

This Prospectus has been seen and approved by the directors and promoter of Priceworth Wood Products Berhad ("PWP") and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statement or other facts the omission of which would make any statement herein false or misleading.

The Adviser and Managing Underwriter acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the public offering and are satisfied that the profit forecast (for which the directors of PWP are fully responsible) prepared for inclusion in the prospectus have been stated by the directors after due and careful enquiry and have been duly reviewed by the Reporting Accountants.

The Securities Commission has approved the issue, offer or invitation in respect of the public offering and that the approval shall not be taken to indicate that the Securities Commission recommends the public offering.

The Securities Commission shall not be liable for any non-disclosure on the part of PWP and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. **INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT.**

The Kuala Lumpur Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Prospectus. Admission to the Official List is not to be taken as an indication of the merits of PWP or of its securities.

A copy of this Prospectus has been registered by the Securities Commission and lodged with the Registrar of Companies, Malaysia who takes no responsibility for its contents.

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**TENTATIVE TIMETABLE**

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The indicative timing of events leading up to the listing of and quotation for the 85,000,000 ordinary shares of RM0.50 each representing the entire issued and paid-up share capital in PWP of RM42,500,000 on the Second Board of the Kuala Lumpur Stock Exchange is set out below:-

<b><u>Indicative Date</u></b>	<b><u>Event</u></b>
23 November 2001	Issue of Prospectus/Opening date of the Public Issue
6 December 2001	Closing date of the Public Issue
11 December 2001	Tentative date for Balloting of Applications
31 December 2001	Tentative Listing date on the KLSE

**THIS TIMETABLE IS TENTATIVE AND IS SUBJECT TO CHANGES WHICH MAY BE NECESSARY TO FACILITATE IMPLEMENTATION PROCEDURES. THE APPLICATION PERIOD WILL REMAIN OPEN UNTIL 8.00 P.M. ON 6 DECEMBER 2001 OR SUCH FURTHER PERIOD OR PERIODS AS THE DIRECTORS OF PWP TOGETHER WITH MANAGING UNDERWRITER MAY DECIDE.**

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**DEFINITIONS**


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Except where the context otherwise requires, the following definitions apply throughout this Prospectus:-

<b>Acquisition of MSB</b>	— Acquisition by PISB of 200,000 ordinary shares of RM1.00 each in MSB representing approximately 11.11% of the issued and paid-up share capital of MSB for a purchase consideration of RM398,614 satisfied by cash
<b>Acquisition of PISB</b>	— Acquisition by PWP of 32,974,031 ordinary shares of RM1.00 each in PISB representing the entire issued and paid-up share capital of PISB for a purchase consideration of RM42,076,738 satisfied by the issuance of 72,109,980 Shares at an issue price of approximately RM0.58 per Share
<b>Acquisitions</b>	— Acquisition of MSB and Acquisition of PISB collectively
<b>Act</b>	— Companies Act, 1965
<b>ADA</b>	— Authorised Depository Agent
<b>ADA Code</b>	— ADA (Broker) Code
<b>Application</b>	— Application for IPO Shares by way of Application Forms or by way of Electronic Share Application
<b>Application Form</b>	— Application for IPO Shares by way of a printed Application Form
<b>Arab-Malaysian</b>	— Arab-Malaysian Merchant Bank Berhad (23742-V)
<b>ATM</b>	— Automated Teller Machine
<b>Cergas Kenari</b>	— Cergas Kenari Sdn Bhd (476221-T)
<b>CCA</b>	— Chromated Copper Arsenate
<b>CDS</b>	— Central Depository System
<b>EBIDTA</b>	— Earnings before interest, depreciation, taxation and amortisation
<b>Electronic Share Application</b>	— Application for IPO Shares through a Participating Financial Institution's ATM
<b>EPS</b>	— Earnings Per Share
<b>FIC</b>	— Foreign Investment Committee
<b>GDP</b>	— Gross Domestic Product
<b>Initial Public Offering or IPO</b>	— Public Issue
<b>IPO Shares</b>	— Public Issue Shares
<b>KLSE</b>	— Kuala Lumpur Stock Exchange (30632-P)
<b>LESB</b>	— Ligreen Enterprise Sdn Bhd (276142-D)

