of end-applications. There are also trained personnel at the factory to trouble-shoot and maintain the equipments.

In view of the nature of our business, our manufacturing process enhancement is mainly focused on the following:-

- (i) Conducting research on our manufacturing process to improve production techniques for the purpose of producing plywood that meet our customers' requirement and reduce production cost;
- (ii) Keeping abreast with the latest development in the international and domestic plywood market; and
- (iii) Improvement and variation of existing products and developing and expanding our product range to meet customers' demand.

### 5.7.9 Marketing and distribution

Our distribution and marketing strategy is through direct channels, using our own internal sales and marketing force, to source for new customers and strengthen our existing customer relationships. This approach enables us to work closely with our customers to attain a better understanding of their requirements and the requirements of the end users of our products, which serves as a feedback mechanism for continuous improvements on our product.

In addition, through our strong business relationship with our major customers and track records established with these customers, we have been receiving referrals from some of our major customers. We also leverage on the network and contacts of our founders who have been in the industry for many years and have built up an extensive network over the years. Our founder and Managing Director, Lin Fong Ming, is primarily involved in the marketing activities for China and Taiwan markets. Yang Sen, our Head of Sales and Marketing is responsible for the marketing activities for the US, Mexico, India, Singapore, Australia and Europe and other overseas markets whilst Chen Chun Hsiung, our Executive Director and Head of Human Resources has been involved in the marketing activities for the domestic market.

To maintain close relationships and to allow us to fine-tune our products to meet the customers' specific requirements and obtain feedback on product quality, we constantly keep in contact with our customers. In addition, as part of our marketing strategy, we also invite the existing and potential customers to our factory premises to better understand our business operations and products. This strategy enables us to:-

- (i) keep abreast with changing customer trends and technological development to stay ahead of competition;

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

- (ii) provide added confidence to our customers on our efficient manufacturing capability; and
- (iii) meet the needs of our customers.

In addition, we also make visits to trade fairs to obtain new ideas as well as to meet existing and potential customers. In order to increase our networking and promote our Company, we subscribe to membership of various associations related to the plywood and timber industry such as the Sabah Timber Industry Association, International Wood Products Association and Malaysia Panel Manufacturer Association. Being a member of these associations enable us to attend their functions to increase our Company's profile as well as to establish contacts with participants within the industry.

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**5. INFORMATION ON OUR GROUP (Cont'd)****5.7.10 Approvals, major licences and permits obtained**

Details of major business licenses, permits and approvals applicable to our Group as at the LPD are as follows:-

Company	Approving / Issuing Authority	Type of approvals / licences / permits	Date of Issuance / Validity	Equity and other major conditions imposed	Status of compliance
Focus Lumber	Kota Kinabalu City Council	Trading Licence (Licence No. : DBKK 238473)	17.12.2010 / 31.12.2011	No equity and other major conditions.	N/A
	Malaysia Timber Industry Board	Registered supplier and exporter of processed wood products licence (Serial No. : SBH 344)	18.7.2003 / 30.6.2011	This certificate will be valid on the conditions that the company's sawmill licence must be valid and that the Company must be a registered member of either Sabah Timber Industry Association (STIA) or Malaysian Panel Manufacturer Association (MPMA).	Met
	Department of Forestry Sabah	Registered mill contractor for factory license no. JP(N) KG 002/00 (X01)R  (Registration No.: KON(NKG) 383/95 (KK))	23.4.2010 / 6.9.2011	The Company is prohibited from funding any works related to forest resources of other companies, members, directors and individuals who have been blacklisted by the State Government, buying/acquiring logs/converted logs from illegal sources and any other regulations which is/are set by the Department of Forestry. Any failure on part of the Company to adhere to the restrictions will result in the withdrawal of the Certificate.	Met
	Department of Forestry Sabah	Licence to export processed timber products (Licence No. : JP(PT) 049/00(M)R)	17.3.2010 / 31.12.2011	1) The licence may not be transferred or assigned.  2) This licence may be cancelled at any time should it be deemed necessary in the interest of the public.  3) The Company must abide to any other rules pertaining to processed timber export licence that would be introduced from time to time.	Met  Met  Met

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

Company	Approving / Issuing Authority	Type of approvals / licences / permits	Date of Issuance / Validity	Equity and other major conditions imposed	Status of compliance
	MITI	Manufacturing licence for manufacture of veneer, plywood and blockboard (Licence No. : A 007503)	15.10.2010 / N/A	<p>a. Sales of the Company's shares must be notified to the MITI.</p> <p>b. The Company is required to train Malaysian in order for the transfer of technology know-how and expertise to all level of position in the Company.</p> <p>c. The Company should implement its project as approved and adhere to the laws and regulations applicable in Malaysia.</p>	<p>Met</p> <p>Met</p> <p>Met</p>

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

Company	Approving / Issuing Authority	Type of approvals / licences / permits	Date of Issuance / Validity	Equity and other major conditions imposed	Status of compliance
	MITI	Manufacturing licence to manufacture urea formaldehyde, melamine formaldehyde and phenol formaldehyde (Licence No. : A 07503)	15.11.2010 / N/A	<p>a. Location:-  Kampung Ulu Patikang Keningau Sabah</p> <p>Subject to the approval from the State Government and Department of Environment.</p> <p>b. Sales of the Company's shares must be notified to the MITI.</p> <p>c. The Company is required to train Malaysian in order for the transfer of technology know-how and expertise to all level of position in the Company.</p> <p>d. The Company is required to obtain their supply of "formalin" from local resources.</p> <p>e. All production of "urea formaldehyde, melamine formaldehyde and phenol formaldehyde" must be used for internal purposes and/or to be exported only.</p> <p>f. The Company should implement its project as approved and adhere to the laws and regulations applicable in Malaysia.</p>	<p>Met</p> <p>Noted</p> <p>Met</p> <p>Met</p> <p>Met</p> <p>Met</p>
	Department of Forestry District of Keningau	Licence to erect and/or operate sawmill (kiln dry plant) (Licence No. : JP(N)KG.003/06 (X22))	14.7.2008 / 2.4.2011*	No equity and other major conditions.	N/A

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

Company	Approving / Issuing Authority	Type of approvals / licences / permits	Date of Issuance / Validity	Equity and other major conditions imposed	Status of compliance
	Department of Forestry District of Keningau	Licence to Erect and/or Operate Sawmill (Licence No. : JP(N)KG. 002/00 (X01) R)	28.12.2006 / 31.12.2011	No equity and other major conditions.	N/A
	Energy Commission	Licence to generate electricity for own consumption (Licence No. : 912)	2.3.2011 / 29.3.2012	1) Activity of generation and supply of electricity is for private use within the area/premise of the licence holder.  2) Installation capacity shall not exceed 4,860 Kilowatts.	Met  Met
	Jabatan Pertanian Sabah	Approval to treat 'Wood Packaging Material'  Registration No.: MY – SB 012	15.6.2010 / 30.6.2011	No equity and other major conditions.	N/A
	Keningau District Office	Business License to import, export of timber logs, process wood production (Licence No.: 752707)	13.1.2011 / 31.12.2011	No equity and other major conditions	N/A

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

Company	Approving / Issuing Authority	Type of approvals / licences / permits	Date of Issuance / Validity	Equity and other major conditions imposed	Status of compliance
	Department of Human Resources Sabah	Licence to recruit foreign workers. (License No. : B-00050/14)	11.12.2010 / 27.10.2011	<ol style="list-style-type: none"> <li>1. This licence shall not be transferred and is only valid for employment of non-resident workmen at the approved number.</li> <li>2. The Company must comply with the terms and conditions of employment set under the Ordinance, the rules therewith and under the employment contract.</li> <li>3. Any non-resident workmen employed under the licence is protected under the Workmen's Compensation Act 1952 or Employee's Social Security Act 1969 whichever is applicable. In the case of non-resident workmen other than domestic helpers who are not insured and who shall nevertheless be protected under the said Acts.</li> <li>4. The application for renewal of this licence must be presented not less than two months before the expiry of the licence.</li> <li>5. This licence may be withdrawn or cancelled or not renewed by the Director of Human Resources should he be satisfied that: <ol style="list-style-type: none"> <li>(a) the breach of any provision of this Ordinance or any other written law or rules which is made or any other conditions of the licence; or</li> <li>(b) Company provided false information during the acquisition of the licence.</li> </ol> </li> </ol>	<p>Met</p> <p>Met</p> <p>Met</p> <p>Noted</p> <p>N/A</p>

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

<b>Company</b>	<b>Approving / Issuing Authority</b>	<b>Type of approvals / licences / permits</b>	<b>Date of Issuance / Validity</b>	<b>Equity and other major conditions imposed</b>	<b>Status of compliance</b>
	Department of Occupational Safety and Health	Certificate of Fitness & Inspection under the Factories & Machinery Act, 1967 for:  Water Tube CM-250 W  Registration No.: PMD 5241	30.8.2010 / 25.10.2011	No equity and other major conditions.	N/A
	Department of Occupational Safety and Health	Certificate of Fitness & Inspection under the Factories & Machinery Act, 1967 for:  Overhead Crane  Registration No.: PMA 71113/71114/ 71115/71116/71117/71118/ 71119/71120/71121	30.8.2010 / 25.10.2011	No equity and other major conditions.	N/A
	Department of Occupational Safety and Health	Certificate of Fitness & Inspection under the Factories & Machinery Act, 1967 for:  Steam Receiver  Registration No.: PMT 56968/56969	30.8.2010 / 25.10.2011	No equity and other major conditions.	N/A

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

<b>Company</b>	<b>Approving / Issuing Authority</b>	<b>Type of approvals / licences / permits</b>	<b>Date of Issuance / Validity</b>	<b>Equity and other major conditions imposed</b>	<b>Status of compliance</b>
	Department of Occupational Safety and Health	Certificate of Fitness & Inspection under the Factories & Machinery Act, 1967 for:  Water Softener  Registration No.: PMT 57010	30.8.2010 / 25.10.2011	No equity and other major conditions.	N/A
	Department of Occupational Safety and Health	Certificate of Fitness & Inspection under the Factories & Machinery Act, 1967 for:  Air Receiver  Registration No.: PMT 57152/57153	30.8.2010 / 25.10.2011	No equity and other major conditions.	N/A
	Department of Occupational Safety and Health	Certificate of Fitness & Inspection under the Factories & Machinery Act, 1967 for:  Accumulator Tank  Registration No.: PMT 121785/121786/121787	30.8.2010 / 25.10.2011	No equity and other major conditions.	N/A

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

Company	Approving / Issuing Authority	Type of approvals / licences / permits	Date of Issuance / Validity	Equity and other major conditions imposed	Status of compliance
	Kementerian Kesihatan Malaysia	Wholesaler's Poisons Licence (Type B Licence)  Licence No.: 024013  Register No.: SB 026/2011	8.12.2010 / 31.12.2011	<p>Licence is granted to: Charles Chin Chun Ket (I/C No.: 500912-12-5289)</p> <p>With business address of: Focus Lumber Sdn. Bhd. 11<sup>th</sup> Floor Wisma Perindustrian, Jalan Istiadat, 88400 Likas, Kota Kinabalu.</p> <p>Such person not being engaged or concerned in any business of selling goods by retail to import, store and sell by wholesale such poisons (not being Group A Poison) specified as follows:</p> <ol style="list-style-type: none"> <li>1. Formaldehyde 5% and above.</li> <li>2. Sodium Hydroxide 12% and above.</li> <li>3. Hydrochloric Acid 9% and above.</li> </ol> <p>Subject to the provisions of the Poisons Act 1952 and of any regulations made under it and such other terms and conditions specified in it.</p>	Met
	Head of Immigration Office, Keningau	Letter of Confirmation "Work Permit in PATI Registration Program"	25.3.2010 / N/A	No equity and other major conditions.	N/A

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

Company	Approving / Issuing Authority	Type of approvals / licences / permits	Date of Issuance / Validity	Equity and other major conditions imposed	Status of compliance
Untung Ria	Energy Commission	Licence issued by Energy Commission under the Electricity Supply Act 1990	9.8.2010 / 8.8.2020	1) To use, work or operate a generation and distribution system at Lot No. CL 135193752 and CL 135366139, Kg Ulu Patikang, Keningau, Sabah in order to supply electricity to or for the use of Focus Lumber and Ho Lian Sawmill Sdn. Bhd.	Met
				2) This licence shall enter into force on 9.8.2010 and shall be of 10 years duration.	Noted
				3) The licence shall secure a supply of electricity up to 4,000 KW for the supply and sale of electricity to any persons in the area as supply as specified in Annexure of the license i.e. Lot No. CL 135193752 and CL 135366139 Kg Ulu Patikang, Keningau, Sabah.	Met
				4) The Licensee shall not supply electricity to persons other than the persons in the area of supply mentioned above, provided that the Energy Commission may with the approval of the Minister in writing permit the Licensee to supply electricity to such persons.	Met
				5) The Licensee shall not assign, transfer, sublet or otherwise dispose of its rights, duties, liabilities, obligations and privileges or part thereof under the terms and conditions of this license except with the prior written approval of the Minister.	Met
				6) The Licence shall not be transferred, charged, pledged or otherwise encumbered without the prior written approval of the Minister.	Met

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

Company	Approving / Issuing Authority	Type of approvals / licences / permits	Date of Issuance / Validity	Equity and other major conditions imposed	Status of compliance
				<p>7) The creation of any charge, mortgages, pledges, lien or other securities over the land used for the generating facility is prohibited without express written consent of the Minister.</p> <p>8) The Energy Commission may at any time revoke this Licence by giving not less than 30 days notice in writing to the licensee at its registered office in any of the following circumstances:</p> <p>(a) If the Licensee agrees in writing with the Energy Commission that this Licence should be revoked;</p> <p>(b) Upon breach of the conditions imposed in this Licence;</p> <p>(c) If the Licensee ceases to supply electricity to consumers;</p> <p>(d) If any amount payable under Condition 15 is unpaid after it has become due whether notice in writing has been given to the Licensee or not;</p> <p>(e) If a receiver or liquidator has been appointed for the Licensee; and</p> <p>(f) If any action taken for voluntary winding up or dissolution of the Licensee's company or any order pursuant to the Companies Act 1965 is made for the compulsory winding up the Licensee's Company.</p>	<p>Met</p> <p>Noted</p>
	Keningau District Office	Business license to generate electricity (Licence No.: F752708)	13.1.2011 / 31.12.2011	No equity and other major conditions.	N/A

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

<b>Company</b>	<b>Approving / Issuing Authority</b>	<b>Type of approvals / licences / permits</b>	<b>Date of Issuance / Validity</b>	<b>Equity and other major conditions imposed</b>	<b>Status of compliance</b>
	Kota Kinabalu City Council	Trading Licence  Licence No.: DBKK 238474	17.12.2010 / 31.12.2011	No equity and other major conditions.	N/A
	Department of Occupational Safety and Health	Certificate of Fitness & Inspection under the Factories & Machinery Act, 1967 for:  Water Tube Steam Boiler  Registration No.: SB PMD 151	15.12.2010 / 20.12.2011	No equity and other major conditions.	N/A
	Department of Occupational Safety and Health	Certificate of Fitness & Inspection under the Factories & Machinery Act, 1967 for:  Deaerator Tank  Registration No.: SB PMT 1066	15.12.2010 / 20.12.2011	No equity and other major conditions.	N/A
	Department of Occupational Safety and Health	Certificate of Fitness & Inspection under the Factories & Machinery Act, 1967 for:  Flash Tank  Registration No.: SB PMT 1068	15.12.2010 / 20.12.2011	No equity and other major conditions.	N/A

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

Company	Approving / Issuing Authority	Type of approvals / licences / permits	Date of Issuance / Validity	Equity and other major conditions imposed	Status of compliance
	Department of Occupational Safety and Health	Certificate of Fitness & Inspection under the Factories & Machinery Act, 1967 for:  Air Tank  Registration No.: SB PMT 1069	15.12.2010 / 20.12.2011	No equity and other major conditions.	N/A
	Department of Occupational Safety and Health	Certificate of Fitness & Inspection under the Factories & Machinery Act, 1967 for:  AC Tower  Registration No.: SB PMT 1972	15.12.2010 / 20.12.2011	No equity and other major conditions.	N/A
	Department of Occupational Safety and Health	Certificate of Fitness & Inspection under the Factories & Machinery Act, 1967 for:  Air Tank  Registration No.: SB PMT 1973	15.12.2010 / 20.12.2011	No equity and other major conditions.	N/A
	Department of Occupational Safety and Health	Certificate of Fitness & Inspection under the Factories & Machinery Act, 1967 for:  MB Tower  Registration No.: SB PMT 1974	15.12.2010 / 20.12.2011	No equity and other major conditions.	N/A

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

*Note:*



\* *Application for renewal of the licence has been submitted on 7 March 2011 and is currently pending.*

*N/A Not applicable.*

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**5. INFORMATION ON OUR GROUP (Cont'd)****5.7.11 Patents, trademarks and registrations**

Save for the trade mark registration for our logo, we do not hold any other patents, trademarks or registrations. Application for the trademark/ logo below has been made under Class 19 of Nice Classification on 14 March 2011. The application is still pending approval from the relevant authorities.

No.	Trademark	Applicant	Application number	Place of application	Description of trademark
1.		Focus Lumber	2011004570	Malaysia	Timber product plywood, blockboard, LVL bearing trademark "FLB", included under Class 19* of the Nice Classification <sup>1</sup> .
2.		Focus Lumber	2011004569	Malaysia	Timber product plywood, blockboard, LVL bearing trademark "FLB", included under Class 19* of the Nice Classification <sup>1</sup> .

Notes:-

1. The Nice Classification is based on the Nice Agreement, Malaysia accedes to the Nice Agreement on 28 June 2007 which were enforced on 28 September 2007, Nice Agreement related to the international classification of goods and services for the purposes of the registration of marks. It comprises class headings, which describes the nature of goods and services in each of the 34 classes of goods and 11 classes of services.

\* Class 19 is described as "Building materials (non-metallic); non-metallic rigid pipes for building; asphalt, pitch and bitumen; non-metallic transportable buildings; monuments, not of metal."

**5.7.12 Salient terms of the contracts/arrangements on which our Group is highly dependent**

As at the LPD, our Group has not entered into any contracts/arrangements for which our Group is highly dependent upon.

**5.7.13 Interruptions in business**

Our Group has not experienced any material interruption to the business of our Group in the past 12 months preceding the date of this Prospectus.

**5. INFORMATION ON OUR GROUP (Cont'd)****5.7.14 Major customers**

The major customers that contributed 5% or more to our Group's revenue for the past three (3) FYE 31 December 2008 to 2010 are listed below:-

Name	Country of origin	Principal Activities	Product Sold	Length of relationship as at the LPD (years)	Total Group Revenue					
					FYE 31 December					
					2008		2009		2010	
					RM'000	%	RM'000	%	RM'000	%
Ihlo Sales & Import Co.	US	Plywood trading	Plywood	9	38,688	33.87	35,041	34.25	42,630	35.41
Agro Fine Imports	US	Plywood trading	Plywood	6	9,517	8.33	-	-	-	-
Choon Huat Plywood	Malaysia	Plywood trading	Plywood	5	5,991	5.24	1,977	1.93	1,677	1.39
Hwa Sing Plywood	Taiwan	Plywood trading	Plywood and veneer	9	6,941	6.08	1,818	1.78	2,952	2.45
Weyerhaeuser NR Company	US	Timber and plywood trading	Plywood	3	1,356	1.19	8,418	8.23	13,777	11.45
Grow Rich Limited	US	Timber and plywood trading	Plywood	1	-	-	-	-	9,220	7.66
Mega Gallop Co. Ltd	Taiwan	Timber and plywood trading	Plywood, veneer and LVL	9	1,490	1.30	3,323	3.25	8,790	7.30
Sudima International Pte Ltd	India	Timber and plywood trading	Plywood	2	-	-	3,530	3.45	6,229	5.17

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

Ihlo Sales & Imports Co. has been our major customer for nine (9) consecutive years and our sales to the US market accounted for more than 40% of our Group's revenue for the past three (3) financial years. In the FYE 31 December 2009, our sales to Ihlo Sales & Imports Co. has decreased by RM3.65 million or 9.43% as compared to the FYE 31 December 2008. The decrease was due to the slowdown in the US economy and the global financial crisis which has resulted in a lower demand for our plywood by Ihlo Sales & Import Co. in the FYE 31 December 2009. With the gradual recovery of the global financial crisis and the US economy in 2010, demand for our products has resumed thereby contributing to an increase in sales to Ihlo Sales & Import Co. in the FYE 31 December 2010 from RM35.04 million to RM42.63 million, representing an increase of RM7.59 million or 21.7% as compared to the FYE 31 December 2009.