**DEFINITIONS (Cont'd)**

<b>Listing</b>	— Admission to the Official List and the listing of and quotation for the entire issued and paid-up share capital in PWP of RM42,500,000 comprising 85,000,000 ordinary shares of RM0.50 each on the Second Board of the KLSE
<b>MSB</b>	— Maxland Sdn Bhd (094655-M)
<b>MCD or Central Depository</b>	— Malaysian Central Depository Sdn Bhd (165570-W), a subsidiary company of KLSE
<b>MIH or Issuing House</b>	— Malaysian Issuing House Sdn Bhd (258345-X)
<b>MITI</b>	— Ministry of International Trade and Industry
<b>NTA</b>	— Net Tangible Assets
<b>Participating Financial Institution(s)</b>	— Refers to the Participating Financial Institutions for Electronic Share Application as listed in Section 11.9(n) of this Prospectus
<b>PAT</b>	— Profit After Tax
<b>PBT</b>	— Profit Before Tax
<b>PE Multiple</b>	— Price Earnings Multiple
<b>PWP or Company</b>	— Priceworth Wood Products Berhad (399292-V)
<b>PWP Group or Group</b>	— PWP and its subsidiaries namely PISB, LESB and MSB
<b>PISB</b>	— Priceworth Industries Sdn Bhd (199085-X)
<b>Public Issue</b>	— Public Issue of 12,890,000 new Shares representing approximately 15.16% of the enlarged issued and paid-up share capital of PWP at an issue price of RM1.30 per Share to eligible employees, directors and the Malaysian public
<b>Public Issue Shares</b>	— The 12,890,000 new Shares to be issued pursuant to the Public Issue
<b>Promoter</b>	— The major shareholder of the PWP Group, namely Mr Lim Nyuk Foh
<b>Restructuring and Listing Scheme</b>	— The Acquisitions, Public Issue and Listing collectively
<b>RM and sen</b>	— Ringgit Malaysia and sen respectively
<b>Rintisan Bumi</b>	— Rintisan Bumi (M) Sdn Bhd (304007-P)
<b>ROC</b>	— Registrar of Companies
<b>SC</b>	— Securities Commission
<b>Share(s)</b>	— Ordinary share(s) of RM0.50 each in PWP
<b>Teras Selasih</b>	— Teras Selasih Sdn Bhd (476243-V)
<b>US Dollar</b>	— United States Dollar
<b>UV</b>	— Ultra Violet

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**CORPORATE INFORMATION**


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**BOARD OF DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Occupation and Nationality</b>
Tan Sri Sabbaruddin Chik (Chairman)	Seri Banir, Jalan Bahagia 28000 Temerloh Pahang Darul Makmur	Company Director, Malaysian
Lim Nyuk Foh (Managing Director)	House No 56 Tyng Garden, Mile 5 Labuk Road 90000 Sandakan Sabah	Company Director, Malaysian
Chok Syn Vun (Executive Director)	Mile 9 ½, Jalan Labuk 90000 Sandakan Sabah	Company Director, Malaysian
Dato' Sidek Bin Awang (Non-Executive Director)	143, Jalan Sepuluh Taman Ampang Utama Batu 4 1/2, Jalan Ampang 68000 Ampang Selangor Darul Ehsan	Company Director, Malaysian
Ramlee Bin Mohd Shariff (Non-Executive Director)	17, Jalan Bukit Setiawangsa 10 Taman Setiawangsa 54200 Kuala Lumpur	Company Director, Malaysian
Kwan Tack Chiong (Independent Non-Executive Director)	No. 4, Jalan 3/115A Taman Pagar Ruyong Jalan Kuchai Lama 58200 Kuala Lumpur	Company Director, Malaysian
Ooi Jit Huat (Independent Non-Executive Director)	No. 8, Jalan Setiamurni 8 Bukit Damansara 50490 Kuala Lumpur	Company Director, Malaysian

**AUDIT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Kwan Tack Chiong	Chairman	Independent Non-Executive Director
Chok Syn Vun	Member	Executive Director
Ooi Jit Huat	Member	Independent Non-Executive Director



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**CORPORATE INFORMATION (Cont'd)**

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- COMPANY SECRETARY** : Yuen Wai Seng (MIA 1937)  
7267, Taman Berjaya Phase II  
Jalan Apas  
P.O. Box 181  
91007 Tawau, Sabah
- REGISTERED OFFICE** : 1st Floor, Lot 5, Block No. 4, Bandar Indah  
Mile 4, Jalan Utara  
P.O. Box 2848  
90732 Sandakan  
Sabah  
Tel : 089-221170/223767/221211  
Fax : 089-221213/227823  
Email : pricwor@tm.net.my / maxland@tm.net.my  
Website: www.borneo-online.com.my/priceworth
- HEAD OFFICE** : 1st Floor, Lot 5, Block No. 4, Bandar Indah  
Mile 4, Jalan Utara  
P.O. Box 2848  
90732 Sandakan  
Sabah  
Tel : 089-221170/223767/221211  
Fax : 089-221213/227823  
Email : pricwor@tm.net.my / maxland@tm.net.my  
Website: www.borneo-online.com.my/priceworth
- REGISTRARS & TRANSFER OFFICE** : Signet Share Registration Services Sdn Bhd (506293-D)  
11th Floor, Tower Block, Kompleks Antarabangsa  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel : 03-21454337  
Fax : 03-21421353
- ISSUING HOUSE** : Malaysian Issuing House Sdn Bhd (238345-X)  
27th Floor, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur
- PRINCIPAL BANKERS** : Arab-Malaysian Merchant Bank Berhad (23742-V)  
22th Floor, Bangunan Arab-Malaysian  
55 Jalan Raja Chulan  
50200 Kuala Lumpur
- Malayan Banking Berhad (3813-K)  
48 Jalan Tiga  
90704 Sandakan  
Sabah
- Alliance Bank Malaysia Berhad (88103-W)  
No. 1 Block C Taman Kim Fung  
90000 Sandakan  
Sabah

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**CORPORATE INFORMATION (Cont'd)**

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- AUDITORS AND REPORTING ACCOUNTANTS** : Ernst & Young  
(Firm No. AF 0039)  
Sabah Bank Building  
2nd Floor, Jalan Utara  
W.D.T. 46  
91009 Tawau  
Sabah
- SOLICITORS FOR IPO** : Vincent Wong & Co.  
Advocates & Solicitors  
Suite 8.12, 8th Floor  
Block A  
Kompleks Karamuning  
88300 Kota Kinabalu  
Sabah
- SOLICITORS FOR DUE DILIGENCE** : Rahman & Juhar  
Advocates & Solicitors  
Suite 439, 4th Floor  
Wisma Sabah  
Jalan Tun Fuad Stephens  
88837 Kota Kinabalu  
Sabah
- ADVISER AND MANAGING UNDERWRITER** : Arab-Malaysian Merchant Bank Berhad (23742-V)  
22nd Floor, Bangunan Arab-Malaysian  
55 Jalan Raja Chulan  
50200 Kuala Lumpur
- UNDERWRITERS** : Arab-Malaysian Merchant Bank Berhad (23742-V)  
22nd Floor, Bangunan Arab-Malaysian  
55 Jalan Raja Chulan  
50200 Kuala Lumpur
- SBB Securities Sdn Bhd (100518-M)  
51-53 Persiaran Greenhill  
30450 Ipoh  
Perak Darul Ridzuan
- LISTING SOUGHT** : Second Board of the Kuala Lumpur Stock Exchange

# PRICEWORTH WOOD PRODUCTS BERHAD

(Company No. 399292-V)  
(Incorporated in Malaysia under the Companies Act, 1965)

## 1. INFORMATION SUMMARY

**THE FOLLOWING INFORMATION SUMMARY IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE PWP GROUP, AND INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST.**

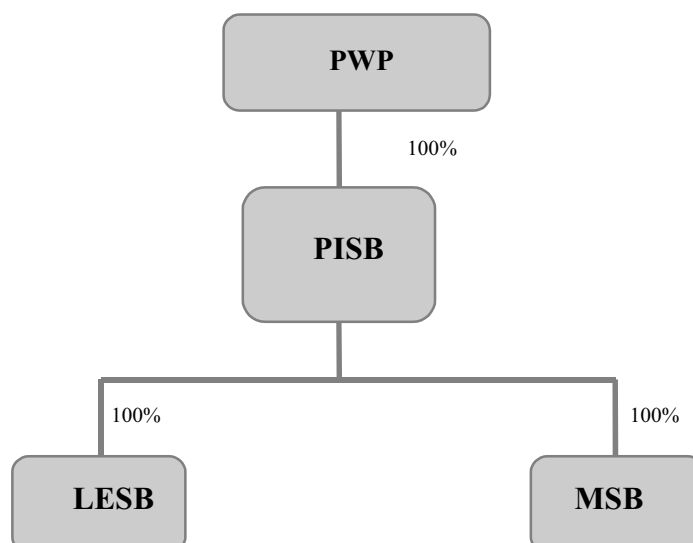
### 1.1 History and Business

PWP was incorporated on 22 August 1996 in Malaysia under the Companies Act, 1965 as a private limited company under the name of Priceworth Wood Products Sdn Bhd. On 6 November 2000, it was converted to a public limited company and assumed its current name. It is principally an investment holding company with a wholly-owned subsidiary namely PISB which in turn has two subsidiaries, LESB and MSB. The subsidiary companies are involved in the manufacturing and sale of processed wood products namely sawn timber, barecore board, fingerjoints, laminated timber, moulding profiles & moulded timber, wooden doors, window frames, parquet flooring, UV coating flooring, CCA treated wood, timber extraction, distribution of log timber, log timber trading, provision of wood processing services, rental of kiln dry machinery, construction and land development.