In 2008, our Group had successfully procured Weyerhaeuser NR Company from the US as our customer. This is a key achievement for our Group as Weyerhaeuser NR Company is one of the largest companies in the timber industry and is listed on the Fortune 500 companies as well as the US Stock Exchange. The sales contributed by Weyerhaeuser NR Company towards our Group's revenue has significantly increased in the FYE 31 December 2009 from RM1.36 million or 1.19% in the FYE 31 December 2008 to RM8.42 million or 8.23%. For the FYE 31 December 2010, the sales contributed by Weyerhaeuser NR Company to our Group's revenue have continued to increase in the FYE 31 December 2010 to RM13.78 million, representing an increase of 63.7%. The significant increase in the revenue to Weyerhaeuser NR Company is attributable to their acceptance of our plywood quality. In addition, we have procured a new US-based customer, namely Grow Rich Limited, which contributed RM9.22 million or 7.66% to our Group's revenue for the FYE 31 December 2010.

Whilst our Group is dependent on certain major customers for our business, we have been consistently striving to enhance our customer base. To-date, we export our products to various countries such as Taiwan, Korea, Singapore, Australia, the PRC, India and Mexico. Our key management is also actively involved in diversifying our market portfolio within the existing countries by procuring new customers as well as penetrating into new countries and market segments to expand our customer base. We have also developed good relationship with our major customers through timely delivery, reliability and quality of our products.

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**5. INFORMATION ON OUR GROUP (Cont'd)****5.7.15 Major suppliers**

The major suppliers that contributed 5% or more to our Group's purchases for the past three (3) FYE 31 December 2008 to 2010 are listed below:-

Name	Country of origin	Principal Activities	Product / Services Purchased	Length of relationship as at the LPD (years)	Total Group Purchases					
					FYE 31 December					
					2008		2009		2010	
					RM'000	%	RM'000	%	RM'000	%
GSSB	Malaysia	Timber trading	Timber logs	4	21,138	26.20	15,251	24.53	6,090	6.90
Sepangar Chemical Industry Sdn Bhd	Malaysia	Glue producer	Glue	11	11,588	14.36	8,110	13.04	10,928	12.38
Rimba Kita Sdn Bhd	Malaysia	Timber trading	Timber logs	3	8,495	10.53	1,014	1.63	-	-
Samling Flooring Product Sdn Bhd	Malaysia	Plywood and veneer manufacturer	Veneer	4	4,775	5.92	-	-	5,235	5.93
Micavest Sdn Bhd	Malaysia	Timber trading	Timber logs	2	-	-	3,549	5.71	-	-
Andatu Plantation (Sabah) Sdn Bhd	Malaysia	Timber trading	Timber logs	1	-	-	-	-	5,027	5.70
Primrose Sdn Bhd	Malaysia	Timber trading	Timber logs	1	-	-	-	-	9,351	10.60
PACC Container Line Pte Ltd	Singapore	Shipping Company	Freight services	1	-	-	-	-	6,903	7.82

Our purchases of raw materials are supplied by local suppliers only. We do not import any materials from neighbouring countries. Although our Group is not highly dependent on any single supplier, a significant portion of our raw material purchases is made up of log suppliers. As mentioned in Section 4.1.2 of this Prospectus, our Group has various suppliers for the sourcing of logs so as not to be highly reliant on any one single supplier. To reduce our susceptibility towards any shortage of log supplies, we have entered into a log supply contract with a log supplier.

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

### 5.8 FUTURE PLANS, STRATEGIES AND PROSPECTS

#### 5.8.1 Future plans and strategies

In order to maintain and enhance our competitive edge, our Group intends to deploy the following strategies as part of our future plans for the next three (3) years:-

##### (a) Further penetration into existing and new markets

Going forward, we will continue to expand our customer base in the US market as we believe that, based on our current good standing in supplying plywood for the use by the RV market, we are in a position to procure more customers from the lucrative RV market in which our plywood can command better profit margin. In addition, we will supply our plywood to many other industries in the US such as furniture, home decorating and house constructions where the penetration of our plywood sales in these industries is still low. In 2008, our Group successfully procured Weyerhaeuser NR Company from the US as a customer. Weyerhaeuser NR Company is one of the largest companies in the timber industry and is listed on Fortune 500 companies as well as US Stock Exchange. Weyerhaeuser NR Company sold its products to various industries such as the RV, furniture, home decorating and house construction industries. Thus, with the procurement of Weyerhaeuser NR Company as our customer, it would enable us to diversify our markets and penetrate into the said industries indirectly. Based on the information as stated in Independent Market Researcher Report by Dun & Bradstreet (D&B) Malaysia Sdn Bhd, the US import of plywood, veneered panels and similar laminated wood from the world amounted to approximately RM4.53 billion in 2009, whereby approximately RM188.7 million were imported from Malaysia. It is also stated that the RV market in the US is recovering from one of the worst years ever in 2009, with projections of a robust increase in unit shipments in 2010 due to pent-up demand, hence, the US market is a big market for our plywood to tap upon.

We will continue to expand our sales in other existing markets such as Taiwan, India, Mexico, Korea, Singapore, Australia and the PRC. We believe that there are significant market potentials in these markets. We will leverage on our good track record established with our existing customers in these markets for potential referrals and also through the connections and networks established by our founders with business associates in certain of these countries.

In addition, our key management is exploring to penetrate into other new lucrative markets such as the US, Taiwan and Japan for our new LVL product. The US, Taiwan and Japan are the lucrative markets for the LVL product due to the demand for LVL from these markets. The LVL is beginning to be widely used in these markets as LVL is considered as an environmental friendly product made of recycled wood waste. Hence, it is the intention of our Group to concentrate on these three (3) markets for our LVL product before expanding to other markets.

##### (b) Investment in new machinery and continuous manufacturing process enhancement

Our Group is continuously working towards improving the quality of our products and reducing our average cost of production. We plan to invest in new and higher technology machineries for our manufacturing process. The key benefits of these new machineries are to enable us to improve the quality of our products, improve processes and recovery and reduce dependency on labour, thus reducing our average cost of production. These new machineries are also capable of cutting smaller logs, which are cheaper, thus reducing our cost of production and broaden the sources of log supply for our production. In this regard, we intend to install a new peeling machine in 2012 which is estimated to cost RM12.0 million, to be funded via our internally generated funds.

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

### 5.8.2 Prospects

Our Board is of the view that our Group will enjoy positive and promising growth and favourable prospects in the long-term premised on the following:-

- (i) Our competitive strengths are as follows:-
- Experienced management team;
  - Approved international recognition on product quality;
  - Reusing waste to generate biomass energy;
  - Established position in the plywood industry and capital intensiveness (barrier to entry);
  - Established track records and relationship with customers; and
  - Strategically located with easy accessibility to log supply.

Further details of our competitive strengths are set out in Section 5.1.2 of this Prospectus.

- (ii) Our Group's future plans and strategies as set out in Section 5.8.1 of this Prospectus.

- (iii) The promising prospects of the plywood industry and attributes which Focus Lumber is in a position to capitalise as mentioned in Section 6 of this Prospectus are as follows:-

- (a) The demand for hardwood plywood remains strong in the global market due to its widespread usage in many application markets;
- (b) The market trend is towards thinner panels, as both manufacturer and consumers of hardwood plywood seek to reduce cost in the building industry and RV industries. We produce mainly thin panel plywood, hence the shift in market trend towards thinner panels will be to our Group's advantage;
- (c) The RV market is recovering from one of the worst years ever in 2009, with projections of a robust increase in unit shipments in 2010 due to pent-up demand; and
- (d) It is the aim of the government to make Malaysia a major producer of high value-added, wood-based products in the world market.

6. INDUSTRY OVERVIEW AND OUTLOOK



Decide with Confidence

23 MAR 2011

Focus Lumber Berhad  
11th Floor, Wisma Perindustrian  
Jalan Istiadat, Likas  
88400 Kota Kinabalu  
Sabah

Dear Sirs

**EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET  
RESEARCH REPORT ("EXECUTIVE SUMMARY") FOR FOCUS  
LUMBER BERHAD ("FOCUS LUMBER")**

This Executive Summary has been prepared for inclusion in the Prospectus to be dated 06 APR 2011 pursuant to the listing of Focus Lumber on the Main Market of Bursa Malaysia Securities Berhad.

This research is undertaken with the purpose of providing an overview of The Plywood Manufacturing Industry in Malaysia. The research methodology includes both primary research, involving in-depth interviews with pertinent companies, as well as secondary research such as reviewing press articles, periodicals, government literatures, in-house databases, Internet research and online databases.

Dun & Bradstreet (D&B) Malaysia Sdn Bhd ("D&B Malaysia") has prepared this Executive Summary in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the Executive Summary. In addition, D&B Malaysia acknowledges that if there are significant changes affecting the contents of the Executive Summary after the issue of the Prospectus and before the issue of securities, then D&B Malaysia has an on-going obligation to either cause the Executive Summary to be updated for the changes and, where applicable, cause the Company to issue a Supplementary Prospectus, or withdraw our consent to the inclusion of the Executive Summary in the Prospectus.

The Executive Summary is highlighted in the following sections.

Yours faithfully,  
for and on behalf of

**DUN & BRADSTREET (D&B) MALAYSIA SDN BHD**

A handwritten signature in black ink, appearing to read 'Tan Sze Chong', is written over the company name.

**TAN SZE CHONG**  
Managing Director



**Decide with Confidence**

## **EXECUTIVE SUMMARY**

### **1.1 THE GLOBAL ECONOMY**

The global economic recovery continued to strengthen at varying paces across regions in 2010, largely attributed to sustained fiscal stimulus and accommodative monetary policies worldwide. This was further supported by better economic performance in emerging economies, particularly China and India. In the first half of 2010, emerging and developing economies posted strong growth, supported by consumption and investment activities. Meanwhile, the major advanced economies grew at a moderate pace, despite large public debts and high unemployment.

Lower consumer spending in the US and fiscal austerity measures in the euro areas affected by the sovereign debt crisis are likely to impact growth. However, strong growth in Asia, particularly China, India and the Association of South East Asian Nations' economies as well as oil producing countries will provide the impetus for global growth. For 2010, world GDP growth is envisaged at 4.8%.

Global trade volume rebounded quickly and is expected to record robust growth of 11.4% in 2010, after suffering a significant decline of 11% in 2009. The improved performance is due to a pick up in demand worldwide since the second half of 2009, supported by strong fiscal and monetary responses to mitigate the recession and stimulate growth as well as strong consensus to refrain from trade protectionism.

**6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)****Decide with Confidence**

Prospects for the global economy remain favourable in 2011 with continued improvements in global trade and investment, particularly in emerging and developing countries. In addition, enhanced post-crisis policy coordination, ongoing regulatory reform of the international financial system and efforts to further liberalise trade and investment are expected to facilitate private sector driven growth. However, challenges to the global growth momentum remain. These include the high level of public debt and unemployment rate as well as constrained bank lending in developed economies and tightening of monetary policies in several emerging Asian economies to contain inflationary pressures. Global growth is projected at 4.2% while world trade is expected to expand by 7.0%.

**Table 1: Global Real GDP Growth, 2002-2011<sup>f</sup>**

Growth (%)	2002	2003	2004	2005	2006	2007	2008	2009	2010 <sup>e</sup>	2011 <sup>f</sup>
World GDP	3.1	4.0	5.3	4.8	4.9	5.2	3.0	-0.6	4.8	4.2
US	1.6	2.5	3.9	3.1	2.9	2.0	0.4	-2.6	3.0-3.5	3.5-4.2
Japan	0.3	1.4	2.7	1.9	2.2	2.4	-1.2	-5.2	2.6	2.0
Euro area *	0.9	0.8	2.0	1.5	2.8	2.4	0.6	-4.1	1.7	1.5

Notes:

\* = Indicates member countries of the Euro area (Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovak Republic, Slovenia, Spain)

<sup>e</sup> = estimate

<sup>f</sup> = forecast

Source: Bank Negara Malaysia, Ministry of Finance

**6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)****Decide with Confidence****1.2 THE MALAYSIAN ECONOMY**

The Malaysian economy is projected to expand between 5% and 6% in 2011, mainly driven by domestic demand and supported by a favourable external sector. The strong economic fundamentals will continue to propel the growth momentum of domestic demand. Private investment activity, which turned positive in 2010, is envisaged to contribute significantly to economic growth. Private consumption is expected to strengthen in view of low unemployment and increasing disposable household income. Growth prospects are also premised on firm prices of major commodities, which will spur rural household spending in 2011. With the private sector spearheading growth, public expenditure is expected to moderate, reflecting the government's commitment towards prudent fiscal management.

On the supply side, growth is expected to be broad-based with positive contribution from all sectors in the economy, with the services sector remaining the major contributor to GDP. The manufacturing sector is expected to expand in line with strong investment and consumption activities. The agriculture sector is projected to increase, supported by higher output and firm prices of commodities. In addition, the mining sector is envisaged to grow, on account of higher natural gas production. The construction sector is also expected to grow stronger with the expansion of non-residential properties and the revival of residential construction activities as well as acceleration of major civil engineering projects.

**Table 2: Annual Change in Real GDP by Sector, 2002-2011<sup>f</sup> (2000 prices)**

Growth (%)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 <sup>f</sup>
GDP	5.4	5.8	6.8	5.0	5.8	6.2	4.6	-1.7	7.0	5.0-6.0
Agriculture	2.9	6.0	4.7	2.6	5.4	1.4	4.0	0.4	3.4	4.5
Manufacturing	4.1	9.2	9.6	5.3	7.1	3.1	1.3	-9.4	10.8	6.7
Mining	4.4	6.1	4.1	-1.3	-2.7	2.0	-0.8	-3.8	1.0	2.9
Construction	2.3	1.8	-0.9	-1.8	-0.5	4.7	2.1	5.8	4.9	4.4
Services	5.8	4.2	6.4	6.7	7.3	9.6	7.2	2.6	6.5	5.3

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**6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)**

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**Decide with Confidence***Notes:**e = estimate**f = forecast**Source: Bank Negara Malaysia, Ministry of Finance*

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**1.3 THE MANUFACTURING SECTOR IN MALAYSIA**

Value added of the manufacturing sector is expected to expand further by 6.7% in 2011, in tandem with better economic conditions. The export-oriented industries are projected to grow at a steady pace, supported by strong intra-regional trade. The electrical and electronics ("E&E") and machinery and equipment industries are envisaged to lead growth. Domestic-oriented industries are expected to expand in line with resilient consumer spending and sustained business confidence. The outlook for the construction-related materials industry is encouraging with the civil engineering segment expected to benefit from various infrastructure projects outlined in the Tenth Malaysia Plan 2011-2015 ("10MP").

**1.4 THE AGRICULTURE SECTOR IN MALAYSIA**

The agriculture sector is expected to grow by 4.5% in 2011. The production of crude palm oil is anticipated to increase following higher yields of fresh fruit bunches due to increased matured areas, particularly in Sabah and Sarawak. Both livestock and fishing will continue to record favourable growth, following the implementation of high impact projects. The special focus on high value agricultural activities during the 10MP period such as swiftlet farming, aquaculture, ornamental fish, herbs and spices as well as downstream activities for palm oil and rubber are projected to further spur growth of the sector.

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**6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)**

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**Decide with Confidence****1.5 INTRODUCTION TO THE WOOD-BASED INDUSTRY IN MALAYSIA**

The tropical rain forest of Malaysia is one of the most complex and rich ecosystems in the world. It is home to an estimated 3,000 species, out of which only about 400 species are subjected to commercial harvesting. The forests are being managed on a sustainable basis, taking into consideration species and genetic conservation, economic use, wildlife protection and maintenance of soil stability, among other things.

The wood-based industry in Malaysia is characterised by primary processed wood products comprising logging, sawmilling and plywood manufacturing, and a smaller, albeit expanding domain of secondary processed wood products such as moulding, furniture and reconstituted wood-based panel manufacturing. Further downstream tertiary processing industries include timber treatment, the prefabrication of wooden houses, and parquet manufacture. Logging activities are considered as part of the agriculture sector, while the sawmilling, plywood, moulding, furniture and reconstituted wood-based panel manufacturing activities fall under the manufacturing sector.

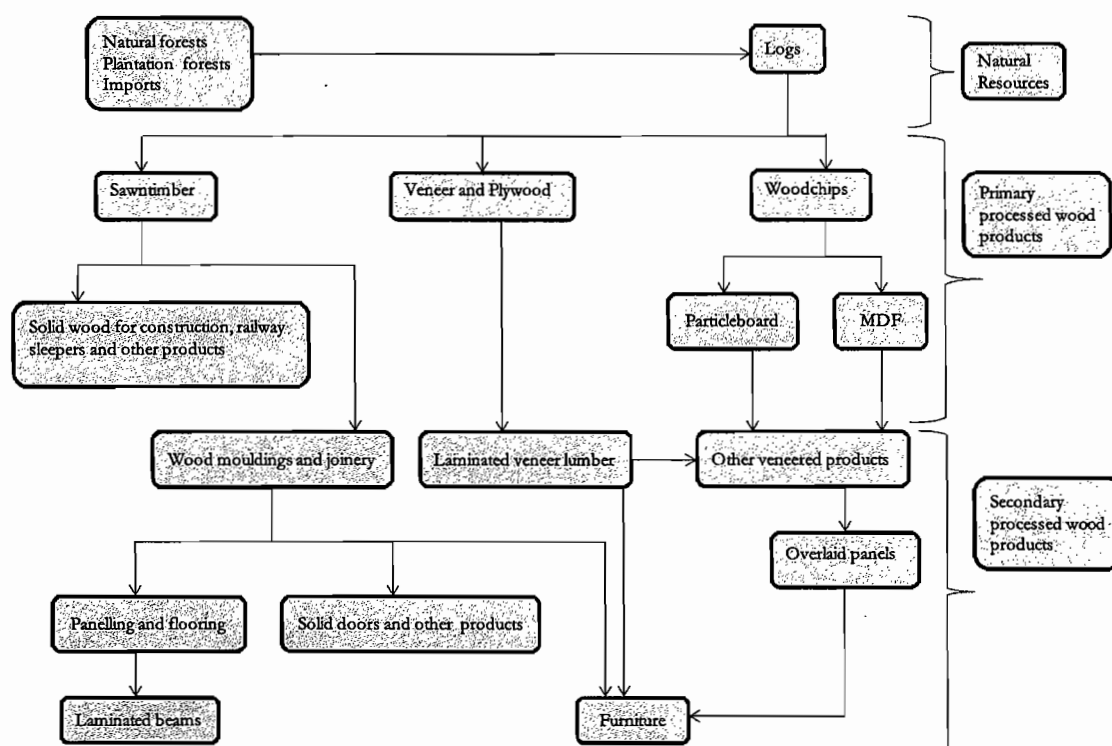
As indicated in the value chain below obtained from the National Timber Industry Policy 2009-2020 published by the Malaysian Timber Industry Board ("MTIB"); being principally involved in manufacturing veneer and plywood, Focus Lumber is a primary processor of wood products. The present industry structure indicates that industry players are more inclined towards primary processing activities, which would generate quick returns rather than venturing into higher value added manufacturing activities that provides slower but higher returns. In 2008, approximately 60% of wood-based exports were from primary processed products such as sawntimber and plywood while higher value added secondary processed products contributed the remaining 40%, mainly from activities in the furniture industry. The government hopes to have the industry structure reversed by the year 2020, that is, wood-based exports from primary processed products accounting for 40%, and secondary processed products the remaining 60%.

## 6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)



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Figure 1: Value Chain of Wood-Based Industry in Malaysia



Source: MTIB

Wood-based panel products can be classified into various categories based on the physical configuration of the wood used to make the products and they are as follows:

- natural wood panels, characterised largely by the wood species used, of which there are
  - veneer,
  - plywood, and
  - laminated veneer lumber.

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**6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)**

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- reconstituted wood panels, manufactured from different types of wood waste bonded together with resins or other binding substances and pressed together to form panels such as
  - particleboard,
  - oriented strand board (“OSB”), and
  - fibreboard (hardboard, medium density fibreboard (“MDF”) and insulation board) .

Veneer is produced as a thin sheet of wood of uniform thickness by peeling or slicing logs. Plywood is produced by gluing and compressing together, three (3) or more sheets of veneer, with the grain of alternate sheets usually laid crosswise. Laminated veneer lumber is an engineered wood product that uses multiple layers of veneer assembled with adhesives. Similar to plywood, thin sheets of wood are sandwiched on top of each other, held together with super-strong glue.

Reconstituted wood panel products are produced by processes involving pressure, adhesives and binders. The laminated products produced in this industry may have layers of materials other than wood.

OSB is an engineered structural-use panel manufactured from thin wood strands bonded together with waterproof resin under heat and pressure. It is used extensively for roof, wall and floor sheathing in residential commercial construction. Particleboard is typically made in three (3) layers. The face of the particle board consists of fine wood particles, and the core is made up of coarser materials. The smooth face presents a better surface for laminating, overlaying, painting and veneering. Particleboard is readily made from a variety of agriculture residues.

The term fibreboard includes hardboard, MDF and insulation board. Several things differentiate fibreboard from particleboard, most notably the physical configuration of the material. As wood is fibrous by nature, fibreboard exploits the inherent strength of wood to a greater extent than does particleboard.