The PWP Group was established in 1982 with the incorporation of MSB, a company that is involved in log extraction. In 1993, LESB was incorporated to venture into trading of timber logs. The commercial production of processed timber under PISB commenced in 1994. The main activities then were manufacturing and sale of sawn timber, barecore board, fingerjoints, provision of wood processing services and rental of kiln dry machinery.

Presently, the PWP Group operates an integrated timber complex located on an 81.02-acre land in Seguntor, about 16 kilometres from Sandakan, Sabah. A significant portion of the Group's wide range of timber products are exported to several countries around the world such as Japan, China, Hong Kong, Taiwan, Singapore, Thailand, South Korea and Phillipines.

The PWP Group's corporate structure is set out as below:-



## 1. INFORMATION SUMMARY (Cont'd)

Details of the subsidiary company of PWP are summarised below:-

Subsidiary Company of PWP	Date and place of incorporation	Issued and paid-up share capital (RM)	Effective Equity Interest (%)	Principal Activities
PISB	11.06.1990 Malaysia	32,974,031	100	Manufacture and sale of processed wood products, distribution of log timber, provision of wood processing services and rental of kiln dry machinery.

Details of the subsidiary companies of PISB are summarised below:-

Subsidiary Companies of PISB	Date and place of incorporation	Issued and paid-up share capital (RM)	Effective Equity Interest (%)	Principal Activities
LESB	13.09.1993 Malaysia	500,000	100	Log timber trading.
MSB	21.12.1982 Malaysia	1,800,000	100	Construction, timber extraction, and land development contract.

Further information on the PWP Group is set out in Section 4 of this Prospectus.

### 1.2 Shareholdings of Promoter, Substantial Shareholders, Directors and Key Management of PWP

	Final shareholdings after the Restructuring and Listing Scheme of PWP ^			
	<-----Direct----->		<-----Indirect----->	
	No.	%	No.	%
<b>Promoter</b>				
Lim Nyuk Foh	34,730,980	40.8	-	-
<b>Substantial Shareholders</b>				
Lim Nyuk Foh	34,730,980	40.8	-	-
Dato' Sidek Bin Awang	21,270,000	25.0	-	-
Ramlee Bin Mohd Shariff	5,220,000	6.1	-	-
<b>Directors</b>				
Tan Sri Sabbaruddin Chik	920,000	1.1	-	-
Lim Nyuk Foh	34,730,980	40.8	-	-
Chok Syn Yun	870,000	1.0	-	-
Dato' Sidek Bin Awang	21,270,000	25.0	-	-
Ramlee Bin Mohd Shariff	5,220,000	6.1	-	-
Kwan Tack Chiong	20,000	*	-	-
Ooi Jit Huat	20,000	*	-	-
<b>Key Management of PWP<sup>(a)</sup></b>	-	-	-	-

**Note:-**

^ Includes the pink form allocation pursuant to the IPO

\* Negligible percentage

(a) There are no shareholdings in PWP, direct or indirect, held by any key management personnel (except for their pink form share allocation pursuant to the IPO)

The information of the Promoter, Substantial Shareholders, Directors and Key Management of PWP Group are detailed in Section 5 of this Prospectus.

## 1. INFORMATION SUMMARY (Cont'd)

### 1.3 Financial Statistics for the Past Five(5) Financial Years

The following table has been extracted from the Accountants' Report in Section 9 of this Prospectus and should be read in conjunction with the notes and assumptions thereto.

A summary of the proforma consolidated audited results of the PWP Group for the five(5) financial years ended 30 June 1997 to 2001 has been prepared for illustrative purposes only based on the audited accounts of the PWP Group and the assumption that the current structure of the Group has been in existence throughout the period under review, and after making such adjustments considered necessary:-

	Financial Year Ended				
	30.6.1997	30.6.1998	30.6.1999	30.6.2000	30.6.2001
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	49,141	51,360	54,779	63,512	82,649
EBIDTA	13,403	14,861	14,542	18,190	21,104
Interest expense	(2,517)	(3,659)	(2,574)	(2,124)	(2,708)
Interest income	18	39	46	303	11
Depreciation	(3,088)	(3,765)	(3,790)	(4,107)	(3,843)
Profit before exceptional items	7,816	7,476	8,224	12,262	14,564
Exceptional items	-	(1,089)	-	-	376
PBT	7,816	6,387	8,224	12,262	14,940
Taxation	(1,101)	(763)	18	(1,210)	(1,801)
Profit from ordinary activities	6,715	5,624	8,242	11,052	13,139
Extraordinary items	-	-	-	-	-
Minority interest	-	-	-	-	-
Net profit	6,715	5,624	8,242	11,052	13,139
No. of Shares assumed to be in issue of RM0.50 each ('000)	72,110	72,110	72,110	72,110	72,110
Gross EPS (Sen)	10.84	8.86	11.40	17.00	20.72
Net EPS (Sen)	9.31	7.80	11.43	15.33	18.22
Basic and diluted EPS (Sen)	9.31	7.80	11.43	15.33	18.22
Gross dividend rate	-	-	-	-	-

**Notes:-**

- (i) The revenue of the Group is on an increasing trend due to the increase in sales of timber products by PISB. This is because LESB has secured new sources of log supply since 1998 that was supplied to PISB for processing. The revenue for the financial years 2000 and 2001 improved as a result of the regional economic recovery.
- (ii) The Group profit before taxation dropped in the financial year 1998 due to higher financing cost incurred by the Group as a result of increase in base lending rate. However in the financial years 1999 to 2001, the profit before taxation showed an increasing trend due to diversification of timber products, higher operational efficiency and greater profit margin earned from export sales.
- (iii) The profit before taxation of 1998 includes an exceptional loss due to fire amounting to approximately RM1.089 million. The profit before taxation of 2001 includes an exceptional item amounting to RM375,825 for waiver of interest for term loans redeemed.
- (iv) The taxation charges were significantly lower than the statutory tax rate during the financial years under review except for 1999, mainly due to the availability of Pioneer Status for PISB for five (5) years to 2001.
- (v) The tax credit for the financial year 1999 represents overprovision in previous year. No taxation is provided for the financial year 1999 as the financial year falls in the year of assessment 2000 where tax on income earned is waived in accordance with Section 8 of the Income Tax (Amendment) Act, 1990.
- (vi) There were no extraordinary items in respect of the financial years under review.
- (vii) The proforma gross earnings per share is computed based on the profit before taxation and the number of ordinary shares assumed in issue of 72,110,000 ordinary shares of RM0.50 each, after the Acquisition of PISB.
- (viii) The proforma net earnings per share is computed based on the profit after taxation and the number of ordinary shares assumed in issue of 72,110,000 ordinary shares of RM0.50 each, after the Acquisition of PISB.

**The financial information of the PWP Group is detailed in Section 7 of this Prospectus.**

**1. INFORMATION SUMMARY (Cont'd)****1.4 Summary of Proforma Consolidated Balance Sheets of PWP as at 30 June 2001**

	Audited as at 30.6.2001 RM'000	(I) After Acquisitions RM'000	(II) After (I) and Public Issue RM'000
PROPERTY, PLANT AND EQUIPMENT	-	45,555	52,555
DEFERRED EXPENDITURE	389	389	-
OTHER INVESTMENT	-	50	50
<b>CURRENT ASSETS</b>			
Inventories	-	11,482	11,482
Trade receivables	-	9,997	9,997
Deposits for supplies	-	13,653	13,653
Other receivables	-	7,227	7,227
Fixed deposit with a licensed bank	-	75	75
Cash and bank balances	*	5,828	8,885
	*	48,262	51,319
<b>DEDUCT: CURRENT LIABILITIES</b>			
Amounts due to bankers	-	17,273	12,733
Trade payables	-	2,010	2,010
Other payables	464	3,920	3,531
Hire purchase creditors	-	1,023	1,023
Lease creditors	-	576	576
Provision for taxation	-	3,377	3,377
	464	28,179	23,250
<b>NET CURRENT (LIABILITIES)/ ASSETS</b>	(464)	20,083	28,069
<b>LONG TERM LIABILITIES</b>			
Amount due to bankers	-	15,600	15,140
Hire purchase creditors	-	892	892
Deferred taxation	-	2,350	2,350
	-	(18,842)	(18,382)
	(75)	47,235	62,292
<b>FINANCED BY:</b>			
Share capital	**	36,055	42,500
Share premium	-	6,022	14,634
Capital reserve arising on consolidation	-	5,233	5,233
Accumulated losses	(75)	(75)	(75)
	(75)	47,235	62,292
Net Tangible Assets	(464)	46,846	62,292
No. of Shares in issue ('000)	***	72,110	85,000
Net Tangible Assets per share (RM)	(23,200.00)	0.65	0.73

\* Represents RM10

\*\* Represents RM10.00, made up of 20 ordinary shares of RM0.50 each

\*\*\* Represents 20 ordinary shares of RM0.50 each

**Notes:-**

- (i) PWP was incorporated on 22 August 1996 under the name of Priceworth Wood Products Sdn Bhd  
(ii) The audited financial statements of the Group were not subject to any audit qualifications

Proforma I – Based on the assumption that the Acquisition of MSB and the Acquisition of PISB have been effected.