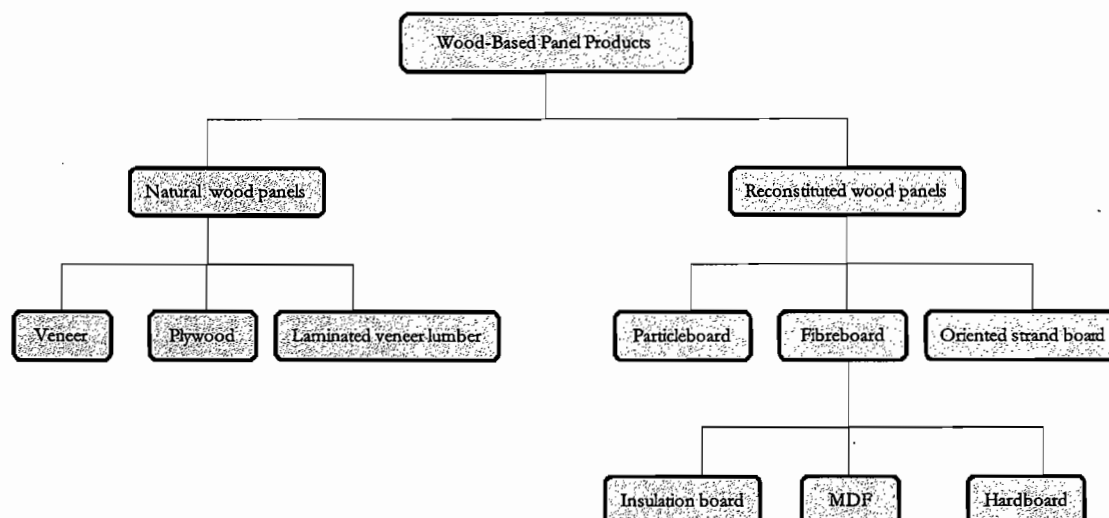
## 6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)



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Normally, a distinction can be made between structural panels, which are used in building constructions (such as concrete formwork, exterior siding and panelling, sheeting, roofing and flooring), and industrial panels, used in various industrial applications, especially furniture production, joinery, packaging, transport and audio-visual industries. Each type of wood panel has its own specific applications, constraints and price structure.

**Figure 2: Classification of Wood-Based Panels Products**



Source: D&B Malaysia

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**6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)**


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**Decide with Confidence**
**1.6 OVERVIEW OF THE PLYWOOD MANUFACTURING INDUSTRY IN MALAYSIA**

The plywood manufacturing industry began to emerge in the latter half of the sixties in a bold move to follow the success of the sawmilling activities, and it expanded rapidly in the seventies, due to the government's prolific agriculture-conversion land programmes that rendered an unprecedented volume of logs available to the industry. In 2008, there were 53 mills in West Malaysia, 63 mills in Sabah and 53 mills in Sarawak, accounting for a total of 169 plywood/veneer processing mills in the country. Most of the plywood mills in Sabah and Sarawak are export-oriented, while the plywood mills in West Malaysia supply mainly to local consumers such as wooden furniture factories.

Plywood comes in different grades depending on the quality of surfaces and the type of adhesive. It can be made from either hardwood or softwood logs. Softwood plywood (also called coniferous plywood) is mostly produced in North America and Europe. Most hardwood plywood is tropical plywood, but some is also produced in temperate zones. It is also possible to produce plywood with a softwood core and a hardwood face and back.

Softwood is a generic term used for wood derived from conifers. The term softwood designates wood from gymnosperm trees (plants that produce seeds with no covering). Softwood trees generally have needle-shaped leaves. On the other hand, the term hardwood designates wood from broad-leaved (mostly deciduous) or angiosperm trees (plants that produce seeds with some sort of covering). In general, hardwood trees have broad leaves. Hardwood is often, but not necessarily, a harder and denser wood than softwood.

Sarawak is the main producer and exporter of plywood in Malaysia. The plywood manufacturing industry has diversified into the production of high value added plywood overlain with printed paper and polyester plywood, and plywood for concrete formwork and marine applications. Malaysian plywood manufacturers are able to meet international standards such as the Japan Agricultural Standards, British Standards, Harmonised European Standards (European Norms) and International Hardwood Products Association Standards (for the US market).

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**6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)**

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Veneer sheets are thin sheets of wood of uniform thickness (usually not exceeding 5 millimetres) that are peeled, rotary cut, sliced or sawn for use in plywood, furniture etc. There are two (2) main types of veneer sheets:

- plywood veneers, which are generally produced by a peeling process from the more common species of wood and used for plywood production (therefore, in statistics, the production of these veneers is not counted separately); and
- decorative veneers, which are produced by slicing or sometimes by sawing finer, highly grained woods and are used mainly in the furniture and wood panelling industries. Decorative or fancy veneer is normally produced by small, specialised mills in thinner sheets than plywood veneer.

**1.7 PRODUCT DEFINITION**

Plywood is a flat panel built up of sheets of veneer called plies, united under pressure by a bonding agent to create a panel with an adhesive bond between the plies. Plywood can be made from either softwood or hardwood. It is always constructed with an odd numbers of layers with the grain direction of adjacent layers oriented perpendicular to one another. Cross-laminating layers of wood veneer actually improve upon the inherent structural advantages of wood by distributing along-the-grain strength in both directions.

Since the layers can consist of a single ply or of two (2) or more plies laminated such that their grains are parallel, a panel can contain an odd or even number of plies. The outside plies are called faces or back plies; the inner plies are called cores or centres; and the plies with grains perpendicular to that of the face are called crossbands. The core could be either wood veneer or other materials such as oil palm veneer. Broadly speaking, two (2) classes of plywood are available for end users in the market, covered by separate standards:

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**6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)**

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**Decide with Confidence**

- construction and industrial; and
- hardwood and decorative.

**1.8 PRODUCT SUBSTITUTES**

There are a few substitutes to plywood, which is traded as a commodity item in the market, particularly in the construction industry. There is little product differentiation for tropical wood-based products such as plywood and as a result, prices have not been able to achieve a level which commensurate to its value as a scarce natural resource. Consumers of tropical timber may shift to other alternative materials when the supply of timber is restricted or prices increase dramatically. Plywood made from hardwood also faces competition from plywood derived from softwood in the global market.

For various reasons, many common construction materials are used as plywood substitutes. Some are significantly less expensive than plywood; while others are more suitable because of their decorative appearance and weather-resistant qualities. Improvements in product technology may increase the prospects for substitution.

Direct wood-substitutes include OSB, particleboard and fibreboard. Non-wood substitutes such as concrete and steel can be used for flooring and other housing components as low-cost wood has become scarce. While some of these types of wood-based panels have specialised end-uses, many are functional substitutes. At least for some applications, processors can shift from one type to another, if and when the price is right. For example, OSB, while competing most strongly with sawnwood, is challenging structural grade (thick) plywood within the construction industry, while MDF is competing mainly with particleboard, but also with thin plywood, in furniture production. OSB has also steadily eroded softwood plywood's share of the floor-sheathing market, particularly in the US.

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**6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)**

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**Decide with Confidence**

Notwithstanding all these substitutes, plywood has the following attributes which are not met by the above substitute products. Plywood is a highly stable panel. When exposed to moisture or high humidity, plywood is up to seven (7) times more resistant to thickness swell than substitute wood-based panels. Plywood also returns to its original dimensions when it dries. Plywood is stronger than substitute wood-based panels in the four (4) important engineering strength properties of bending, tension, compression, and planar shear and plywood weighs up to 40% less than substitute wood-based panels of equivalent thickness. In addition, plywood has properties such as a highly impact-resistant panel and continues to perform even when wet. Plywood is also recommended for its good screw holding capacity.

**1.9 DIFFERING SEGMENTS**

Some common applications for hardwood plywood include chairs, kitchen and bathroom cabinets, tables, lamps, wall plaques, wall panels, chests, computer furniture, and television and stereo cabinets. The applications of plywood can be broadly categorised into four (4) market segments:

- Construction, such as concrete formwork and shuttering, working platforms of scaffoldings, lining and panelling of houses and roof elements, wood-based construction and facades, and flooring;
- Furniture;
- Transport; and
- Packaging.

**1.10 PAST PERFORMANCE**

Sales of plywood and veneer sheets accounted for a large proportion of total sales of wood-based products in Malaysia during the period between 2005 and 2009. Although ex-factory sales of plywood and veneer sheets decreased in 2009, they still accounted for nearly half of the total sales of wood-based products in the same year, in Malaysia.

**6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)****Decide with Confidence****Table 3: Ex-Factory Sales of Plywood and Veneer Sheets**

Year	Sales of Plywood and Veneer Sheets (RM Million)	Growth (%)	Total Sales of Wood-Based Products (RM Million)	Share of Sales of Wood-Based Products (%)
2009	6,200.7	-13.4	12,598.2	49.2
2008	7,159.3	-8.9	14,831.2	48.3
2007	7,863.9	1.4	16,228.5	48.5
2006	7,758.5	27.6	16,002.2	48.5
2005	6,082.2	3.2	13,654.2	44.5

*Source: Ministry of International Trade and Industry ("MITI")*

**1.11 OVERVIEW OF PLYWOOD MARKET IN THE US**

South-eastern US is rich in forest resources and therefore, has an abundance of wood-based establishments in the country. The production of plywood in the US is dominated by softwood and hence, the market for hardwood is dominated by imports. The US is the largest market for plywood in the world. The largest market in the US is the industrial sector, including applications such as furniture frames, truck trailer linings, RV floors, agricultural bins, packaging containers and pallets. In the construction industry, plywood is used for flooring, stair treads, risers, soffits, wall and roof sheathing, skirting and doors.

Unlike softwood plywood, which has been losing market share to OSB in the structural panel market, demand for hardwood plywood has been relatively strong and increasing during normal times. The increase in demand has been fuelled by past robust construction activities that, in return, have stimulated demand for flooring, cabinets and wall panels. However, virtually all of the increase in US demand for hardwood plywood has been supplied by imports. Due to the various price points, lower cost plywood is usually used as under layment or backs of cabinet cases; while high-grade plywood might be used in exposed faces for the fronts and sides of cabinets. The principal products used in the furniture industry are particleboard and MDF, followed by plywood.

## 6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)



Decide with Confidence

Rising housing starts in 2010 will be tied increasingly to the government's housing stimulus program; and a decline in housing stocks will be needed before any significant demand rise can occur. It is forecasted that housing starts would amount to 716,000 and 1.1 million units in 2010 and 2011, respectively, representing strong growths. This is attributed to strong demographics, solid net immigration and replacement of homes past their economic lifespan. Other factors include cheaper home prices and attractive mortgage rates.

RVs, also known as motor homes, motor vans and camper vans, are also a source of demand for plywood, utilised in ceilings, wall panels and furniture. At a minimal, a RV typically contains beds, a table, food preparation and storage areas. Larger models include full bathrooms, refrigerators, living areas, master bedrooms, etc. RVs are intended for everything from brief leisure activities such as vacations and camping, to full-time living, for which they are often parked in special trailer parks. The RV market is recovering from one of the worst years ever in 2009, with indications of a robust increase in unit shipments in 2010 due to pent-up demand. This is also assisted by improving credit availability, job security and consumer confidence.

**Table 4: Housing Starts and RV Unit Shipments in the US**

Year	Housing Starts ('000)	% Growth	RV Unit Shipments ('000)	% Growth
2011 <sup>f</sup>	1,059	47.9	259.6	8.2
2010 <sup>f</sup>	716	26.9	239.9	44.8
2009	564	-37.3	165.7	-30.1
2008	900	-32.9	237.0	-32.9
2007	1,342	-25.9	353.4	-9.5
2006	1,812	-10.8	390.5	1.6
2005	2,032	4.2	384.4	3.9
2004	1,950	5.2	370.1	15.4
2003	1,854	8.4	320.8	3.2
2002	1,711	6.9	311.0	21.1
2001	1,601	-	256.8	-

Note:

*f* = forecast

**6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)****Decide with Confidence**

*Source: National Association of Home Builders, Indiana University Bloomington, Recreation Vehicle Industry Association*

**Table 5: Production and Consumption of Plywood in the US ('000 cubic metres)**

Year	Production	% Growth	Consumption	% Growth
2009	10,222	-1.5	12,563	-2.8
2008	10,376	-16.3	12,929	-20.9
2007	12,402	-9.1	16,356	-16.3
2006	13,651	-5.5	19,552	-2.9
2005	14,449	-	20,127	-

*Source: International Tropical Timber Organisation*

**1.12 INDUSTRY PLAYERS AND COMPETITION**

There are 11 major players in the plywood manufacturing industry that compete with Focus Lumber in the market. However, some of the major players are not directly comparable to Focus Lumber as they are involved in many other business activities, besides plywood manufacturing. On a group basis, Focus Lumber managed to rank number two (2) in terms of profit before tax ("PBT") margin for the latest financial year ended ("FYE"), based on the latest publicly available audited financial statements.

**6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)****Decide with Confidence****Table 6: Financial Indicators of Major Players (RM '000) for the latest FYE**

Company	FYE	Revenue	PBT	PBT Margin (%)
Ta Ann Holdings Bhd	31/12/09	666,635.2	96,189.3	14.4
Focus Lumber Bhd	31/12/10	120,378.2	10,792.6	8.9
Eksons Corporation Bhd	31/03/10	279,149.3	24,504.1	8.8
Jid Fu Plywood Sdn Bhd	31/12/09	53,711.4	4,576.4	8.5
Subur Tiasa Holdings Bhd	31/07/10	679,853.1	46,332.3	6.8
Jaya Tiasa Holdings Bhd	30/04/10	746,001.0	40,036.0	5.4
KPS Consortium Bhd	31/12/09	311,541.9	9,416.6	3.0
Fu Yee Corporation Sdn Bhd	31/12/09	69,197.7	1,848.8	2.7
Lingui Developments Bhd	30/06/10	1,441,977.0	15,058.0	1.0
Veracity Corporation Sdn Bhd	28/02/10	61,241.9	403.7	0.7
Cymao Holdings Bhd	31/12/09	124,160.0	-5,790.3	N. A.
Golden Pharos Bhd	31/12/09	83,733.0	-12,622.0	N. A.

*Note:**N. A. = Not Applicable**Source: Bursa Malaysia, Companies Commission of Malaysia and management of Focus Lumber Bhd***1.13 MARKET SHARE AND POSITIONING**

Based on the latest statistics from MITI, sales of plywood and veneer sheets in Malaysia amounted to RM6.2 billion in 2009. As Focus Lumber registered revenues of RM102.3 million in 2009, it commanded a market share of 1.7% in the same year. In terms of export of plywood from Malaysia, Focus Lumber managed to record an export market share of 1.6% in 2009. However, for the state of Sabah alone, Focus Lumber achieved an export market share of 6.4% in 2009. For the US market, Focus Lumber attained a share of 23.9% for the imports of plywood, veneered panels and similar laminated wood from Malaysia, in 2009.

**6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)****Decide with Confidence****Table 7: Focus Lumber's Share in Certain Market Indicators (%)**

Year	Sales of plywood and veneer sheets	Export of plywood from Malaysia	Export of plywood from Sabah	US Imports of plywood, veneered panels and similar laminated wood from Malaysia
2009	1.7	1.6	6.4	23.9

*Source: MITI, MTIB, US Department of Commerce and management of Focus Lumber*

The plywood manufacturing industry is a fairly competitive industry. Hence, industry players need to differentiate themselves in terms of service, pricing, track record, technical knowhow and value added services. The market for plywood is not saturated at present. There is a constant demand generated by the various end-user industries. As the world undergoes an expansion in population, with the corresponding increases in the number of residential buildings and changes in lifestyle, demand for plywood is anticipated to increase in tandem, both on a per capita basis and on an absolute value basis. Market saturation occurs when the market is no longer generating demand for an industry's products.

## **1.14 GOVERNMENT LEGISLATIONS, POLICIES AND INCENTIVES**

### **1.14.1 Legislations**

The legislative framework is defined in the National Forestry Act 1984 and the Wood-Based Industries Act 1984. The National Forestry Act was amended in 1993 to include more stringent penalties for certain forest offences, particularly illegal logging. Provision was also made for the police and armed forces to enforce the act. The National Forestry Act 1984 is adopted for implementation by all the states and is complemented by relevant laws dealing with land and water conservation, environmental quality, wildlife protection, the management of national parks, biodiversity conservation, and the rights of indigenous communities.

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**6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)**

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The forestry departments are responsible for the planning, management and administration of forest resources. The Forestry Department Headquarters, Peninsula Malaysia, is responsible for forestry industry planning, forest management, forest development and operational studies, the provision of technical advice and services, and staff training. The state forestry departments in Peninsula Malaysia and Sabah are responsible for the administration, management and development of forest resources, the regulation of forest harvesting, the collection of forest revenue, and the planning and coordination of the development of wood-based industries in their respective states. In Sarawak, these functions are carried out by the Sarawak Forestry Corporation, while the Forestry Department is vested with regulatory functions. Apart from the forestry departments, there are a number of specialised institutions such as the Forest Research Institute of Malaysia, MTIB, the Malaysian Timber Certification Council, and university forestry faculties.

Forest Research Institute of Malaysia ("FRIM"), which is under the Ministry of Natural Resources and Environment, promotes sustainable management and optimal use of forest resources by generating knowledge and technology through research, development and application. Among others, it provides data, standards and guidelines for managing natural forests on a sustainable basis. It also focuses on the development of forest-based industries. Lastly, it is also involved in creating new planting material through genetic engineering. Hence, FRIM is more involved in the upstream sector of the wood-based industry.

On the other hand, MTIB is a statutory body accredited to the Ministry of Plantation Industries and Commodities. It is responsible for initiating development of the various segments of the timber industry and providing technical, marketing and other forms of assistance to ensure their continued growth within a rapidly industrialising Malaysian economy. Hence, MTIB is more involved with the downstream sector of the wood-base industry.

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**6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)**


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**Decide with Confidence**
**1.14.2 Policies**

To date, the government has meted out an array of policies to support, develop and promote the wood-based industry, including plywood manufacturing. These include the establishment of the MTIB to regulate the timber industry, the Forestry Department to oversee the timber resources, and the Malaysian Timber Certification Council to develop a national timber certification scheme. The objective of the Malaysian Timber Certification Scheme which is operated by the Malaysian Timber Certification Council is to provide independent assessments of forest management practices in Malaysia as well as to meet the demand for certified timber products. In other words, timber certification is a market-linked tool to promote and encourage sustainable forest management, as well as to provide an assurance to buyers that the timber products they buy come from sustainably managed forests.

Under the federal constitution, land use falls within the jurisdiction of the various states. Each state is empowered to enact laws, formulate its forest policy and manage its forests. The National Forestry Act 1984 establishes the general rules on forestry and each state is empowered to enact laws and regulations in line with those rules. The federal government also provides advice and technical assistance, maintains experimental stations and funds research and training. The National Forestry Council, established in 1971, serves as a forum for coordination between the federal and state governments to discuss and resolve problems and issues relating to forest policy, administration and management, including the determination of the annual timber harvest. There is a commitment in the national forestry policy that sufficient land strategically located throughout the country is to be dedicated as permanent forest estate; the permanent forests be managed in accordance with the principles of sound forest management; and the efficient harvesting and utilisation of forest products and the development of forest industries be promoted.

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**6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)**

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**Decide with Confidence**

The wood-based industry in Malaysia is faced with many challenges in the coming decade and beyond. It is especially apparent in the area of raw materials, skilled manpower, use of cutting-edge technologies, growing demand for wood-based products from sustainable timber sources in order to protect the environment and health, and to brace for competition from emerging wood-based exporters such as China and Vietnam. In this context, the National Timber Industry Policy 2009-2020 ("NATIP"), which was launched in 2009, provides the direction for the wood-based industry in Malaysia up to the year 2020 in order that it remains sustainable and competitive in a challenging global environment. The NATIP outlines strategic thrusts that will spearhead development of the wood-based industry:

- Provides the policy direction for the wood-based industry in Malaysia;
- Ensure synergistic development of the upstream and downstream activities in the wood-based industry; and
- Enhance the industry's competitiveness to meet the challenges of globalisation and liberalisation.

Recent global developments regarding the protection of human health and environment have led to the demand for sustainable timber and environmentally-friendly products. It is therefore important to ensure that wood-based products manufactured are from sources that are legal and sustainable. Globally, there is a growing demand for such product certification arising from concerns on quality, health, safety and the environment.

**6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)****Decide with Confidence****1.14.3 Incentives**

The government has provided various incentives as well as the supporting infrastructure to stimulate the growth of the wood-based industry. A comprehensive package of fiscal and financial policies has been put into place to cater for the activities of the wood-based industry. Fiscal policies are in the form of incentives while financial policies refer to financing facilities and grants. The objectives of these incentives are to enhance the ability of manufacturers, particularly the small and medium-sized enterprises, to improve the efficiency of their operations and increase export capabilities. These activities include moving up the value chain in manufacturing, promoting exports, increasing research and development ("R&D") activities, promoting further investments in forest plantations and upgrading human resource development. Assistance in the form of incentives is provided for manufacturing activities which include biomass development, waste recycling, and acquisition of technology and foreign expertise. Incentives are also provided for the promotion of exports, market development and brand promotion.

Tax incentives, both direct and indirect, are provided under the Promotion of Investments Act 1986, Income Tax 1967, Customs Act 1967, Sales Tax Act 1972, Excise Act 1976 and Free Zones Act 1990. The direct tax incentives grant either partial or total relief from income tax payments for a specified period, while indirect tax incentives come in the form of exemptions from import duty, sales tax and excise duty.

A company undertaking forest plantation projects is given full tax exemption for either five (5) or 10 years of assessment. In addition, tax deduction is given to the investing company equivalent to the amount of investments made in the subsidiary company to initiate forest plantation activities. Alternatively, the company may opt for "Group Relief" which allows a company undertaking forest plantation activities to offset the losses incurred from the profits of another company within the same group. However, the minimum area for a plantation has to be 50 hectares and planting has to be taken on a sustainable basis.

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**6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)**

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**Decide with Confidence****1.15 DEMAND AND SUPPLY CONDITIONS**

Malaysia has emphasised the use of sustainable public and private forest plantation growth to supplement the supply of industrial roundwood for its wood-based industry. The harvesting of forest resources is controlled by concessions issued to private companies by the various state governments. Currently, the supply of raw materials is derived from three (3) forested land areas, namely permanent forest estates, state land and alienated land. Due to reduced state land forests and alienated land, forest plantation programmes will be expected to fill the vacuum. The policy on the ban of exports of logs implemented by several timber producing countries would further affect the supply of raw materials. This, together with the increasing competition in the global market would result in a lower supply of raw materials for the domestic market. Hence, the plywood manufacturing industry would have to adjust its operations to the limited supply of both domestic and imported timber resources.

In addition, due to recent global developments for legal and environmentally-friendly products, local plywood manufacturers sourcing raw materials from overseas need to ascertain that they are obtained from legal and sustainable sources so as to ensure that their exports in turn will not be affected by global concerns on these issues. In recent years there has been a shift in some international tropical timber markets from the threat of bans and boycotts against tropical timber to calls for certification and labelling. Forest certification is a way of verifying whether a particular forest area is well managed and, through labelling, of assuring consumers that in purchasing labelled wood products they are supporting sustainable forest management.

In addition, there is also growing global demand for product certification arising from concerns for quality, safety and health. Such concerns have resulted in specific technical requirements to meet certain standards by importing countries. The regulatory requirements by Japan for imports of plywood as well as the need for *Conformite Europeenne* (CE marking) by Europe are such examples.

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**6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)**

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**Decide with Confidence**

To ensure sustainable supply of raw materials, the government has introduced various measures such as sustainable forest management and forest plantation programmes. The supply of logs to the domestic market is to be given priority in order to ensure that there is an adequate supply of logs for local manufacturers. The plywood manufacturing industry is also encouraged to maximise wood recovery rates through improvements in current processing techniques, including further utilisation of wood residues. Other measures include increased utilisation of smaller diameter logs from oil palm trunks, plantation timber species and imported softwood logs. While product technology may increase the prospects of substitution of raw materials, the decline in the supply and increasing prices of tropical logs would provide the incentive to further stimulate the development of the industry by using alternative raw materials, which are readily available and the supply more reliable.

Although the government has provided financial support and incentives to promote investments in forest plantation projects, investors are still reluctant to invest due to the long gestation periods and slower returns from these projects. Investors also have to apply to the state governments for the lease of land and generally, this process takes a relatively long period of time. Collectively, these factors have resulted in relatively low level of investments in forest plantations.

Rubberwood logs are generally obtained as a by-product of rubber trees from agricultural rubber estates, which were established for the production of latex. However, they can also be obtained from rubber tree plantations which grow trees solely for the production of logs. It is anticipated that rubberwood logs would become more significant in the future as a log production species rather than a by-product of trees grown for latex.

Imported timber currently supplements the raw materials needed by the domestic wood-based industry. Logs, sawntimber and plywood are imported from countries such as New Zealand, Australia, Canada, the US and Myanmar. In the case of plywood manufacturing, pine logs are also imported to be processed. The increased demand for wood-based products in the global market has led Malaysia to increase its imports of such woods.

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**6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)**

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**Decide with Confidence****1.16 INDUSTRY'S RELIANCE ON AND VULNERABILITY TO IMPORTS**

The wood-based industry is highly dependent on imported technology. Local machineries, which are non-heavy types, are mainly utilised in simpler applications, while machines for higher technology requirements are imported. Although there is a gradual shift in preference for lower cost machinery made in China, instead of European-made machinery, factors such as cost, precision, reliability, consistency, durability and maintenance are the main ones that determine as to which make of machinery is to be purchased.

Although the plywood manufacturing industry in the peninsula is beginning to lose its lustre primarily due to the shortage in the supply of logs, the industry remains viable in the East Malaysian states of Sabah and Sarawak. Also, the productivity of plywood mills in the peninsula remains lower than those of their counterparts in East Malaysia. This is attributed to a combination of factors such as insufficient investments in the latest technologies, escalating production cost and depleting wood supply. In general, the supply of logs is on a reducing trend due to a number of reasons such as follows:

- moves to sustainable forest management;
- reduction or completion of conversion forest programmes;
- production and/or export controls; and
- moves to reduce/eliminate illegal trade in logs.

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**6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)**

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**Decide with Confidence****1.17 PROSPECTS AND OUTLOOK OF THE INDUSTRY**

The government aims to make Malaysia a major producer of high value-added, wood-based products in the world market. The wood-based products industry has long been an important segment of the country's manufacturing sector. It has undergone major changes over the past decades, with downstream processing activities and higher value added activities becoming increasingly important. The wood-based industry is a major contributor to value added, export earnings and employment in the manufacturing sector. It has extensive linkages with the primary sector, principally tropical hardwood timber and rubberwood, and forward linkages to the metals, and machinery and equipment industries. From being a major supplier of plywood, the industry has progressed to become a major exporter of MDF and rubberwood furniture.

The growth of the plywood manufacturing industry in Malaysia is dependent on demand in the foreign markets. In return, the demand for hardwood plywood remains strong in the global market due to its widespread usage in many application markets. There is a wider diversity of end uses for hardwood plywood, as compared to softwood plywood. A major portion of plywood used is in the construction industry and construction spending depends on the general state of the economy. As the size of the Malaysian market for plywood is relatively small given the number of plywood manufacturers in the country, it is more important to possess the ability to penetrate the larger overseas markets. The opportunities are vast in the overseas markets, especially in North America, Europe and Japan.

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**6. INDUSTRY OVERVIEW AND OUTLOOK (Cont'd)**

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**Decide with Confidence**

In particular, both the building industry and RV industries in the US use hardwood plywood with a thickness of less than 0.25 inch. As veneer as thin as 0.01 inch is utilised in thin hardwood plywood, the wet production process is used, in which the face and back veneers are laid up and pressed without prior drying. As more labour is required to handle thin veneers, it is not cost effective for plywood manufacturers in the US to make thin plywood. Smooth, knot-free logs from both Malaysia and Indonesia are well-suited for thin plywood and as a result, give these countries a competitive advantage. RV manufacturers use thin plywood for its strength, light weight and flexibility, which allows it to conform to interior contours. It is usually laminated with printed paper for interior applications or with fibre glass and aluminium for exterior walls. The market trend is also towards thinner panels, as both manufacturers and consumers of hardwood plywood seek to reduce costs. Hence, Focus Lumber Bhd is in a position to capitalise on these attributes.

## 7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

### 7.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

#### 7.1.1 Promoters and substantial shareholders' shareholdings

The details of our promoters and substantial shareholders and their shareholdings in our Company before (based on the Register of Members as at the LPD) and after the IPO are as follows:-

Promoters and substantial shareholders	Nationality	Before the IPO				After the IPO*			
		<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Chen Chun Hsiung	Taiwanese/ Malaysian PR	10,244,324	11.26	-	-	9,470,324	9.18	-	-
Lin Fong Ming	Taiwanese	6,829,550	7.51	13,659,100 <sup>1</sup>	15.01	6,313,550	6.12	12,627,100 <sup>1</sup>	12.24
Lin Hao Wen	Taiwanese	6,829,550	7.51	13,659,100 <sup>2</sup>	15.01	6,313,550	6.12	12,627,100 <sup>2</sup>	12.24
Lin Hao Yu	Taiwanese	6,829,550	7.51	13,659,100 <sup>3</sup>	15.01	6,313,550	6.12	12,627,100 <sup>3</sup>	12.24
Lu Chin Ting	Taiwanese	8,195,458	9.01	4,780,684 <sup>4</sup>	5.25	7,576,258	7.34	4,419,484 <sup>4</sup>	4.28
Lu Wei Sheng	Taiwanese	-	-	12,976,142 <sup>5</sup>	14.26	-	-	11,995,742 <sup>5</sup>	11.62
Lu Wei Hsu	Taiwanese	4,780,684	5.25	8,195,458 <sup>6</sup>	9.01	4,419,484	4.28	7,576,258 <sup>6</sup>	7.34
Lu Chun Chien	Taiwanese	5,463,640	6.00	-	-	5,050,840	4.89	-	-
Lin Lieh Ming	Taiwanese	5,463,640	6.00	-	-	5,050,840	4.89	-	-
Yang Chien Chih	Taiwanese	3,414,776	3.75	10,244,328 <sup>7</sup>	11.26	3,156,776	3.06	9,470,328 <sup>7</sup>	9.18
Yang Hsi Hsien	Taiwanese	3,414,776	3.75	10,244,328 <sup>8</sup>	11.26	3,156,776	3.06	9,470,328 <sup>8</sup>	9.18
Yang Wei Szu	Taiwanese	3,414,776	3.75	10,244,328 <sup>9</sup>	11.26	3,156,776	3.06	9,470,328 <sup>9</sup>	9.18
Yang Sen	Taiwanese	3,414,776	3.75	10,244,328 <sup>10</sup>	11.26	3,156,776	3.06	9,470,328 <sup>10</sup>	9.18
<b>Substantial Shareholders</b>									
Azizah Binti Kassim	Malaysian	4,608,500	5.06	-	-	4,608,500	4.47	-	-
Aznam Bin Mansor	Malaysian	9,087,000	9.99	-	-	9,087,000	8.80	-	-

## 7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

### Notes:

1. *Deemed interested by virtue of shares held through his sons, Lin Hao Wen and Lin Hao Yu.*
  2. *Deemed interested by virtue of shares held through his father, Lin Fong Ming and sibling, Lin Hao Yu.*
  3. *Deemed interested by virtue of shares held through his father, Lin Fong Ming and sibling, Lin Hao Wen.*
  4. *Deemed interested by virtue of shares held through his son, Lu Wei Hsu.*
  5. *Deemed interested by virtue of shares held through his father, Lu Chin Ting and sibling, Lu Wei Hsu.*
  6. *Deemed interested by virtue of shares held through his father, Lu Chin Ting.*
  7. *Deemed interested by virtue of shares held through his sons, Yang Hsi Hsien, Yang Wei Szu and Yang Sen.*
  8. *Deemed interested by virtue of shares held through his father, Yang Chien Chih and siblings, Yang Wei Szu and Yang Sen.*
  9. *Deemed interested by virtue of shares held through his father, Yang Chien Chih and siblings, Yang Hsi Hsien and Yang Sen.*
  10. *Deemed interested by virtue of shares held through his father, Yang Chien Chih and siblings, Yang Hsi Hsien and Yang Wei Szu.*
- \* *Assuming all the Offer Shares will be fully subscribed by the investors.*

### 7.1.2 Profile of promoters and substantial shareholders

The profiles of our promoters and substantial shareholders of our Company, who are also our directors and key management, are set out in Sections 7.2.2 and 7.4.2 of this Prospectus.

The following are the profiles of our Company's promoters and substantial shareholders who are not our directors or key management:-

**Lin Hao Yu**, aged 34, joined our Group in 2009 as a Manager. He has more than ten (10) years of working experience in the timber industry. He started his working career with our Company in 1998 as a general production manager. He left to join a veneer production factory in Cambodia from 2000 to 2003 as a manager. He returned to Malaysia to join a company involved in sawmilling from 2004 to 2008, holding the position of production manager and subsequently rejoined our Group in 2009.

**Lu Chun Chien**, aged 45, is a graduate from the Taiwan National University with a Degree in Geology Studies. He is currently a Director of Fu-Ji Development Corporation Co. Ltd., a property development and construction company.

**Yang Wei Szu**, aged 44, obtained his Bachelor Degree in Physical Education from the Department of Physical Education in Fu Hsing Kang College in Taiwan, in 1989. Currently, he is working with Prudential Group, Taiwan as a Manager under the Insurance Department.

**Lu Wei Hsu**, aged 49, is a graduate from the Taiwan National Feng-Shan Senior High School. He is currently the Managing Director of Fu-Ji Development Corporation Co. Ltd., a property development and construction company located in Kaohsiung City, Taiwan.

**Lu Wei Sheng**, aged 47, is a graduate from Wenzao Ursuline College of Language in 1987. He is currently the General Manager of Lake Motel (Limited) located in Kaohsiung City, Taiwan which is principally involved in the provision of accommodation to tourists and business travellers.

**Azizah Binti Kassim**, aged, 56, graduated with a Bachelor of Law Degree from University of London, United Kingdom. She was enrolled as an Advocate and Solicitor of the High Court of Malaya in 1996. She served the Malaysian Government as Magistrate from 1980 to 1981. Subsequently, she joined Bumiputra Commerce Bank Berhad (now known as CIMB Bank Berhad) as the Legal Officer for the bank until 2001. She was an Independent Non-Executive Director of MHC Plantation Berhad, a listed company on Bursa Securities, from July 2000 to June 2005. Currently, she is a director of Eurotani Sdn Bhd, an investment holding company.

**7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)****7.1.3 Changes in our promoters' and substantial shareholders' shareholdings for the past three (3) years and as at the LPD**

The changes in our promoters' and substantial shareholders' shareholdings in our Company for the past three (3) FYE 31 December 2008, 2009, 2010 and as at the LPD are as follows:-

	As at 31 December 2008				As at 31 December 2009			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of shares*	%	No. of shares*	%	No. of shares*	%	No. of shares*	%
<b>Promoters and substantial shareholders</b>								
Chen Chun Hsiung	4,935,000	14.10	-	-	3,940,125	11.26	-	-
Lin Fong Ming	7,000,000	20.00	1,400,000 <sup>1</sup>	4.00	2,626,750	7.51	5,253,500 <sup>10</sup>	15.01
Lin Hao Wen	1,400,000	4.00	7,000,000 <sup>2</sup>	20.00	2,626,750	7.51	5,253,500 <sup>11</sup>	15.01
Lin Hao Yu	-	-	8,400,000 <sup>3</sup>	24.00	2,626,750	7.51	5,253,500 <sup>3</sup>	15.01
Lin Lieh Ming	-	-	-	-	2,101,400	6.00	-	-
Lu Chin Ting	3,675,000	10.50	2,450,000 <sup>4</sup>	7.00	3,152,100	9.01	1,838,725 <sup>12</sup>	5.25
Lu Wei Sheng	2,450,000	7.00	3,675,000 <sup>5</sup>	10.50	-	-	4,990,825 <sup>13</sup>	14.26
Lu Wei Hsu	-	-	6,125,000 <sup>6</sup>	17.50	1,838,725	5.25	3,152,100 <sup>5</sup>	9.01
Lu Chun Chien	-	-	-	-	2,101,400	6.00	-	-
Yang Chien Chih	4,900,000	14.00	700,000 <sup>7</sup>	2.00	1,313,375	3.75	3,940,125 <sup>14</sup>	11.26
Yang Hsi Hsien	700,000	2.00	4,900,000 <sup>8</sup>	14.00	1,313,375	3.75	3,940,125 <sup>15</sup>	11.26
Yang Wei Szu	-	-	5,600,000 <sup>9</sup>	16.00	1,313,375	3.75	3,940,125 <sup>16</sup>	11.26
Yang Sen	-	-	5,600,000 <sup>9</sup>	16.00	1,313,375	3.75	3,940,125 <sup>17</sup>	11.26
<b>Substantial shareholders</b>								
Azizah Binti Kassim	3,500,000	10.00	-	-	1,772,500	5.06	-	-
Aznam Bin Mansor	3,500,000	10.00	-	-	3,495,000	9.99	-	-

## 7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

Notes:-

1. Deemed interested by virtue of shares held through his son, Lin Hao Wen.
2. Deemed interested by virtue of shares held through his father, Lin Fong Ming.
3. Deemed interested by virtue of shares held through his father, Lin Fong Ming and sibling, Lin Hao Wen.
4. Deemed interested by virtue of shares held through his son, Lu Wei Sheng.
5. Deemed interested by virtue of shares held through his father, Lu Chin Ting.
6. Deemed interested by virtue of shares held through his father, Lu Chin Ting and sibling, Lu Wei Sheng.
7. Deemed interested by virtue of shares held through his son, Yang Hsi Hsien.
8. Deemed interested by virtue of shares held through his father, Yang Chien Chih.
9. Deemed interested by virtue of shares held through his father, Yang Chien Chih and sibling, Yang Hsi Hsien.
10. Deemed interested by virtue of shares held through his sons, Lin Hao Wen and Lin Hao Yu.
11. Deemed interested by virtue of shares held through his father, Lin Fong Ming and sibling, Lin Hao Yu.
12. Deemed interested by virtue of shares held through his son, Lu Wei Hsu.
13. Deemed interested by virtue of shares held through his father, Lu Chin Ting and sibling, Lu Wei Hsu.
14. Deemed interested by virtue of shares held through his sons, Yang Hsi Hsien, Yang Wei Szu and Yang Sen.
15. Deemed interested by virtue of shares held through his father, Yang Chien Chih and siblings, Yang Wei Szu and Yang Sen.
16. Deemed interested by virtue of shares held through his father, Yang Chien Chih and siblings, Yang Hsi Hsien and Yang Sen.
17. Deemed interested by virtue of shares held through his father, Yang Chien Chih and siblings, Yang Hsi Hsien and Yang Wei Szu.

\* Ordinary share of RM1.00 each in Focus Lumber.

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## 7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)

## 7.1.3 Changes in our promoters' and substantial shareholders' shareholdings for the past three (3) years and as at the LPD (cont'd)

	As at 31 December 2010				As at the LPD			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<b>Promoters and substantial shareholders</b>								
Chen Chun Hsiung	10,244,324	11.26	-	-	10,244,324	11.26	-	-
Lin Fong Ming	6,829,550	7.51	13,659,100 <sup>1</sup>	15.01	6,829,550	7.51	13,659,100 <sup>1</sup>	15.01
Lin Hao Wen	6,829,550	7.51	13,659,100 <sup>2</sup>	15.01	6,829,550	7.51	13,659,100 <sup>2</sup>	15.01
Lin Hao Yu	6,829,550	7.51	13,659,100 <sup>3</sup>	15.01	6,829,550	7.51	13,659,100 <sup>3</sup>	15.01
Lin Lieh Ming	5,463,640	6.00	-	-	5,463,640	6.00	-	-
Lu Chin Ting	8,195,458	9.01	4,780,684 <sup>4</sup>	5.25	8,195,458	9.01	4,780,684 <sup>4</sup>	5.25
Lu Wei Sheng	-	-	12,976,142 <sup>5</sup>	14.26	-	-	12,976,142 <sup>5</sup>	14.26
Lu Wei Hsu	4,780,684	5.25	8,195,458 <sup>6</sup>	9.01	4,780,684	5.25	8,195,458 <sup>6</sup>	9.01
Lu Chun Chien	5,463,640	6.00	-	-	5,463,640	6.00	-	-
Yang Chien Chih	3,414,776	3.75	10,244,328 <sup>7</sup>	11.26	3,414,776	3.75	10,244,328 <sup>7</sup>	11.26
Yang Hsi Hsien	3,414,776	3.75	10,244,328 <sup>8</sup>	11.26	3,414,776	3.75	10,244,328 <sup>8</sup>	11.26
Yang Wei Szu	3,414,776	3.75	10,244,328 <sup>9</sup>	11.26	3,414,776	3.75	10,244,328 <sup>9</sup>	11.26
Yang Sen	3,414,776	3.75	10,244,328 <sup>10</sup>	11.26	3,414,776	3.75	10,244,328 <sup>10</sup>	11.26
<b>Substantial shareholders</b>								
Azizah Binti Kassim	4,608,500	5.06	-	-	4,608,500	5.06	-	-
Aznam Bin Mansor	9,087,000	9.99	-	-	9,087,000	9.99	-	-

**7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (cont'd)**

*Notes:*

1. *Deemed interested by virtue of shares held through his sons, Lin Hao Wen and Lin Hao Yu.*
2. *Deemed interested by virtue of shares held through his father, Lin Fong Ming and sibling, Lin Hao Yu.*
3. *Deemed interested by virtue of shares held through his father, Lin Fong Ming and sibling, Lin Hao Wen.*
4. *Deemed interested by virtue of shares held through his son, Lu Wei Hsu.*
5. *Deemed interested by virtue of shares held through his father, Lu Chin Ting and sibling, Lu Wei Hsu.*
6. *Deemed interested by virtue of shares held through his father, Lu Chin Ting.*
7. *Deemed interested by virtue of shares held through his sons, Yang Hsi Hsien, Yang Wei Szu and Yang Sen.*
8. *Deemed interested by virtue of shares held through his father, Yang Chien Chih and siblings, Yang Wei Szu and Yang Sen.*
9. *Deemed interested by virtue of shares held through his father, Yang Chien Chih and siblings, Yang Hsi Hsien and Yang Sen.*
10. *Deemed interested by virtue of shares held through his father, Yang Chien Chih and siblings, Yang Hsi Hsien and Yang Wei Szu.*

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## 7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 7.2 DIRECTORS

7.2.1 Our Board comprises the following members:-

Name	Age	Nationality	Date of Appointment	Designation
Aznam Bin Mansor	53	Malaysian	24 November 2010	Chairman / Independent Non-Executive Director
Lu Chin Ting	77	Taiwanese	1 October 1998	Vice Chairman / Non-Independent Non-Executive Director
Lin Fong Ming	61	Taiwanese	10 September 1990	Managing Director
Lin Hao Wen	33	Taiwanese	14 July 2009	Executive Director
Lin Lieh Ming	53	Taiwanese	14 July 2009	Executive Director
Chen Chun Hsiung	48	Taiwanese/ Malaysian PR	1 October 1998	Executive Director
Yang Chien Chih	67	Taiwanese	28 November 2009	Executive Director
Wong Yoke Nyen	52	Malaysian	24 November 2010	Independent Non-Executive Director
Ng Tian Meng	56	Malaysian	24 November 2010	Independent Non-Executive Director

### 7.2.2 Profiles

The profiles of the Directors of our Group are as follows:-

**Aznam Bin Mansor**, aged 53, is our Chairman/Independent Non-Executive Director. He was appointed to our board on 24 November 2010.