Proforma II – Incorporates Proforma I and the Public Issue of 12,890,000 new Shares at an issue price of RM1.30 per Share and after adjustment for estimated listing expenses of RM1.7 million against the Share Premium account.

**The Proforma Consolidated Balance Sheets of PWP as at 30 June 2001 and the Reporting Accountants' letter are contained in Section 7.12 and 7.13 respectively of this Prospectus.**

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

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**1.5 The Risk Factors**

The following is a list of some of the main investment considerations (which may not be exhaustive) as extracted from Section 3 of this Prospectus which applicants for the Public Issue should carefully consider in addition to other information contained elsewhere in this Prospectus before applying for the Public Issue :-

- (i) Political, Economic and Regulatory Considerations;
- (ii) Log Supply;
- (iii) Fluctuation in Log Prices;
- (iv) Fluctuation in Product Prices;
- (v) Exchange Rate Risk;
- (vi) Competitive Conditions;
- (vii) No Prior Market for PWP's Shares;
- (viii) Control by Certain Shareholders;
- (ix) Continuity of Management;
- (x) Dependence on Key Personnel;
- (xi) Forecast;
- (xii) Business Risks;
- (xiii) Financial Risks; and
- (xiv) Environmental Concerns.

**Details of the risk factors are set out in Section 3 of this Prospectus.**

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


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**1.6 Principal Statistics Relating to the Initial Public Offering**

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>RM</b>
<b>AUTHORISED SHARE CAPITAL</b>	
100,000,000 ordinary shares of RM0.50 each	<u>50,000,000</u>
<b>ISSUED AND FULLY PAID-UP SHARE CAPITAL :</b>	
• 72,110,000 ordinary shares of RM0.50 each	36,055,000
<i>To be issued pursuant to the Public Issue:</i>	
• 12,890,000 ordinary shares of RM0.50 each	<u>6,445,000</u>
	<u>42,500,000</u>
<b>IPO PRICE PER SHARE</b>	<b>RM1.30</b>

There is only one class of shares in the Company, namely ordinary shares of RM0.50 each, all of which rank pari passu with one another. The Public Issue Shares to be issued pursuant to this Prospectus will rank pari passu in all respect with the existing Shares of the Company including voting rights and rights to all dividends that may be declared, subsequent to the date of allotment of the Public Issue Shares.

**1.7 Proforma Consolidated NTA and NTA per Share****PROFORMA CONSOLIDATED NTA AS AT 30 JUNE 2001**

Proforma Consolidated NTA (after taking into account the Acquisitions, Public Issue and estimated listing expenses of RM1,700,000) RM62,291,528

Proforma Consolidated NTA per RM0.50 share **RM0.73**

**Detailed calculations of the Proforma NTA are set out in Section 7.12 of this Prospectus.**



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


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**1.8 Highlights of the Proforma Consolidated Profit Forecast and Dividend Forecast****Proforma Consolidated Profit Forecast****Financial Year Ending 30 June 2002** **RM'000**

Proforma Consolidated Profit Before Taxation	19,627
Less : Taxation	(4,521)
Proforma Consolidated Profit After Taxation	<u>15,106</u>
Gross EPS (sen) *	23.09
Net EPS (sen) *	17.77
Gross PE Multiple based on the IPO price of RM1.30 per share (times)	5.63
Net PE Multiple based on the IPO price of RM1.30 per share (times)	7.31

Notes:-

\* Based on the enlarged issued and paid-up share capital of 85,000,000 Shares

**Dividend Forecast****Financial Year Ending 30 June 2002**

Tax-exempt dividend per share (sen)	4.00
Dividend yield based on the Public Issue price of RM1.30 per share (%)	3.08
Net dividend cover (times)	4.44

**The details of the IPO are contained in Section 2 of this Prospectus.**

## 1. INFORMATION SUMMARY (Cont'd)

### 1.9 Basis of Arriving at the Issue Price

The IPO price of RM1.30 per Share was determined and agreed upon by the Company and Arab-Malaysian as Adviser and Managing Underwriter based on various factors including the following:-

- i) the proforma forecast net PE multiple of approximately 7.31 times based on the proforma consolidated profit forecast net EPS of 17.77 sen and the IPO price of RM1.30 per Share;
- ii) the future plans and prospects of the PWP Group as outlined in Section 4.6 of this Prospectus; and
- iii) the proforma consolidated NTA per Share of PWP as at 30 June 2001 of RM0.73.