He is an Advocate and Solicitor by profession having been admitted as a Barrister of Law at Lincoln's Inn in 1984 and was admitted and enrolled as an Advocate and Solicitor of the High Court of Malaya in 1986. He served as a Legal Assistant in Skrine & Co. He became a partner of his present legal practice, Lee Hishammudin Allen & Gledhill since 1993. He was appointed as a director of MHC Plantation Berhad on 28 December 1998 and subsequently was appointed as the Chairman of the company from 25 February 2002 to 29 June 2005 and resigned from the position thereafter. Currently, he is a Non-Executive Director of Knusford Bhd. In addition, he is also appointed as the Independent Non-Executive Chairman of Mikro MSC Berhad and Benalec Holdings Berhad.

**Lu Chin Ting**, aged 77, is our Vice Chairman/Non-Independent Non-Executive Director. He was appointed to our Board on 1 October 1998.

He is one of our founders. He also advises our Group on corporate-related strategic matters. He has more than 50 years of experience in business. He was a director and shareholder of a timber import company in Taiwan from 1968 to 1982 for approximately 14 years. Between 1981 and 2002, he and the other two (2) founders owned a timber trading company in Taiwan where he was also a director of the company. In addition, between 1980 and 1995, he was also a director and shareholder of a plywood manufacturing company in

## 7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Taiwan. He was also previously involved in the business of property development, furniture and shipyard engineering.

**Lin Fong Ming**, aged 61, is our Managing Director. He was appointed to our Board on 10 September 1990.

He is one of our founders. He graduated with a Diploma in Science from the Tung Fang Institute of Technology. He possesses more than 30 years of experience in the trading of timber and plywood manufacturing. He has been playing an instrumental role in charting the strategic direction of our Group. Under his leadership, our Group has grown from a small company to a major player in the plywood manufacturing industry. With his vast experience in the industry and technical expertise and know-how in the manufacturing of plywood, our Group has been able to produce a wide range of quality plywood that meet customers' requirements and international quality standards.

He started his career in the timber industry as a timber trader in Taiwan, attached to a timber trading and plywood manufacturing company in Taiwan. Between 1981 and 2002, he and the other two (2) founders owned a timber trading company in Taiwan where he was a director of the company. Besides the plywood business, he also has investments in property development business in the PRC and a petrol station in Taiwan. Due to his extensive business experience and investments in various countries, he was appointed as the President of the East Malaysia Committee of Taipei Investors' Association in Malaysia from 2001 to 2004 and Vice National-President of Taipei Investors' Association Malaysia from 2003 to 2004. He was awarded the Best Overseas Chinese Entrepreneur by the Taiwanese government in 2005 in recognition of his entrepreneurship achievement overseas. In 2008, he was appointed as the Advisory Official in Malaysia for a year by the Taiwanese government to assist the government in handling Taiwanese residence affairs in Malaysia. In 2009, he was appointed for a two (2)-year term as an Overseas Compatriot Affair Commission member by the Taiwan government. His role as a member of the Overseas Compatriot Affair Commission is to act as one of the liaison person between the Taiwanese in Malaysia and the Taiwanese government.

**Lin Hao Wen**, aged 33, is our Executive Director. He was appointed to our Board on 14 July 2009.

He completed his Degree in Computer Science from Yuan-Ze University, Taiwan in 2001 and subsequently pursued his Masters in Business Administration in Eastern Michigan University, US majoring in Supply Chain Management. He graduated in 2006 and started his career with our Group in 2007 as Assistant to the Managing Director. He is currently assisting our Managing Director in overseeing the business operation of our Group in the areas of production and marketing.

**Lin Lieh Ming**, aged 53, is our Executive Director. He was appointed to our Board 14 July 2009.

He has more than 20 years of experience in the marketing industry. He joined our Group as the Head of Purchasing Department in 2003 where he was in charge of purchasing and managing supplies for our Group's operations. Prior to joining Focus Lumber, he was the Manager of the Accounts and Marketing Department in Chunghua Telecom, Taiwan, for 25 years.

**Chen Chun Hsiung**, aged 48, is our Executive Director. He was appointed to our Board on 1 October 1998.

He is the Head of Human Resource for our Group. He graduated with a Bachelor of Statistic from Feng Chia University, Taiwan in 1988. He joined our Group in 1990 as the Financial Controller. Subsequently, in 1998, he assumed the position of the Head of Human Resource. He has more than 20 years of experience in the finance, administration and

## 7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

human resources operations. He has been playing a vital role in overseeing the human resources management of our Group. He is also responsible for recruiting employees and communicating with the authorities on human resource affairs.

**Yang Chien Chih**, aged 67, is our Executive Director. He was appointed to our Board on 28 November 2009.

He is the Head of Logs Department of our Group, managing our Group's logs purchasing. He is also one of our founders. He started off his career in the timber industry as a production supervisor in a sawmill company in Taiwan. Between 1981 and 2002, he and the other two (2) founders owned a timber trading company in Taiwan, where he was also a director and shareholder of the company. He has more than 40 years of vast experience in the timber trading industry in Malaysia, Indonesia, Japan and Taiwan. Due to his vast experience in the industry, he has in depth expertise in timber log selection for the production of our Group which is crucial in producing quality plywood.

**Wong Yoke Nyen**, aged 52, is our Independent Non-Executive Director. He was appointed to our Board on 24 November 2010.

He earned his Bachelor Degree in Accountancy from City of London Polytechnic, United Kingdom. He is also a graduate of The Wharton Advance Management Program from the Wharton Business School of the University of Pennsylvania, US.

In 1981, he started his career in Baker Rooke, a firm of chartered accountants in London where he gained wide experience and exposure in the areas of auditing, accountancy, and management consultancy work. In 1983, he joined Aseambankers Malaysia Berhad (now known as Maybank Investment Bank Berhad). He is a seasoned investment banker with more than 20 years of dedicated corporate finance and investment banking experience. He was the Executive Vice President cum Head of Corporate Finance Division in Aseambankers Malaysia Berhad.

In 2004, he started WYNCORP Advisory Sdn Bhd, a private company licensed to provide investment advisory services. He is currently the Managing Director of WYNCORP Advisory Sdn Bhd. He is also an Independent Non-Executive Director of New Hoong Fatt Holdings Berhad, XiDeLang Holdings Limited and Benalec Holdings Berhad.

**Ng Tian Meng**, aged 56, is our Independent Non-Executive Director. He was appointed to our Board on 24 November 2010.

He has approximately 28 years of experience in the electrical engineering field involving engineering consultancy, project management, operation, maintenance, testing and commissioning. He started his engineering career and worked in Malayawata Steel Berhad as an Electrical Engineer between May 1981 and July 1983. Subsequently, he worked in several companies involved in the steel, engineering, brewery and camera manufacturing businesses. Currently, he is the Managing Director of Jurutera Perunding M & E NTM (S) Sdn Bhd. and NTM Engineering Services Sdn Bhd.

Apart from his extensive working experience, he obtained his Council for National Academic Award Bachelor of Science Degree majoring in Electrical and Electronic Engineering from Robert Gordon Institute of Technology, Scotland in 1980. He is a corporate member of the Institution of Engineers Malaysia, the Institution of Engineers Australia and the Institution of Electrical Engineers United Kingdom. In addition, he is also a Professional Engineer registered with the Board of Engineers, Malaysia, a Chartered Professional Engineer registered under the Institution of Engineers, Australia and a Chartered Engineer registered with the Engineering Council, United Kingdom.

**7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)****7.2.3 Directors' shareholdings**

The direct and indirect shareholdings of our Directors before (based on the Register of Directors' Shareholdings as at the LPD) and after the IPO are as follows:-

Directors	Nationality	Before the IPO				After the IPO*			
		<-----Direct----->	<-----Indirect----->			<-----Direct----->	<-----Indirect----->		
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Aznam Bin Mansor	Malaysian	9,087,000	9.99	-	-	9,087,000	8.80	-	-
Chen Chun Hsiung	Taiwanese/ Malaysian PR	10,244,324	11.26	-	-	9,470,324	9.18	-	-
Lin Fong Ming	Taiwanese	6,829,550	7.51	13,659,100 <sup>1</sup>	15.01	6,313,550	6.12	12,627,100 <sup>1</sup>	12.24
Lin Lieh Ming	Taiwanese	5,463,640	6.00	-	-	5,050,840	4.89	-	-
Lin Hao Wen	Taiwanese	6,829,550	7.51	13,659,100 <sup>2</sup>	15.01	6,313,550	6.12	12,627,100 <sup>2</sup>	12.24
Yang Chien Chih	Taiwanese	3,414,776	3.75	10,244,328 <sup>3</sup>	11.26	3,156,776	3.06	9,470,328 <sup>3</sup>	9.18
Lu Chin Ting	Taiwanese	8,195,458	9.01	4,780,684 <sup>4</sup>	5.25	7,576,258	7.34	4,419,484 <sup>4</sup>	4.28
Wong Yoke Nyen	Malaysian	-	-	-	-	-	-	-	-
Ng Tian Meng	Malaysian	-	-	-	-	-	-	-	-

**Notes:**

1. Deemed interested by virtue of shares held through his sons, Lin Hao Wen and Lin Hao Yu.
2. Deemed interested by virtue of shares held through his father, Lin Fong Ming and sibling, Lin Hao Yu.
3. Deemed interested by virtue of shares held through his sons, Yang Sen, Yang Hsi Hsien and Yang Wei Szu.
4. Deemed interested by virtue of shares held through his son, Lu Wei Hsu.

\* Assuming all the Offer Shares will be fully subscribed by the investors.

## 7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 7.2.4 Principal business activities and directorships in other corporations for the past five (5) years

Save as disclosed below, none of our Directors have any principal business activities and directorship in any other corporations for the past five (5) years preceding the LPD:-

Directors	Company	Position Held	Date Resigned	Principal Activities
Lin Fong Ming	CML Perfect Sdn Bhd	Director / substantial shareholder	-	The company has been struck out
	Feng Dong Road Fuel Station	Director / substantial shareholder	-	Fuel, lubricant & oil retail business
	Pinhu Xingzhou Real Estate Co. Ltd, China	Director / substantial shareholder	-	Development of residential properties
Lu Chin Ting	Pinhu Xingzhou Real Estate Co. Ltd, China	Director / substantial shareholder	-	Development of residential properties
Chen Chun Hsiung	Sabarina Corporation Sdn Bhd	Substantial shareholder	-	Gummed tape and plastic manufacturing
	GSSB	Director	20 June 2009	Timber trading
	Jelita Konsep Sdn Bhd	Director	7 August 2009	Timber trading
Lin Lieh Ming	Ho Lian Sawmill Sdn Bhd	Director	20 June 2009	Sawmill
	Jelita Konsep Sdn Bhd	Director	7 August 2009	Timber trading
Yang Chien Chih	Ho Lian Sawmill Sdn Bhd	Director / substantial shareholder <sup>1</sup>	20 June 2009	Sawmill
Aznam Bin Mansor	Knusford Bhd	Non-Executive Director	-	Investment holding, property investment, reconditioning, sales and rental of heavy machinery, rental of machinery and equipment, provision of transportation services, trading of building materials and civil work contracting
	Mikro MSC Bhd	Independent Non-Executive Chairman	-	Research, development and design of analogue, digital and computer-controlled electronic systems or devices for use in electrical, electronic and other industries and provision of technical support and maintenance services

**7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

Directors	Company	Position Held	Date Resigned	Principal Activities
	Benalec Holdings Berhad	Independent Non-Executive Chairman	-	Investment holding, provision of marine construction services mainly in the area of land reclamation, dredging and beach nourishment, coastal protection work such as rock revetment works, shore protection works and breakwater construction, pre-bore and marine piling; and construction of marine structures, bridges, jetties, ports, and other offshore and ancillary structures
	Lee Hishamudin Allen & Gledhill	Partner	-	Provision of legal services
	Harmstorf Submarine Systems (M) Sdn Bhd	Director	-	Dormant
	Ekovest Holdings Sdn Bhd	Director	-	Construction
	Kinston Park Sdn Bhd	Director	-	Investment holding
	Wengcon Engineering Sdn Bhd	Director	-	Construction and equipment hire
	Wengcon Equipment Sdn Bhd	Director	-	Rental of machinery and equipment
	Wengcon Holdings Sdn Bhd	Director	-	Reconditioning, sales and rental of heavy machinery
	I&P Group Sdn Bhd	Director	-	Property development
	I & P Multi Resources Sdn Bhd	Director	-	Investment holding
	Yukong Development Pte Ltd	Director	-	Property development
	Gen Glamour Sdn Bhd	Director	-	Investment holding
	ACCA Malaysia Sdn Bhd	Director	19 February 2008	Organising events, programmes and coordinating services
	Allen & Gledhill Sdn Bhd	Director	8 May 2009	Dormant
	Holiday Villages of Malaysia Sdn Bhd	Director	30 April 2006	Resort management
	Lee Hishamuddin Allen & Gledhill Sdn Bhd	Director	8 May 2009	Dormant

**7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

Directors	Company	Position Held	Date Resigned	Principal Activities
Wong Yoke Nyen	Legal Information Services Sdn Bhd	Director	22 May 2009	Legal support services
	LPO Malaysia Sdn Bhd	Director	8 May 2009	Dormant
	Raya Untung Sdn Bhd	Director	-	The company has been struck out
	Simpulan Mutiara Sdn Bhd	Director	-	The company has been struck out
	WYNCORP Advisory Sdn Bhd	Managing Director /substantial shareholder	-	Investment advisory services
	WYNCORP Chattels Holdings Sdn Bhd	Managing Director /substantial shareholder	-	Investment holding and letting of properties
	New Hoong Fatt Holdings Bhd	Independent Non-Executive Director	-	Investment holding, provision of management services, marketing, distribution and trading of automotive parts, spare parts and accessories, manufacturing of tools and dies, moulds and dies, metal and plastic automotive parts, dealing in computer software, consultancy and management services and trading of motor vehicle parts and accessories
	XiDeLang Holdings Limited	Independent Non-Executive Director	-	Shoe manufacturing
	Benalec Holdings Berhad	Independent Non-Executive Director	-	Investment holding, provision of marine construction services mainly in the area of land reclamation, dredging and beach nourishment, coastal protection work such as rock revetment works, shore protection works and breakwater construction, pre-bore and marine piling; and construction of marine structures, bridges, jetties, ports, and other offshore and ancillary structures
	Influx Rewards Sdn Bhd	Director	-	Property investment and development
	Ranhill Power Sdn Bhd (previously known as Ranhill Power Berhad)	Director	29 February 2008	Independent Power Producer

**7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

Directors	Company	Position Held	Date Resigned	Principal Activities
	Ecofuture Berhad	Director	24 January 2011	Palm oil milling, sale of crude oil palm and palm kernel and recycling of oil palm biomass, production and sale of fibrous mat and engineering and sale of specialised machinery, production and sale of packaging products from biomass, production of pulp for papermaking and related products and income from licensing of technologies.
Ng Tian Meng	Jurutera Perunding M & E NTM (S) Sdn Bhd	Managing Director /substantial shareholder	-	Engineering consultancy
	NTM Engineering Services Sdn Bhd	Managing Director /substantial shareholder	-	Engineering Maintenance services
	Noa Consult Sdn Bhd	Director	-	Engineering consultancy

*Note:-*

1. *Yang Chien Chih ceased as a substantial shareholder of Ho Lian Sawmill Sdn Bhd on 18.11.2009.*

**7.2.5 Involvement of our Executive Directors in other business/corporations**

Saved as disclosed in Section 7.2.4 of this Prospectus, our Executive Directors are not involved in other businesses / corporations. The involvement of our Executive Directors in the other businesses / corporations is not expected to affect the operations of our Group as they are principally involved in the day-to-day operations of our Group. Their involvement in the aforesaid companies is minimal and they do not hold any key management positions which involve day-to-day operations in these companies, hence this would not be expected to affect their performance in our Group.

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## 7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 7.2.6 Directors remuneration and benefits

The aggregate remuneration and benefits paid and proposed to be paid to our Directors for services rendered to our Group in all capacities for the FYE 31 December 2010 and 2011 are as follows:-

	Remuneration Band (RM)	
	FYE 31 December 2010	Proposed for FYE 31 December 2011
Aznam Bin Mansor	-	50,001 – 100,000
Lu Chin Ting	100,001 – 150,000	100,001 – 150,000
Lin Fong Ming	150,001 – 200,000	200,001 – 250,000
Lin Hao Wen	100,001 – 150,000	100,001 – 150,000
Lin Lieh Ming	100,001 – 150,000	100,001 – 150,000
Chen Chun Hsiung	100,001 – 150,000	100,001 – 150,000
Yang Chien Chih	100,001 – 150,000	100,001 – 150,000
Wong Yoke Nyen	-	50,001 – 100,000
Ng Tian Meng	-	50,001 – 100,000

Save as disclosed above, no other amounts or benefits has been paid or intended to be paid to our Promoters, substantial shareholders or Directors within two (2) years preceding the date of this Prospectus, except for dividend paid to our shareholders. The remuneration which includes our Directors' salaries, bonuses, fees and allowances as well as other benefits of our Directors, must be considered and recommended by the Remuneration Committee and subsequently, be approved by our Board. Our Directors' fees must be further approved by our shareholders at a general meeting.

### 7.2.7 Service Agreement

As at the LPD, none of our Directors has any existing or proposed service agreements with our Group.

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## 7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 7.3 BOARD PRACTICES

#### 7.3.1 Directorship

As at the LPD, the details of the date of expiration of the current term of office for each of the Directors and the period for which the Directors have served in that office are as follows:-

Name	Date of appointment	Designation	Date of expiration of the current term of office	No. of years in office
Aznam Bin Mansor	24 November 2010	Chairman / Independent Non-Executive Director	-	Less than one (1) year
Lu Chin Ting	1 October 1998	Vice Chairman / Non-Independent Non-Executive Director	-	13
Lin Fong Ming	10 September 1990	Managing Director	-	21
Lin Hao Wen	14 July 2009	Executive Director	-	2
Lin Lieh Ming	14 July 2009	Executive Director	-	2
Chen Chun Hsiung	1 October 1998	Executive Director	-	13
Yang Chien Chih	28 November 2009	Executive Director	-	21*
Wong Yoke Nyen	24 November 2010	Independent Non-Executive Director	-	Less than one (1) year
Ng Tian Meng	24 November 2010	Independent Non-Executive Director	-	Less than one (1) year

Note:-

\* Yang Chien Chih was appointed as our Director from 1 October 1998 to 1 July 2009 and was re-appointed as our Director on 28 November 2009.

At the first Annual General Meeting of the Company, all the Directors shall retire from office and at the annual general meeting in every subsequent year, one third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one third (1/3) shall retire from office and be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires. Notwithstanding any provision to the contrary contained in the Memorandum and Articles of Association, an election of the Directors of the Company shall take place every year and all the Directors (including the Managing Director) shall retire from office once at least in every three (3) years. A retiring Director shall be eligible for re-election.

For re-election for a director aged 70 and above, there must be a members' resolution appointing such director which is passed by a majority of not less than three-fourths (3/4) of the members of the Company who are entitled to vote and notice of the resolution must be the same as that given for a general meeting of the Company.

## 7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 7.3.2 Audit Committee

Our Audit Committee was established on 26 November 2010 and its members are appointed by our Board. Our Audit Committee comprises the following members:-

Name	Designation	Directorship
Wong Yoke Nyen	Chairman	Independent Non-Executive Director
Aznam Bin Mansor	Member	Chairman / Independent Non-Executive Director
Ng Tian Meng	Member	Independent Non-Executive Director

The main functions of the Audit Committee include inter-alia, the review of audit plans and audit reports with our external auditors, review of the auditors' evaluation of internal accounting controls and management information systems, review of the scope, functions, competency and resources of the internal audit procedures, review of the financial statements, nomination of the external auditors and review of related party transactions.

Aznam Bin Mansor is a substantial shareholder of our Group since 1997. He has never held any directorship or executive position in our Company.

According to the Principles and Best Practices of the Revised 2007 Malaysia Code on Corporate Governance ("CG Code") issued by Bursa Securities, all members of the Audit Committee must be non-executive director with a majority independent. By virtue that Aznam Bin Mansor is eligible and recognised as an Independent Non-Executive Director based on the definition in the Listing Requirements, there is no restriction for him to sit in the Audit Committee as a member. As mentioned in Section 7.2.2 above, he is currently a partner in his present legal practice, Lee Hishammudin Allen & Geldhill and has been a substantial shareholder of our Company for more than ten (10) years. In this respect, he would be able to contribute to our Company towards sharing his knowledge in corporate-related matters in particular with regards to legal aspects.

### 7.3.3 Remuneration Committee

Our Remuneration Committee was established on 26 November 2010 and its members are appointed by our Board. Our Remuneration Committee comprises the following members:-

Name	Designation	Directorship
Ng Tian Meng	Chairman	Independent Non-Executive Director
Wong Yoke Nyen	Member	Independent Non-Executive Director
Lin Fong Ming	Member	Managing Director

The main functions of the Remuneration Committee include inter-alia, the recommendation to our Board the remuneration and terms of employment of the Directors, assisting our Board in assessing the responsibility and commitment undertaken by our Board members and assisting our Board in ensuring the remuneration of the Directors are reflective of the responsibility and commitment of the Directors concerned.

## 7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 7.3.4 Nomination Committee

Our Nomination Committee was established on 26 November 2010 and its members are appointed by our Board. Our Nomination Committee comprises the following members:-

Name	Designation	Directorship
Aznam Bin Mansor	Chairman	Chairman / Independent Non-Executive Director
Wong Yoke Nyen	Member	Independent Non-Executive Director
Ng Tian Meng	Member	Independent Non-Executive Director

The main functions of the Nomination Committee include inter-alia, the review of all nominations for the appointment or re-appointment of members of our Board and to determine the selection criteria therefore, review of the structure, size and composition of our Board, and to ensure that all our Directors undergo appropriate introduction and training programmes.

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**7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)****7.4 KEY MANAGEMENT****7.4.1 Key management shareholdings**

The details of our key management and their direct and indirect shareholdings in our Company before (based on the Register of Members as at the LPD) and after the IPO are as follows:-

Key management	Designation	Nationality	Before the IPO				After the IPO*			
			Direct		Indirect		Direct		Indirect	
			No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Lin Fong Ming	Managing Director	Taiwanese	6,829,550	7.51	13,659,100 <sup>1</sup>	15.01	6,313,550	6.12	12,627,100 <sup>1</sup>	12.24
Lin Hao Wen	Executive Director / Assistant to Managing Director	Taiwanese	6,829,550	7.51	13,659,100 <sup>2</sup>	15.01	6,313,550	6.12	12,627,100 <sup>2</sup>	12.24
Lin Lieh Ming	Executive Director / Head of Purchasing Department	Taiwanese	5,463,640	6.00	-	-	5,050,840	4.89	-	-
Chen Chun Hsiung	Executive Director/ Head of Human Resources	Taiwanese / Malaysian PR	10,244,324	11.26	-	-	9,470,324	9.18	-	-
Yang Chien Chih	Executive Director / Head of Logs Department	Taiwanese	3,414,776	3.75	10,244,328 <sup>3</sup>	11.26	3,156,776	3.06	9,470,328 <sup>3</sup>	9.18
Yang Sen	Head of Sales and Marketing	Taiwanese	3,414,776	3.75	10,244,328 <sup>4</sup>	11.26	3,156,776	3.06	9,470,328 <sup>4</sup>	9.18
Yang Hsi Hsien	Deputy Head of Logs Department	Taiwanese	3,414,776	3.75	10,244,328 <sup>5</sup>	11.26	3,156,776	3.06	9,470,328 <sup>5</sup>	9.18
Siew Peck Kiong	Head of Factory Management Team	Malaysian	-	-	-	-	100,000	0.10	-	-
Yong Siew Kyun @ Rose	Head of Finance and Administration	Malaysian	-	-	-	-	100,000	0.10	-	-

**Notes:-**

1. Deemed interested by virtue of shares held through his sons, Lin Hao Wen and Lin Hao Yu.
2. Deemed interested by virtue of shares held through his father, Lin Fong Ming and sibling, Lin Hao Yu.
3. Deemed interested by virtue of shares held through his sons, Yang Sen, Yang Hsi Hsien and Yang Wei Szu.
4. Deemed interested by virtue of shares held through his father, Yang Chien Chih and siblings, Yang Hsi Hsien and Yang Wei Szu.
5. Deemed interested by virtue of shares held through his father, Yang Chien Chih and siblings, Yang Sen and Yang Wei Szu.

\* Assuming all the Offer Shares will be fully subscribed by the investors.

## 7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 7.4.2 Profiles

The profiles of the key management of our Group are as follows:-

#### **Lin Fong Ming**

Please refer to Section 7.2.2 of this Prospectus for his profile.

#### **Lin Hao Wen**

Please refer to Section 7.2.2 of this Prospectus for his profile.

#### **Lin Lieh Ming**

Please refer to Section 7.2.2 of this Prospectus for his profile.

#### **Chen Chun Hsiung**

Please refer to Section 7.2.2 of this Prospectus for his profile.

#### **Yang Chien Chih**

Please refer to Section 7.2.2 of this Prospectus for his profile.

**Yang Sen**, aged 40, is the Head of Sales and Marketing of our Group. He has been playing a major role in assisting our Group in penetrating into overseas markets for our products which includes the US, Asian countries, Middle East, Mexico, Canada and the European markets. He graduated with a Bachelor in International Trade from Ming Chuan University, Taiwan in 1994. Between the years 1996 and 2000, he worked as a Marketing Manager in a veneer manufacturing company in Cambodia. He joined our Group in 2000 as the Sales and Marketing Manager and was promoted to his current position in 2009.

**Yang Hsi Hsien**, aged 33, is the Deputy Head of Logs Department of our Group. He graduated with a Degree in Administrative Management from Chinese Culture University, Taiwan in 2001. Upon graduating, he joined our Group in 2003 as Deputy Head of Logs Department. He is primarily responsible for log handling, cross cutting, supply, technical support and logistics, warehousing and material storage.

**Siew Peck Kiong**, aged 51, is the Head of Factory Management Team of our Group. He has vast working experience of over 30 years working in the plywood factories in Singapore, Indonesia and Malaysia as a Production Manager. He is responsible for our Group's production planning, allocation of factory workers and quality control of our products. He also plays a key role in enhancing the efficiency of our manufacturing operations.

**Yong Siew Kyun @ Rose**, aged 48, is the Head of Finance and Administration of our Group. She completed her London Chamber of Commerce and Industry in Singapore in 1983. She has more than 25 years of experience in audit, accounting and finance. Prior to joining our Group, she was attached to an audit firm as a Tax and Accounts Executive for six (6) years and subsequently she joined a timber company as an Accounts Executive for two (2) years. She joined our Group in 1991 as an Accounts Executive and was promoted to the position of Financial Controller in 1998. She was appointed as the Executive Director from 1999 to July 2009.

## **7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)**

### **7.4.3 Involvement of our key management in other business/corporations**

As at the LPD, save as disclosed in Section 7.2.4 of this Prospectus, none of our key management is involved in the operation of other businesses or corporations besides our Group.

### **7.5 DECLARATIONS FROM OUR PROMOTERS, DIRECTORS AND KEY MANAGEMENT**

None of our promoters, Directors and key management is or was involved in any of the following events, whether within or outside Malaysia:-

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

### **7.6 FAMILY RELATIONSHIPS AND ASSOCIATIONS**

Save as disclosed below, there are no family relationships (as defined under Section 122A of the Act) and associations between or amongst our Directors, promoters, substantial shareholders and key management:-

- (i) Lin Fong Ming is the father to Lin Hao Yu and Lin Hao Wen;
- (ii) Lu Chin Ting is the father to Lu Wei Hsu and Lu Wei Sheng;
- (iii) Lin Lieh Ming and Lu Chun Chien are nephews to Lu Chin Ting; and
- (iv) Yang Chien Chih is the father to Yang Wei Szu, Yang Sen and Yang Hsi Shien.

### **7.7 SERVICE AGREEMENTS**

As at the LPD, none of our key management has any existing or proposed service agreements with our Group.

## 7. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

### 7.8 MANAGEMENT AND EMPLOYEES

As at the LPD, our total workforce is 1,007 employees, of which 136 are permanent employees and 871 are contractual employees. The functional distribution of our total number of employees at the end of the past three (3) financial years is as follows:-

Category of employee	<-----No. of employees----->		
	As at 31 December		
	2008	2009	2010
Management	10	11	16
Technical and supervisory	41	56	65
Clerical and related occupations	17	25	31
General / Factory workers	760	1,003	860
<b>Total</b>	<b>828</b>	<b>1,095</b>	<b>972</b>

For the FYE 31 December 2010, our Group has employed an average of 834 contractual employees. There were approximately 300 staff who were made redundant (by not extending their contracts) in 2008 during the global financial crisis. In 2009, our Group's employees have increased as compared to 2008 mainly due to our recruitment to bring our staff strength back to the pre-crisis level in 2008. In 2010, some of our workers have ceased working with us due to, inter-alia, expiry of their working visa, which resulted in lower number of employees as compared to 2009. Nevertheless, our Company is still able to meet the required level of production in 2010 based on this level of workers.

Our Directors have confirmed that all the foreign employees have valid working permits and are not in breach of any immigration laws.

None of our employees are members of any union nor have there been any major industrial disputes in the past.

Our Group recognises the importance of human resource which plays a pivotal role in our continuous growth and we view sound human resource management as one of our critical success factors. We continuously and proactively cultivate positive working culture by having good working relationships with our employees and place great emphasis on creating a conducive and comfortable working environment for our employees as we believe that a well-motivated and well-managed workforce is essential for efficient operations and the success of our business as a whole.

In order to enhance productivity and operational efficiencies and as part of our continuous training and development process, we also encourage our employees to attend in house training provided by the management or supervisor to upgrade their skills and knowledge of the technology involved in the business operation. New recruits are provided on-the-job training to equip themselves with the requisite skills for performing their specific functions. In addition, for employees at supervisory level and above, they will be sent for various public programs in areas pertaining to the plywood and timber industry, safety courses and product training to further enhance their skills and knowledge on the job. Our training regime aims to equip our staff with knowledge pertaining to quality assurance, the mechanics of the manufacturing processes and safety awareness.

**8. APPROVALS AND CONDITIONS****8.1 APPROVALS FROM RELEVANT AUTHORITIES**

Our Listing Scheme is subject to the following approvals being obtained:-

- (a) The approval of the SC, pursuant to Section 212(5) of the CMSA and the equity requirement for public companies, which was obtained vide its letter dated 12 October 2010;
- (b) The MITI vide its letter dated 19 July 2010. In the same letter, the MITI has recognised our existing Bumiputera shareholder as below:-

Shareholder	No. of Shares
Azizah Binti Kassim	4,608,500

- (c) Bursa Securities vide its letter dated 8 March 2011, for the admission to the Official List and listing of and quotation for our entire enlarged issued and paid-up share capital, and any Share(s) arising from the exercise of the ESOS, on the Main Market of Bursa Securities.

Our Company has voluntarily submitted an application to the SC for a Shariah compliance review to be carried out by the SAC as part of the process of determining our Shariah status. The SAC had, vide its letter dated 2 July 2010, classified our Company's Shares as Shariah-compliant.

**8.2 EXEMPTION FROM COMPLIANCE WITH THE SC'S PROSPECTUS GUIDELINES – EQUITY AND DEBT ("PROSPECTUS GUIDELINES") AND EQUITY GUIDELINES**

We have sought the approval of the SC for an exemption to comply with Paragraph 13.10 of the Prospectus Guidelines, in which a waiver has been sought from having to attach the audit reports of those audited financial statements in the Accountants' Report. The SC had, vide its letter dated 1 September 2010, granted us the aforementioned waiver.

In addition, we have also sought the approval of the SC for an exemption to comply with Paragraph 10.01 of the Equity Guidelines issued by the SC, in which an extension of time has been sought for the implementation of our Listing by 11 May 2011 ("Extension of Time"). The SC, had, vide its letter dated 5 April 2011, approved the Extension of Time.

**8.3 CONDITIONS ON APPROVALS**

The conditions imposed by the SC, and MITI vide their letters dated 12 October 2010 and 19 July 2010 in respect of the Listing are as follows:-

Conditions imposed	Status of compliance
<b><u>By the SC</u></b>	
i. Focus Lumber to allocate 5,712,000 shares in Focus Lumber to Bumiputera investors approved by MITI and 3,000,000 new shares issued for the balloted public offer portion are to be made available to the retail Bumiputera investors. In the event that Focus Lumber/MITI is unable to allocate the shares to the potential Bumiputera investors approved by MITI, the unsubscribed shares should be offered to the Bumiputera public investors via balloting.	To be met.
ii. Bank Islam/Focus Lumber to fully comply with the requirements of the SC's Equity Guidelines and Prospectus Guidelines pertaining to the implementation of the floatation scheme.	To be met.

**8. APPROVALS AND CONDITIONS (Cont'd)**

Conditions imposed	Status of compliance
<b><u>By the MITI</u></b> i. To obtain the SC's approval on the listing scheme.	Complied. The approval from the SC was obtained vide the SC's letter dated 12 October 2010 subject to certain conditions. Please refer to the above for the conditions imposed by the SC.

The SC (under the Equity Requirements for Public Companies) has noted that the equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in our Company would change arising from the implementation of the proposal as follows:-

Shareholders	Before proposal (%)	After proposal (%)
Bumiputera	15.05	21.71 <sup>1</sup>
Non-Bumiputera	-	8.38
Foreign	84.95	69.91
	100.00	100.00

Note:

- 1 Inclusive of 5.54% of our enlarged issued and paid-up share capital upon listing to be offered/ issued to Bumiputera investors nominated by Focus Lumber and/or approved by the MITI and 2.90% of the enlarged issued and paid-up share capital of Focus Lumber set aside for Bumiputera investors through the Public Issue.

In addition, Bursa Securities has also approved the listing of such number of additional new Focus Lumber Shares, representing up to 10% of the issued and paid-up share capital of Focus Lumber to be issued pursuant to the exercise of the ESOS, subject to the following:-

Conditions imposed by Bursa Securities	Status of compliance
i. Bank Islam is required to submit a confirmation to Bursa Securities of full compliance of ESOS pursuant to paragraph 6.43(1) of the Listing Requirements and stating the effective date of implementation.	To be met.
ii. Focus Lumber is required to furnish Bursa Securities on a quarterly basis a summary of the total number of ESOS shares listed as at the end of each quarter together with a detailed computation of listing fees payable.	To be met.

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**8. APPROVALS AND CONDITIONS (Cont'd)****8.4 MORATORIUM ON SALE OF SHARES**

In accordance with the SC's Equity Guidelines, a moratorium shall be imposed on the entire shareholdings held by our Promoters comprising 63,135,500 Shares, representing approximately 61.18% of the enlarged issued and paid-up share capital of Focus Lumber. Our Promoters are not allowed to sell, transfer or assign their respective shareholdings in our Group within six (6) months from the date of our admission to the Official List.

Details of our Company's Shares held by our Promoters which will be subject to moratorium are as follows:-

Shareholders	Shareholdings after the IPO <sup>#</sup>	
	No. of Shares	% of enlarged issued and paid-up share capital
Chen Chun Hsiung	9,470,324	9.18
Lu Chin Ting	7,576,258	7.34
Lin Fong Ming	6,313,550	6.12
Lin Hao Yu	6,313,550	6.12
Lin Hao Wen	6,313,550	6.12
Lin Lieh Ming	5,050,840	4.89
Lu Chun Chien	5,050,840	4.89
Lu Wei Hsu	4,419,484	4.28
Yang Chien Chih	3,156,776	3.06
Yang Wei Szu	3,156,776	3.06
Yang Sen	3,156,776	3.06
Yang Hsi Hsien	3,156,776	3.06
<b>Total</b>	<b>63,135,500</b>	<b>61.18</b>

Note:-

<sup>#</sup> Assuming all the Offer Shares will be fully subscribed by the investors.

The restriction, which is fully acknowledged by the aforesaid shareholders, is specifically endorsed on the notices of allotment representing the respective shareholdings of the shareholders which are under moratorium as follows:-

*"The shares comprised herein are not capable of being sold, transferred or assigned for a period determined by the SC ("Moratorium Period"). Accordingly, the shares comprised herein will not constitute good delivery pursuant to the Rules of Bursa Securities during the Moratorium Period. No share certificate or certificates will be issued to replace this certificate during the Moratorium Period unless the same shall be endorsed with this restriction."*

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**9. OTHER INFORMATION****9.1 INFORMATION ON MATERIAL LAND AND BUILDINGS**

A summary of the material land and buildings owned by our Group as at the LPD is as follows:-

Registered Owner / Beneficial Owner	Property Address/ Title Details	Description and Existing Use	Category of Land Use / Tenure of Property	Date of Issuance of Occupancy Certificate	Land Area and Gross Built-Up Area	NCA as at 31 December 2010 (RM'000)
Sabah Urban Development Corporation Sdn. Bhd / Focus Lumber <sup>1</sup>	<p>11<sup>th</sup> Floor, Wisma Perindustrian, Jalan Istiadat, Likas 88400 Kota Kinabalu Sabah</p> <p>All that piece of land held under Town Lease 017553150 in the District of Kota Kinabalu, State of Sabah together with a commercial building known as Wisma Perindustrian erected on the said land.</p>	The property is an office unit within 18 storey of Wisma Perindustrian, located on the 11 <sup>th</sup> floor and is currently used as an office.	Commercial building / Leasehold of 99 years, expiring on 31.12.2093.	9.9.1998	<p><u>Land Area:</u> 11,610 square meters</p> <p><u>Gross built-up area:</u> 990.20 square meters</p>	3,035

**9. OTHER INFORMATION (Cont'd)**

<b>Registered Owner / Beneficial Owner</b>	<b>Property Address/ Title Details</b>	<b>Description and Existing Use</b>	<b>Category of Land Use / Tenure of Property</b>	<b>Date of Issuance of Occupancy Certificate</b>	<b>Land Area and Gross Built-Up Area</b>	<b>NCA as at 31 December 2010 (RM'000)</b>
Focus Lumber / N/A	<p>Mile 3, Jalan Masak, Kg. Ulu Patikang, 89008 Keningau, Sabah.</p> <p>All that piece of land held under Country Lease 135366139, in the District of Keningau, State of Sabah together with a factory erected on the said land.</p>	This property consists of a 2-storey building and power generating plant and is currently used as a factory, hostel and power generator.	Industrial land / Leasehold of 99 years, expiring on 31.12.2081.	16.7.2009	<p><u>Land area:</u> 94,700 square meters</p> <p><u>Gross built-up area:</u> 31,370.47 square meters</p>	2,364

*Note:-*

- The above mentioned individual title is currently registered to Sabah Urban Development Corporation Sdn. Bhd., being the owner of the land, and the strata title has yet to be issued. The registered owner will be changed to Focus Lumber once the strata title has been issued. Focus Lumber is the beneficial owner of this property. Focus Lumber purchased the whole of the 11<sup>th</sup> floor of Wisma Perindustrian from Corporate Business (M) Sdn. Bhd. via the Deed of Sale dated 1 December 1997.