The Directors of the PWP Group and Arab-Malaysian are of the opinion that the Public Issue price is fair and reasonable after careful consideration of the abovementioned factors.

However, investors should also note that the market price of the Shares upon listing on the KLSE are subject to the vagaries of the market forces and other uncertainties which may affect the price of Shares being traded.

### 1.10 Proceeds of the Public Issue and Utilisation

All proceeds of the Public Issue after deducting the relevant listing expenses will accrue to PWP. The estimated total gross proceeds of the Public Issue is approximately RM16.757 million. PWP will bear all expenses incidental to the listing and quotation of PWP's Shares on the Second Board of the KLSE which include underwriting commission, brokerage, registration fee, professional fees, SC fees, advertising, listing expenses and other fees the aggregate of which is estimated to be approximately RM1.700 million. The proceeds from the Public Issue of RM16.757 million will be utilised as follows:-

	RM'000
i) Repayment of bank borrowings	5,000
ii) Expansion plan	7,000
iii) Cash acquisition of MSB	399
iv) Finance estimated listing expenses	1,700
v) Working capital	2,658
<b>Total proceeds</b>	<b>16,757</b>

**For detailed commentaries of the above mentioned utilisation of proceeds, please refer to Section 2.6 of this Prospectus.**

### 1.11 Summary of All Material Litigations, Commitments and Contingent Liabilities

As at 12 November 2001 (being the last practicable date prior to the printing of this Prospectus):-

- a) The Company and its subsidiaries are not engaged in any material litigation whether, as plaintiff or defendant, and the Board of Directors have no knowledge of any proceedings pending or threatened against the Group or any facts likely to give rise to any proceedings which might materially and adversely affect the position or business of the Company and its subsidiaries;

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

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- b) Save for PISB which has RM7.0 million of capital commitments, further details of which are disclosed in Section 7.5, the Group has no other material commitments; and
- c) The Group has no contingent liabilities.

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**2. PARTICULARS OF THE PUBLIC ISSUE**

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This Prospectus is dated 23 November 2001.

A copy of this Prospectus has been registered by the SC and lodged with the ROC who takes no responsibility for its contents.

**The approval of the SC obtained vide its letter dated 8 June 2001 shall not be taken to indicate that the SC recommends the Public Issue, and that investors should rely on their own evaluation to assess the merits and risks of the Public Issue.**

Application will be made to the KLSE within three (3) market days of the issuance of this Prospectus for admission to the Official List and for the listing of and quotation for the issued and fully paid-up share capital of PWP on the Second Board of the KLSE. These Shares will be admitted to the Official List on the Second Board of the KLSE and official quotation will commence upon receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants. Acceptance of applications for the Public Issue Shares will be conditional upon permission being granted by the KLSE to deal in and for the quotation of the entire enlarged issued and fully paid-up Shares of PWP on the Second Board of the KLSE. Accordingly, monies paid in respect of any application accepted from the Public Issue will be returned without interest if the said permission for listing 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 the Company is notified by or on behalf of the KLSE within the aforesaid timeframe.

**Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, KLSE has prescribed PWP as a prescribed security. In consequence thereof, the shares issued through this Prospectus will be deposited directly with the MCD and any dealings in these shares will be carried out in accordance with the aforesaid Acts and the Rules of the MCD.**

An applicant should state his CDS Account number in the space provided in the Application Form if he presently has such an account. Where an applicant does not presently have a CDS Account, he should state in the Application Form his preferred ADA Code.

The KLSE assumes no responsibility for the correctness of any statements made or opinions or report expressed in this Prospectus. Admission to the Official List of the Second Board of the KLSE is not to be taken as an indication of the merits of the Company or of its Shares.

No person is authorised to give any information or to make any representation not contained herein in connection with the Initial Public Offering and if given or made, such information or representation must not be relied upon as having been authorised by PWP. Neither the delivery of this Prospectus nor any Initial Public Offering 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 PWP 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. 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 to subscribe for the Public Issue shares in any jurisdiction 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.