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**9. OTHER INFORMATION (Cont'd)**

As at the LPD, the following premises are subleased from third parties:-

<b>Lessor</b>	<b>Property Details</b>	<b>Description and Existing Use</b>	<b>Category of Land Use / Tenure of Lease</b>	<b>Date of Issuance of Occupancy Certificate</b>	<b>Land Area and Gross Built-Up Area</b>	<b>NCA as at 31 December 2010 (RM'000)</b>
Flavianus bin Sius	This is a piece of land bearing application no. PT 89132633, District of Keningau, Sabah, located at Mile 3, Jalan Masak, Kg. Ulu Patikang, 89008 Keningau, Sabah.	The land is currently used as a workers' quarters which consists of a two (2)-storey wooden house.	This land shall only be used for cocoa plantation / Sublease for a period of 9½ years, expiring on 31.12.2016.	Please refer to Note 1 below	<u>Land Area:</u> 5,260 square meters  <u>Gross built-up area:</u> 1,966.88 square meters	Please refer to Note 2 below
Moo Yin Fah	This is a piece of land bearing application no. PT 89132826, District of Keningau, Sabah, located at Mile 3, Jalan Masak, Kg. Ulu Patikang, 89008 Keningau, Sabah.	The land is currently used as a workers' quarters which consists of a two (2)-storey wooden house.	This land shall only be used for cocoa plantation / Sublease for a period of 10 years, expiring on 31.12.2017.	Please refer to Note 1 below	<u>Land Area:</u> 1,630 square meters  <u>Gross built-up area:</u> 981.02 square meters	Please refer to Note 2 below
Patrick bin Inguai	This is a piece of land bearing application no. PT 89132863, District of Keningau, Sabah, located at Mile 3, Jalan Masak, Kg. Ulu Patikang, 89008 Keningau, Sabah.	The land is currently used as a workers' quarters which consists of a two (2)-storey wooden house.	This land shall only be used for cocoa plantation / Sublease for a period of 9½ years, expiring on 31.12.2016.	Please refer to Note 1 below	<u>Land Area:</u> 1,930 square meters  <u>Gross built-up area:</u> 685.60 square meters	Please refer to Note 2 below

**9. OTHER INFORMATION (Cont'd)**

<b>Lessor</b>	<b>Property Details</b>	<b>Description and Existing Use</b>	<b>Category of Land Use / Tenure of Lease</b>	<b>Date of Issuance of Occupancy Certificate</b>	<b>Land Area and Gross Built-Up Area</b>	<b>NCA as at 31 December 2010 (RM'000)</b>
Theresa @ Anggau bt Ahip	This is a piece of land bearing application no. PT 89132632, District of Keningau, Sabah, located at Mile 3, Jalan Masak, Kg. Ulu Patikang, 89008 Keningau, Sabah.	The land is currently used as a workers' quarters which consists of a two (2)-storey wooden house.	This land shall only be used for cocoa plantation / Sublease for a period of 10 years, expiring on 31.12.2016.	Please refer to Note 1 below	<u>Land Area:</u> 3,920 square meters  <u>Gross built-up area:</u> 279.44 square meters	Please refer to Note 2 below

**Notes:-**

N/A Not applicable

1. Sublease lands in Keningau

Focus Lumber has entered into four (4) sublease agreements for the following four (4) parcels of contiguous lands ("Lands"):-

PT 89132633, PT 89132826, PT 89132863 and PT 89132632, Kampung Ulu Patikang, in the District of Keningau, Sabah.

Focus Lumber had built the wooden workers' quarters on the Lands for its foreign workers in 1991. In this respect, our Company wishes to note the following issues relating to the Lands:-

(i) **Ownership of the Lands**

The lessors have applied to the Keningau Land Office for the right to own the Lands. The Keningau Land Office had approved the applications via its letter dated 29 April 2010, but the titles have yet to be issued to the lessors. Therefore, the lessors currently do not have the rights to sublease the Lands until the titles are issued.

(ii) **Breach of category of land use for the Lands bearing reference no. of PT 89132633, PT 89132826, PT 89132863 and PT 89132632**

The letter from the Keningau Land Office stated that the category of land use for the Lands is for the plantation of cocoa. However, Focus Lumber uses all the Lands as workers' quarters.

## 9. OTHER INFORMATION (Cont'd)

*The Keningau Land Office has, by letter dated 29 April 2010, approved the Lessors' applications for State Leases over the Lands and stated that the category of land use for the Lands is for plantation of cocoa, but, the appropriate titles to the Lands have not been issued to the Lessors yet. In this circumstance, the Lessors do not have the rights to sublease the Lands to Focus Lumber. In the usual event where titles to properties have been issued and there is found breaches to the use of land, the Government may forfeit the land.*

*In the case of Focus Lumber, no relevant titles have been issued by the State Authority of Sabah to the Lessors for the Lands, which follows that the Lessors have no right to grant the leases concerned to Focus Lumber in the first instance. Therefore, the possible repercussion faced by Focus Lumber is that in the event the State Authority of Sabah were to forfeit the Lands against the Lessors, the leases concerned are unenforceable and Focus Lumber may have to vacate the Lands.*

*In the event that Focus Lumber is required to relocate its workers' quarters, it would take an estimated time frame of approximately 24 months to complete the relocation process assuming Focus Lumber is leasing a piece of land to build the workers' quarters.*

### **(iii) Occupation Certificate of workers' quarters in Keningau**

*Focus Lumber has obtained a letter dated 21 December 2009 from the Keningau District Council, wherein the Keningau District Council informed Focus Lumber that it has no objection to the building of the aforesaid wooden workers' quarters. In addition, we had, on 20 July 2010, written to the Keningau District Council seeking its clarification on whether an Occupation Certificate is required for the wooden workers' quarters wherein the Keningau District Council has, vide its letter dated 30 November 2010, clarified that an Occupation Certificate is not required for the wooden workers' quarters.*

2. *The aggregate NCA as at 31 December 2010 for the workers' quarters built on the sublease lands bearing application number of PT 89132633, PT 89132826, PT 89132863 and PT 89132632 is approximately RM0.73 million.*

To the best of our Directors' knowledge and belief, save as disclosed in Note 1 above, there is no material non-compliance with any regulatory requirements and environmental issue in respect of properties owned/subleased by our Group. However, our Company does not envisage that the issues above may materially affect our Group's operation and utilisation of assets. Our Company may rectify the above issues via, inter-alia, relocating the abovementioned workers' accommodation and/or looking for alternative accommodation arrangements, if required. Our Company believes that this is not a major issue and its impact on the business operations of our Company is expected to be minimal.

None of the above assets have been revalued in conjunction with the Listing.

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**9. OTHER INFORMATION (Cont'd)****9.2 HEAVY EQUIPMENT, PLANT AND MACHINERY**

The information on heavy equipment, plant and machinery utilised by us at our factory in Keningau is as follows:-

Description	NCA as at 31 December 2010 RM'000
Heavy Equipment, Plant and Machinery	<u>41,605</u>

*Note:-*

*The Heavy Equipment, Plant and Machinery consist of various types of machineries (such as peeler, rotary, dryer and others) which form the production lines in our Company's manufacturing plant.*

The production capacity of our plant and machinery is set out in Section 5.7.5 of this Prospectus.

Our Board is of the opinion that our Group has sufficient capacity to meet the current and anticipated level of demand for our production and will continue to monitor the capacity requirements to ensure that our Group's operations run smoothly.

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## 10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

### 10.1 Non-recurrent related party transactions

Pursuant to the Listing Requirements, subject to certain exemptions, a “related party transaction” is a transaction entered into by a listed issuer or its subsidiaries, which involves the interest, direct or indirect, of a related party. A “related party” is defined as a director, major shareholder or person connected with such director or major shareholder (including a director or major shareholder within the preceding six (6) months before the transaction was entered into). “Major shareholder” means a shareholder with a shareholding of ten (10%) or more (or five percent (5%) or more where such person is the largest shareholder in the company) of all the voting shares in the company.

After the Listing, we will be required to seek our shareholders' approval each time we enter into material related party transactions in accordance with the Listing Requirements. The interested persons shall abstain from voting on the resolution(s) pertaining to the respective transactions. Under the Listing Requirements, related party transactions may be aggregated to determine its materiality if the transactions occur within a 12 month period, are entered into with the same party or with parties connected to one another or if the transactions involve the acquisition or disposal of securities or interests in one corporation/asset or of various parcels of land contiguous to each other.

The following table sets out the material transactions which have been entered into by our Group in respect of the three (3) most recent completed financial years:-

Transacting Parties	Business activities of the companies outside of our Group	Nature of Transaction	Actual value for the FYE 31 December			Interested substantial shareholder / Director
			2008 RM'000	2009 RM'000	2010 RM'000	
CML Perfect Sdn Bhd	Timber Trading	Repayment of advance payment by CML Perfect Sdn Bhd due to non-delivery of supply of log to Focus Lumber. <sup>1</sup>	30	-	-	Lin Fong Ming • Director and substantial shareholder of Focus Lumber; and • Director and substantial shareholder of CML Perfect Sdn Bhd.

Note:-

1. Focus Lumber has paid in advance an amount of RM330,000 and RM500,000 to CML Perfect Sdn Bhd in 2005 and 2006 respectively for the purchase of log from CML Perfect Sdn Bhd. CML Perfect Sdn Bhd has not eventually supplied the logs to Focus Lumber. As a result, CML Perfect Sdn Bhd repaid its advances to Focus Lumber.

**10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)****10.2 Recurrent related party transactions**

After the Listing, we will be required to seek our shareholders' approval each time we enter into material related party transactions in accordance with the Listing Requirements. However, if the related party transactions can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate. The interested persons shall abstain from voting on the resolution(s) pertaining to the respective transactions. Under the Listing Requirements, related party transactions may be aggregated to determine its materiality if the transactions occur within a 12 month period, are entered into with the same party or with parties connected to one another or if the transactions involve the acquisition or disposal of securities or interests in one corporation/asset or of various parcels of land contiguous to each other.

Details of the recurrent related party transactions which, when aggregated are material to our Group in accordance with the Listing Requirements, entered or to be entered into in respect of the three (3) most recent completed financial years are as follows:-

Transacting Parties	Business activities of the companies outside of our Group	Nature of Transaction	Actual value for the FYE 31 December			Interested substantial shareholder / Director
			2008 RM'000	2009 RM'000	2010 RM'000	
GSSB	Timber trading	Purchase of timber logs from GSSB	21,138	5,885 <sup>1</sup>	-	Chen Chun Hsiung: <ul style="list-style-type: none"> <li>• Director and substantial shareholder of Focus Lumber.</li> <li>• Director of GSSB<sup>4</sup>.</li> </ul> Lin Hao Yu: <ul style="list-style-type: none"> <li>• Substantial shareholder of Focus Lumber.</li> <li>• Director and substantial shareholder of GSSB<sup>5</sup>.</li> </ul> Yang Hsi Hsien: <ul style="list-style-type: none"> <li>• Substantial shareholder of Focus Lumber.</li> <li>• Director and substantial shareholder of GSSB<sup>6</sup>.</li> </ul>

**10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)**

Transacting Parties	Business activities of the companies outside of our Group	Nature of Transaction	Actual value for the FYE 31 December			Interested substantial shareholder / Director
			2008 RM'000	2009 RM'000	2010 RM'000	
Sabarina Corporation Sdn Bhd ("SCSB")	Gummed tape and plastic manufacturing	Purchase of gummed tape by Focus Lumber	467	383	386	Chen Chun Hsiung: <ul style="list-style-type: none"> <li>• Director and substantial shareholder of Focus Lumber.</li> <li>• Substantial shareholder of SCSB.</li> </ul>
Ho Lian Sawmill Sdn Bhd ("HLSSB")	Sawmill	Sales of timber logs by Focus Lumber	519	102 <sup>2</sup>	-	Lin Lieh Ming: <ul style="list-style-type: none"> <li>• Director and substantial shareholder of Focus Lumber.</li> <li>• Director of HLSSB<sup>7</sup>.</li> <li>• Director of Untung Ria.</li> </ul> Lin Hao Yu: <ul style="list-style-type: none"> <li>• Substantial shareholder of Focus Lumber.</li> <li>• Director of HLSSB<sup>8</sup>.</li> <li>• Substantial shareholder of Untung Ria<sup>9</sup>.</li> </ul> Yang Chien Chih: <ul style="list-style-type: none"> <li>• Director and substantial shareholder of Focus Lumber.</li> <li>• Director and substantial shareholder of HLSSB<sup>10</sup>.</li> <li>• Director of Untung Ria<sup>11</sup>.</li> </ul>
		Purchase of electricity from Untung Ria	148	-	-	

**10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)**

Transacting Parties	Business activities of the companies outside of our Group	Nature of Transaction	Actual value for the FYE 31 December			Interested substantial shareholder / Director
			2008 RM'000	2009 RM'000	2010 RM'000	
Untung Ria	Generation, transmission, distribution and sales of electricity.	Sales of electricity to Focus Lumber	5,488	2,828 <sup>3</sup>	-	<p>Lin Fong Ming:</p> <ul style="list-style-type: none"> <li>Director and substantial shareholder of Focus Lumber.</li> <li>Director of Untung Ria.</li> </ul> <p>Lin Lieh Ming:</p> <ul style="list-style-type: none"> <li>Director and substantial shareholder of Focus Lumber.</li> <li>Director of Untung Ria.</li> </ul> <p>Yang Chien Chih:</p> <ul style="list-style-type: none"> <li>Director and substantial shareholder of Focus Lumber.</li> <li>Director of Untung Ria<sup>11</sup>.</li> </ul> <p>Lin Hao Yu:</p> <ul style="list-style-type: none"> <li>Substantial shareholder of Focus Lumber.</li> <li>Substantial shareholder of Untung Ria<sup>9</sup>.</li> </ul> <p>Lu Wei Hsu:</p> <ul style="list-style-type: none"> <li>Substantial shareholder of Focus Lumber.</li> <li>Substantial shareholder of Untung Ria<sup>12</sup>.</li> </ul>
		Rental of land from Focus Lumber	60	35 <sup>3</sup>	-	
		Acquisition of the remaining 20% equity interest in Untung Ria by Focus Lumber	-	1,000	-	

**10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)**

*Notes:-*

1. *Actual transaction value up to 22.6.2009. On 22.6.2009, GSSB ceased as a related party.*
2. *Actual transaction value up to 18.11.2009. On 18.11.2009, HLSSB ceased as a related party.*
3. *Actual transaction value of up to 31.7.2009. Untung Ria became our wholly-owned subsidiary on 1.8.2009.*
4. *Chen Chun Hsiung ceased as a director of GSSB on 20.6.2009.*
5. *Lin Hao Yu ceased as a director and substantial shareholder of GSSB on 20.6.2009 and 22.6.2009 respectively.*
6. *Yang Hsi Hsien ceased as a director and substantial shareholder of GSSB on 20.6.2009 and 22.6.2009 respectively.*
7. *Lin Lieh Ming ceased as director of HLSSB on 20.6.2009.*
8. *Lin Hao Yu ceased as director of HLSSB on 20.6.2009.*
9. *Lin Hao Yu ceased as a substantial shareholder of Untung Ria on 1.8.2009.*
10. *Yang Chien Chih ceased as a director and substantial shareholder of HLSSB on 20.6.2009 and 18.11.2009 respectively.*
11. *Yang Chien Chih ceased as a director of Untung Ria on 30.10.2009.*
12. *Lu Wei Hsu ceased as a substantial shareholder of Unting Ria on 1.8.2009.*

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**10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)**

All the above transactions under Sections 10.1 and 10.2 are conducted in the ordinary course of business, carried out on an arm's length basis and on normal commercial terms which are not more favourable to the related parties and will not be detrimental to our minority shareholders.

We will make disclosures in our annual report of the aggregate value of the recurrent related party transactions entered into by us based on the nature of the transactions made, names of the related parties involved and their relationship with our Group during the financial year and in the annual reports for the subsequent financial years.

**10.3 TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITION**

There is no transaction that was unusual in its nature or condition, involving goods, services, tangible or intangible assets, to which we or our subsidiary was a party in respect of the past three (3) FYE 31 December 2010.

**10.4 OUTSTANDING LOANS MADE TO OR FOR THE BENEFIT OF THE RELATED PARTIES**

Save as disclosed below, there is no outstanding loans (including guarantees of any kind) made by our Company and/or subsidiary to/for the benefit of the related parties for the past three (3) FYE 31 December 2010.

	←-----As at 31 December----->		
	2008 RM'000	2009 RM'000	2010 RM'000
Contingent liability arising from issuance of a bank guarantee to a company in which one of our directors has interest (namely GSSB)*	1,000	-	-

*Note:-*

\* On 22.6.2009, GSSB ceased as a related party.

The bank guarantee was procured by our Company to facilitate the supply of logs from GSSB to us as stipulated in the timber sales agreement between our Company and GSSB. The bank guarantee is provided in the ordinary course of business as it is for the supply of logs from GSSB to our Company.

The above transaction are carried out on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and will not be detrimental to our minority shareholders.

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**10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (Cont'd)****10.5 INTERESTS IN A SIMILAR BUSINESS / CONFLICT OF INTEREST**

As at the LPD, save as disclosed below, none of our Directors or substantial shareholders have any interest, whether direct or indirect, in any businesses or corporations which are (i) carrying on a similar trade as our Group; and (ii) customers and/or suppliers of our Group:-

Company name	Principal activity	Designation	No. of ordinary shares held			
			Direct	%	Indirect	%
<b><u>Chen Chun Hsiung</u></b>						
Sabarina Corporation Sdn Bhd	Gummed tape and plastic manufacturing	-	280,000	14.00	-	-

The transaction above, which involved the supplier of our Group, did not give rise to a conflict of interest situation. All the above transactions were conducted in the ordinary course of business, carried out on an arm's length basis and on normal commercial terms which are not more favourable to the related parties and will not be detrimental to our minority shareholders.

**10.6 DECLARATION BY ADVISERS****10.6.1 Principal Adviser, Managing Underwriter, Underwriter and Placement Agent**

Bank Islam has confirmed that there is no conflict of interest in its capacity as the Principal Adviser, Managing Underwriter, Underwriter and Placement Agent to our Group in relation to the IPO. The Underwriting Agreement, which certain details are set out in Sections 3.10.2 and 3.10.4 of this Prospectus, was entered into on arms-length basis and on market terms.

**10.6.2 Solicitors for the Listing**

Lee Choon Wan & Co. has confirmed that there is no conflict of interest in its capacity as the Solicitors to our Group in relation to the IPO.

**10.6.3 External Auditors and Reporting Accountants**

Ernst & Young has confirmed that there is no conflict of interest in its capacity as the external auditors and reporting accountants to our Group in relation to the IPO.

**10.6.4 Independent Market Researcher**

Dun & Bradstreet (D&B) Malaysia Sdn Bhd has confirmed that there is no conflict of interest in its capacity as the Independent Market Researcher to our Group in relation to the IPO.

**10.6.5 Underwriter**

BIMB Securities Sdn Bhd has confirmed that there is no conflict of interest in its capacity as an underwriter to our Group in relation to the IPO.

**11. FINANCIAL INFORMATION****11.1 HISTORICAL AUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF OUR GROUP**

The following historical audited Consolidated Statements of Comprehensive Income for the past four (4) FYE 31 December 2007, 2008, 2009 and 2010 have been derived from the audited consolidated financial statements of our Group and should be read in conjunction with the Accountants' Report as set out in Section 12 of this Prospectus.

There has been no audit qualification on the audited consolidated financial statements of Focus Lumber for the four (4) FYE 31 December 2007, 2008, 2009 and 2010 under review. There were no exceptional or extraordinary items in the audited financial statements of our Group during the years under review. Our Group's audited consolidated financial statements were prepared in accordance with approved accounting standards in Malaysia and have been audited by our External Auditors, Messrs. Ernst & Young.

	←-----Audited-----→			
	FYE 31 December 2007 (Restated) RM'000	FYE 31 December 2008 (Restated) RM'000	FYE 31 December 2009 RM'000	FYE 31 December 2010 RM'000
Revenue	113,837	114,373	102,300	120,378
Cost of sales	(90,157)	(91,468)	(75,508)	(88,706)
Gross profit	23,680	22,905	26,792	31,672
<b>Other items of income:-</b>				
Interest income	252	204	79	124
Other income	3,145 <sup>#</sup>	145	747	789
Discount on acquisition	-	-	2,766	-
<b>Other items of expense:-</b>				
Selling and distribution costs	(9,137)	(9,134)	(8,887)	(13,900)
Administrative expenses <sup>^</sup>	(6,119) <sup>#</sup>	(3,235)	(6,104)	(7,891)
Finance costs	(16)	(12)	(2)	(1)
PBT	11,805	10,873	15,391	10,793
Income tax expense	(1,663)	1,121	(3,587)	(576)
PAT	10,142	11,994	11,804	10,217
<b>Profit attributable to:</b>				
Owners of Focus Lumber	11,046	10,273	11,596	10,217
Minority interests	(904)	1,721	208	-
	10,142	11,994	11,804	10,217
No. of shares in issue ('000)	91,000 <sup>1</sup>	91,000 <sup>1</sup>	91,000 <sup>1</sup>	91,000
EBITDA	17,487	15,821	20,321 <sup>7</sup>	15,961
Basic EPS <sup>2</sup> (RM)	0.12	0.11	0.13	0.11
Gross profit margin <sup>3</sup> (%)	20.80	20.03	26.19	26.31
PBT margin <sup>4</sup> (%)	10.37	9.51	15.04	8.97
PAT margin <sup>5</sup> (%)	8.91	10.49	11.54	8.49
Effective tax rate <sup>6</sup> (%)	14.09	(10.31)	23.31	5.34

**11. FINANCIAL INFORMATION (Cont'd)**

Notes:-

# Included in other income for the FYE 31 December 2007 was reversal of provision for doubtful debts provided in prior years of RM2.89 million. These doubtful debts were subsequently considered as bad by our Group during the financial year. Hence, these doubtful debts were written off as bad debts under administrative expenses and the corresponding provision for doubtful debts (which had been made in prior years) have been reversed and have resulted in an equivalent amount of credit entry under other income accordingly.

^ Administrative expenses for the FYE 31 December 2007 and 2008 were restated to include workers recruitment and staff advances written off amounting to approximately RM0.013 million and RM0.011 million respectively relating to a prior year adjustment identified during the FYE 31 December 2009.

The following adjustments relating to prior years financial statements of our Group were identified during the FYE 31 December 2009 and were accounted for retrospectively by way of prior year adjustment.

	2007 RM'000	2008 RM'000	2009 RM'000
<b>Effects on retained earnings</b>			
At 1 January, as previously stated	46,033	57,091	67,375
Effects of prior year adjustment	(1,007)	(1,019)	(1,030)
At 1 January, as restated	45,026	56,072	66,345
<b>Effects on profit for the year</b>			
Profit for the year before prior year adjustment	10,155	12,005	11,804
Effects of prior year adjustment	(13)	(11)	-
Profit for the year	10,142	11,994	11,804

- 1) The number of ordinary shares in issue is adjusted for Bonus Issue and Share Split implemented on 16 December 2010 and 17 December 2010 respectively.
- 2) Basic EPS is calculated based on profit attributable to owners of our Company divided by the number of shares in issue.
- 3) Gross profit margin is calculated based on gross profit divided by revenue.
- 4) PBT margin is calculated based on PBT divided by revenue.
- 5) PAT margin is calculated based on PAT divided by revenue.
- 6) Effective tax rate is calculated based on income tax expenses divided by PBT.
- 7) The EBITDA includes the one-off credit item for the FYE 31 December 2009, namely discount on acquisition. The following is the EBITDA before including the discount on acquisition:-

	RM'000
EBITDA	20,321
Less: Discount on acquisition	(2,766)
EBITDA before including discount on acquisition	17,555

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## 11. FINANCIAL INFORMATION (Cont'd)

### 11.2 REPORTING ACCOUNTANTS' LETTER ON THE UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*(Prepared for inclusion in this Prospectus)*



**ERNST & YOUNG**

**Ernst & Young**

AF : 0039  
Suite 1-10-W1, 10th Floor  
CPS Tower, Centre Point Sabah  
No. 1, Jalan Centre Point  
88000 Kota Kinabalu, Sabah, Malaysia  
Mail address: P. O. Box 10192  
88802 Kota Kinabalu, Sabah, Malaysia  
Tel: +6088 235 733  
Fax: +6088 238 905  
www.ey.com

*(Prepared for inclusion in the Prospectus  
to be dated 6 April 2011)*

The Board of Directors  
Focus Lumber Berhad  
11th Floor, Wisma Perindustrian  
Jalan Istiadat, Likas  
88400 Kota Kinabalu  
Sabah

18 March 2011

Dear Sirs,

#### **FOCUS LUMBER BERHAD ("FOCUS LUMBER") REPORTING ACCOUNTANTS' LETTER ON THE UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

We report on the unaudited proforma consolidated statements of financial position of Focus Lumber and its subsidiary ("Focus Lumber Group") as set out in the accompanying notes, which we have stamped for the purpose of identification. The unaudited proforma consolidated statements of financial position have been prepared for illustrative purposes only on the basis of assumptions as set out in the accompanying notes and after making certain adjustments to show what the financial position of Focus Lumber Group as at 31 December 2010 would have been, after adjusting for the Payment of Dividend, Public Issue and Offer for Sale.

The unaudited proforma consolidated statements of financial position have been prepared for the inclusion in the Prospectus in connection with the following:

- a) Public issue of 12,200,000 new ordinary shares of RM0.50 each in Focus Lumber at an issue price of RM0.60 per share.
- b) Offer for sale of up to 5,160,000 ordinary shares of RM0.50 each in Focus Lumber at an offer price of RM0.60 per share.
- c) Listing of and quotation for the entire enlarged issued and paid-up share capital of Focus Lumber of RM51,600,000 comprising 103,200,000 ordinary shares of RM0.50 each on the Main Market of Bursa Malaysia Securities Berhad.

This letter is required by and is given for the purpose of complying with the Prospectus Guidelines issued by the Securities Commission and for no other purpose.

The unaudited proforma consolidated statements of financial position, because of the nature, may not be reflective of Focus Lumber Group's actual financial position. Further, such financial information does not purport to predict the future financial position of Focus Lumber Group.

**11. FINANCIAL INFORMATION (Cont'd)****FOCUS LUMBER BERHAD  
REPORTING ACCOUNTANTS' LETTER ON THE UNAUDITED PROFORMA  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION*****Responsibilities***

It is the sole responsibility of the Directors of Focus Lumber to prepare the unaudited proforma consolidated statements of financial position in accordance with the requirements of the Prospectus Guidelines issued by the Securities Commission.

It is our responsibility to form an opinion, as required by the Prospectus Guidelines issued by the Securities Commission as to the proper compilation of the unaudited proforma consolidated statements of financial position and to report our opinion to you.

In providing this opinion we are not responsible in updating or refreshing any reports or opinion previously made by us on any financial information used in the compilation of the unaudited proforma consolidated statements of financial position, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinion were addressed by us at the dates of their issue.

***Basis of Opinion***

We conducted our work in accordance with Malaysian Approved Standard on Assurance, ISAE 3000 - Assurance Engagements Other Than Audit or Review of Historical Information. Our work consisted primarily comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited proforma consolidated statements of financial position with the responsible officers of Focus Lumber. Our work involved no independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the unaudited proforma consolidated statements of financial position have been properly compiled on the basis stated using financial statements prepared in accordance with Financial Reporting Standards in Malaysia, and in a manner consistent with both the format of the financial statements and the accounting policies of Focus Lumber. Our work also involves assessing whether the adjustments made to the information used in the preparation of the unaudited proforma consolidated statements of financial position are appropriate for the purposes of preparing the unaudited proforma consolidated statements of financial position.

11. FINANCIAL INFORMATION (Cont'd)



**FOCUS LUMBER BERHAD  
REPORTING ACCOUNTANTS' LETTER ON THE UNAUDITED PROFORMA  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

In our opinion,

- i) the unaudited proforma consolidated statements of financial position which have been prepared by the directors of Focus Lumber have been properly compiled on the bases stated in the accompanying notes using financial statements prepared in accordance with Financial Reporting Standards in Malaysia and in a manner consistent with both the format of the financial statements and accounting policies adopted by Focus Lumber; and
- ii) each material adjustment made to the information used in the preparation of the unaudited proforma consolidated statements of financial position is appropriate for the purpose of preparing the unaudited proforma consolidated statements of financial position.

Yours faithfully,

Ernst & Young  
AF: 0039  
Chartered Accountants

Kota Kinabalu, Malaysia

**11. FINANCIAL INFORMATION (Cont'd)***Unaudited Proforma Consolidated Statements of Financial Position***1. Introduction**

The unaudited proforma consolidated statements of financial position of Focus Lumber Berhad ("Focus Lumber") and its subsidiary ("Focus Lumber Group" or "the Group"), for which the directors of Focus Lumber are solely responsible, has been prepared for illustrative purposes only, for the purpose of inclusion in the Prospectus of Focus Lumber in connection with the Public Issue, Offer for Sale, and Listing as referred to in Note 2 below.

The unaudited proforma consolidated statements of financial position, because of the nature, may not be reflective of Focus Lumber Group's actual financial position. Further, such financial information does not purport to predict the future financial position of Focus Lumber Group.

The unaudited proforma consolidated statements of financial position have been properly prepared on the bases stated. The financial statements used in the preparation of the unaudited proforma consolidated statements of financial position have been prepared in accordance with Financial Reporting Standards in Malaysia.

The unaudited proforma consolidated statements of financial position have been prepared in a manner consistent with both the format of the financial statements and accounting policies of Focus Lumber Group. Each material adjustment made to the information used in the preparation of the unaudited proforma consolidated statements of financial position is appropriate for the purpose of preparing the unaudited proforma consolidated statements of financial position.

**2. Listing Scheme**

In connection with and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of Focus Lumber on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), Focus Lumber undertakes a listing scheme, which involves the following transactions:

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Chartered Accountants Kota Kinabalu  
For identification purposes only

**11. FINANCIAL INFORMATION (Cont'd)***Unaudited Proforma Consolidated Statements of Financial Position***2. Listing Scheme (Contd.)****2.1 Bonus Issue**

Bonus issue of 10,500,000 new ordinary shares of RM1.00 each in Focus Lumber on the basis of three new ordinary shares for every ten existing ordinary shares held by the existing shareholders. ("Bonus Issue")

The Bonus Issue was completed on 16 December 2010.

**2.2 Share Split**

Subdivision of the issued and paid-up share capital of Focus Lumber of RM45,500,000 comprising 45,500,000 ordinary shares of RM1.00 each into 91,000,000 ordinary shares of RM0.50 each. ("Share Split")

The Share Split was completed on 17 December 2010.

**2.3 Public Issue**

Public issue of 12,200,000 new ordinary shares of RM0.50 each in Focus Lumber at an issue price of RM0.60 per share. ("Public Issue")

**2.4 Offer for Sale**

Offer for sale of up to 5,160,000 ordinary shares of RM0.50 each in Focus Lumber at an offer price of RM0.60 per share. ("Offer for Sale")

**2.5 Listing**

Listing of and quotation for the entire enlarged issued and paid-up share capital of Focus Lumber of RM51,600,000 comprising 103,200,000 ordinary shares of RM0.50 each on the Main Market of Bursa Securities.

**11. FINANCIAL INFORMATION (Cont'd)***Unaudited Proforma Consolidated Statements of Financial Position***3. Unaudited Proforma Consolidated Statements of Financial Position as at 31 December 2010**

The unaudited proforma consolidated statements of financial position of Focus Lumber as at 31 December 2010 set out below, for which the directors of Focus Lumber are solely responsible, have been prepared for illustrative purposes only to show the effects of Payment of Dividend, Public Issue and Offer for Sale on the audited consolidated statement of financial position of Focus Lumber as at 31 December 2010 on the assumption that these transactions were implemented and completed on 31 December 2010:

	<b>Audited as at 31 December 2010</b>	<b>Adjustments</b>	<b>Proforma I After Payment of Dividend</b>	<b>Adjustments</b>	<b>Proforma II After Proforma I, Public Issue and Offer for Sale</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	46,987,450	-	46,987,450	-	46,987,450
Investment properties	1,517,720	-	1,517,720	-	1,517,720
Other investments	1,149,040	-	1,149,040	-	1,149,040
Deferred tax assets	3,417,853	-	3,417,853	-	3,417,853
	<u>53,072,063</u>	<u>-</u>	<u>53,072,063</u>	<u>-</u>	<u>53,072,063</u>

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**11. FINANCIAL INFORMATION (Cont'd)***Unaudited Proforma Consolidated Statements of Financial Position***3. Unaudited Proforma Consolidated Statements of Financial Position as at 31 December 2010 (Contd.)**

	<b>Proforma I</b>		<b>Proforma II</b>	
	<b>Audited as at 31 December 2010</b>	<b>Adjustments</b>	<b>After Payment of Dividend</b>	<b>After Proforma I, Public Issue and Offer for Sale</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Current assets</b>				
Inventories	22,284,827	-	22,284,827	22,284,827
Trade and other receivables	6,347,490	-	6,347,490	6,347,490
Tax refundable	3,679,073	-	3,679,073	3,679,073
Cash and bank balances	28,810,477	(6,200,000)	22,610,477	27,130,477
	61,121,867	(6,200,000)	54,921,867	59,441,867
<b>Total assets</b>	<b>114,193,930</b>	<b>(6,200,000)</b>	<b>107,993,930</b>	<b>112,513,930</b>
<b>Equity and liabilities</b>				
<b>Current liability</b>				
Trade and other payables	9,155,980	-	9,155,980	9,155,980
<b>Net current assets</b>	<b>51,965,887</b>	<b>(6,200,000)</b>	<b>45,765,887</b>	<b>50,285,887</b>

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## 11. FINANCIAL INFORMATION (Cont'd)

## Unaudited Proforma Consolidated Statements of Financial Position

## 3. Unaudited Proforma Consolidated Statements of Financial Position as at 31 December 2010 (Contd.)

	Audited as at 31 December 2010	Adjustments	Proforma I After Payment of Dividend	Adjustments	Proforma II After Proforma I, Public Issue and Offer for Sale
	RM	RM	RM	RM	RM
<b>Non-current liability</b>					
Deferred tax liabilities	2,880,341	-	2,880,341	-	2,880,341
<b>Total liabilities</b>	12,036,321	-	12,036,321	-	12,036,321
<b>Net assets ("NA")</b>	102,157,609	(6,200,000)	95,957,609	4,520,000	100,477,609
<b>Equity attributable to owners of Focus Lumber</b>					
Share capital	45,500,000	-	45,500,000	6,100,000	51,600,000
Share premium	-	-	-	742,000	742,000
Retained earnings	56,657,609	(6,200,000)	50,457,609	(2,322,000)	48,135,609
<b>Total equity</b>	102,157,609	(6,200,000)	95,957,609	4,520,000	100,477,609
<b>Total equity and liabilities</b>	114,193,930	(6,200,000)	107,993,930	4,520,000	112,513,930
Number of ordinary shares in issue	91,000,000		91,000,000		103,200,000
NA per share (RM)	1.12		1.05		0.97

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**11. FINANCIAL INFORMATION (Cont'd)***Unaudited Proforma Consolidated Statements of Financial Position***3. Unaudited Proforma Consolidated Statements of Financial Position as at 31 December 2010 (Contd.)****3.1 Notes to the Unaudited Proforma Consolidated Statements of Financial Position as at 31 December 2010****3.1.1 Basis of Preparation**

- a) The unaudited proforma consolidated statements of financial position have been prepared for illustrative purposes only to show the effects of the transactions set out below on the audited consolidated statement of financial position of Focus Lumber as at 31 December 2010, had the transactions been implemented and completed on that date.
- b) The unaudited proforma consolidated statements of financial position have been prepared based on bases consistent with the accounting policies of Focus Lumber Group as disclosed in the audited consolidated financial statements of Focus Lumber for the financial year ended 31 December 2010 which have been prepared in accordance with approved accounting standards in Malaysia.

**3.1.2 Proforma I – After Bonus Issue**

Proforma I is stated after incorporating the effects of the following:

- a) The payment of interim tax exempt (single-tier) dividend of approximately 6.8132% on 91,000,000 ordinary shares of RM0.50 each in Focus Lumber amounting to RM6,200,000 in respect of the financial year ended 31 December 2010 declared on 28 January 2011 and paid on 15 February 2011. ("Payment of Dividend")

**3.1.3 Proforma II – After Proforma I, Public Issue and Offer for Sale**

Proforma II is stated after incorporating the effects of Proforma I and the following:

- a) Public issue of 12,200,000 new ordinary shares of RM0.50 each in Focus Lumber at an issue price of RM0.60 per share.

**11. FINANCIAL INFORMATION (Cont'd)***Unaudited Proforma Consolidated Statements of Financial Position***3. Unaudited Proforma Consolidated Statements of Financial Position as at 31 December 2010 (Contd.)****3.1 Notes to the Unaudited Proforma Consolidated Statements of Financial Position as at 31 December 2010 (Contd.)****3.1.3 Proforma II – After Proforma I, Public Issue and Offer for Sale (Contd.)**

- b) Gross proceeds arising from the Public Issue amounting to RM7.32 million will be utilised as follows:

	RM'000
Working capital	4,520
Payment of estimated listing expenses	2,800
	<u>7,320</u>

- c) Estimated listing expenses of approximately RM0.478 million will be written off to the share premium account and the remaining estimated listing expenses of approximately RM2.322 million will be recognised in the income statement.
- d) Offer for sale of up to 5,160,000 ordinary shares of RM0.50 each in Focus Lumber at an offer price of RM0.60 per share. The Offer for Sale does not have any financial impact on the proforma consolidated statements of financial position of Focus Lumber as at 31 December 2010.

**3.1.4 Others**

- a) Movements on the issued and paid-up share capital, share premium and retained earnings of Focus Lumber after implementation of the Payment of Dividend, Public Issue and Offer for Sale set out above are as follows:

	Share Capital RM	Share Premium RM	Retained Earnings RM	Total Equity RM
<b>Audited as at 31 December 2010</b>	45,500,000	-	56,657,609	102,157,609
Payment of Dividend	-	-	(6,200,000)	(6,200,000)
<b>Proforma I</b>	45,500,000	-	50,457,609	95,957,609
Public Issue and Offer for Sale	6,100,000	1,220,000	-	7,320,000
Less: Estimated listing expenses	-	(478,000)	(2,322,000)	(2,800,000)
<b>Proforma II</b>	51,600,000	742,000	48,135,609	100,477,609

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**11. FINANCIAL INFORMATION (Cont'd)***Unaudited Proforma Consolidated Statements of Financial Position***3. Unaudited Proforma Consolidated Statements of Financial Position as at 31 December 2010 (Contd.)****3.1 Notes to the Unaudited Proforma Consolidated Statements of Financial Position as at 31 December 2010 (Contd.)****3.1.4 Others (Contd.)**

- b) Establishment of an employee share options scheme ("ESOS") of up to ten percent (10%) of the issued and paid-up share capital of Focus Lumber for the eligible Directors and employees of Focus Lumber Group.

The ESOS will not have an immediate material effect on the consolidated NA of Focus Lumber. However, the potential effect on the consolidated NA of Focus Lumber in the future would depend on the number of ESOS options granted and exercised, and the issue price of the ESOS options.

**11. FINANCIAL INFORMATION (Cont'd)****11.3 CAPITALISATION AND INDEBTEDNESS**

The following information should be read in conjunction with the Reporting Accountants' Letter on the Unaudited Proforma Consolidated Statements of Financial Position and Accountants' Report as set out in Sections 11.2 and 12 of this Prospectus respectively.

The following table shows our Group's capitalisation and indebtedness based on our Unaudited Proforma Consolidated Statements of Financial Position as at 31 December 2010:-

	<b>Audited as at 31 December 2010 RM</b>	<b>After Payment of Dividend RM</b>	<b>After Payment of Dividend and completion of IPO RM</b>
<b>Indebtedness:-</b>			
Contingent liability <sup>#</sup>	1,000,000	1,000,000	1,000,000
<b>Total Indebtedness</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>
 Shareholders' equity	 102,157,609	 95,957,609	 100,477,609
 <b>Total capitalisation and indebtedness</b>	 <b>103,157,609</b>	 <b>96,957,609</b>	 <b>101,477,609</b>

*Note:-*

<sup>#</sup> As at the LPD, the contingent liability ceased to exist.

**11.4 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS, RESULTS OF OPERATIONS AND PROSPECTS**

The following management's discussion and analysis of our Group's financial conditions and results of operations should be read in conjunction with the Accountants' Report as set out in Section 12 of this Prospectus.

The discussion and analysis contains data derived from our audited financial statements as well as forward-looking statements that involves risks and uncertainties. The results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 4 of this Prospectus.

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**11. FINANCIAL INFORMATION (Cont'd)****11.4.1 Analysis of our Group's operating results**

We are principally engaged in the manufacturing and sale of plywood, veneer and LVL, and investment holding. LVL is our new product where sales of LVL only started in April 2010. Our subsidiary company is principally involved in the generation, transmission, distribution and sale of electricity predominantly for the consumption by our Group.

Please refer to Section 5 of this Prospectus for our Group's detailed business overview.

**(a) Segmental analysis**

The table below sets forth the breakdown of our Group's revenue, gross profit and gross profit margin by core activities for the respective financial years:-

**(i) Analysis of contribution to revenue by companies:-**

Company	<-----FYE 31 December----->							
	2007		2008		2009		2010	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Focus Lumber	113,810	99.98	114,225	99.87	102,300	100.00	120,321	99.95
Untung Ria	6,383	5.60	5,635	4.92	5,279	5.16	5,418	4.50
<b>Total</b>	<b>120,193</b>	<b>105.58</b>	<b>119,860</b>	<b>104.79</b>	<b>107,579</b>	<b>105.16</b>	<b>125,739</b>	<b>104.45</b>
Consolidation adjustment	(6,356)	(5.58)	(5,487)	(4.79)	(5,279)	(5.16)	(5,361)	(4.45)
	<b>113,837</b>	<b>100.00</b>	<b>114,373</b>	<b>100.00</b>	<b>102,300</b>	<b>100.00</b>	<b>120,378</b>	<b>100.00</b>

**(ii) Analysis of contribution to revenue by core activities:-**

	<-----FYE 31 December----->							
	2007		2008		2009		2010	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Manufacturing and sale of plywood	106,318	93.40	105,039	91.84	98,030	95.83	114,591	95.19
Manufacturing and sale of veneer	6,674	5.86	9,178	8.02	4,270	4.17	4,514	3.75
Manufacturing and sale of LVL	-	-	-	-	-	-	1,216	1.01
Sales of lumber core	818	0.72	8	^	-	-	-	-
Sales of electricity	6,383	5.60	5,635	4.93	5,279	5.16	5,418	4.50
<b>Total</b>	<b>120,193</b>	<b>105.58</b>	<b>119,860</b>	<b>104.79</b>	<b>107,579</b>	<b>105.16</b>	<b>125,739</b>	<b>104.45</b>
Consolidation adjustment	(6,356)	(5.58)	(5,487)	(4.79)	(5,279)	(5.16)	(5,361)	(4.45)
	<b>113,837</b>	<b>100.00</b>	<b>114,373</b>	<b>100.00</b>	<b>102,300</b>	<b>100.00</b>	<b>120,378</b>	<b>100.00</b>

Note:-

^ Negligible