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

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**2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**


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**2.1 Share Capital**

	<b>RM</b>
<i>Authorised:-</i>	
100,000,000 ordinary shares of RM0.50 each	50,000,000
<i>Issued and fully paid-up :-</i>	
• 72,110,000 ordinary shares of RM0.50 each	36,055,000
<i>To be issued pursuant to the Public Issue :-</i>	
• 12,890,000 ordinary shares of RM0.50 each	6,445,000
	42,500,000

There is only one class of shares in the Company, namely ordinary shares of RM0.50 each, all of which rank pari passu with one another. The Public Issue Shares to be issued pursuant to this Prospectus will rank pari passu in all respect with the existing Shares of the Company including voting rights and rights to all dividends that may be declared, subsequent to the date of allotment of the Public Issue Shares.

Subject to any special rights attaching to any Shares which may be issued by the Company in the future, the holders of Shares in the Company 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 the Company as dividends and the whole of any surplus in the event of the liquidation of the Company.

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each Share held.

**2.2 Details of the Initial Public Offering**

The Public Issue of 12,890,000 Shares at an IPO price of RM1.30 per Share is payable in full on application upon such terms and conditions as set out in this Prospectus.

The 12,890,000 Shares arising from the IPO will be allocated and allotted in the following manner:-

- (i) 8,640,000 of the Public Issue Shares will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions; and
- (ii) 4,250,000 of the Public Issue Shares have been reserved for eligible employees, Directors and business associates of the PWP Group. Further details on the 4,250,000 Public Issue Shares are disclosed under Section 2.3 of the Prospectus.

The Public Issue Shares of 12,890,000 represents approximately 15.16% of the enlarged issued and paid-up share capital of the Company of 85,000,000 Shares.

The Shares in respect of paragraph (i) and (ii) above have been fully underwritten. Any Shares in respect of paragraph (ii) not subscribed for by the eligible employees, Directors, and business associates of the PWP Group will be made available for application by the Malaysian public.

## 2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

### 2.3 Details on the Pink Forms Allocation

A brief description on the criteria of allocation of the pink forms as approved by the Board of Directors is as follows:-

Category	Number	No. of Shares to be allocated to each person	Pink Form Allocation
Directors	7	20,000	140,000
Managerial and Professional	9	150,000	1,350,000
Technical and supervisory	19	20,000	380,000
Clerical and related occupations plus sales personnel	16	15,000	240,000
General workers	13	10,000	130,000
Factory workers	126	5,000	630,000
Suppliers and customers			1,380,000
<b>Total</b>	<b>190</b>		<b>4,250,000</b>

The details of the Directors' pink form allocation is as follows:-

Name of Directors	Pink Form Allocation
Tan Sri Sabbaruddin Chik	20,000
Lim Nyuk Foh	20,000
Chok Syn Vun	20,000
Dato' Sidek Bin Awang	20,000
Ramlee Bin Mohd Shariff	20,000
Kwan Tack Chiong	20,000
Ooi Jit Huat	20,000
<b>Total</b>	<b>140,000</b>

### 2.4 Critical Dates of the Public Issue

Events	Tentative Date
Date of Prospectus – Opening Date of Application List for the Public Issue	23 November 2001
Closing of Application List for the Public Issue	6 December 2001
Tentative Date for Balloting of Applications	11 December 2001
Tentative Date of Despatch of Notices of Allotment of the Shares of PWP to successful applicants	24 December 2001
Tentative Listing Date of the Company's entire issued and paid up share capital on the Second Board of the KLSE	31 December 2001

**Important note :-** The application period will remain open until 8.00 p.m. on 6 December 2001 or such further period or periods as the Directors together with Managing Underwriter may decide.

## 2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

### 2.5 Purposes of the Public Issue

The purposes of the IPO are as follows:-

- (i) The listing of the Shares on the Second Board of the KLSE is expected to further enhance the Group's corporate image and assist the Group in expanding its customer base both in Malaysia and overseas;
- (ii) To provide an opportunity for Malaysian investors and the eligible employees, Directors and business associates of the PWP Group to participate in the equity and continuing growth of the PWP Group;
- (iii) To enable the PWP Group to gain access to the capital markets for funds for its future expansion;
- (iv) To facilitate the Group's expansion as proceeds to be raised from the Public Issue will be substantially utilised towards its capital expenditure; and
- (v) To obtain a listing of and quotation for PWP's entire issued and paid-up share capital on the Second Board of the KLSE.

### 2.6 Proceeds of the Public Issue and Their Utilisation

All proceeds of the Public Issue after deducting the related expenses will accrue to PWP. The estimated total gross proceeds of the Public Issue is RM16.757 million. PWP will bear all expenses incidental to the listing and quotation of PWP's shares on the Second Board of the KLSE which include underwriting commission, brokerage, registration fee, professional fees, SC fees, advertising, listing expenses and other fees the aggregate of which is estimated to be RM1.7 million.

The gross proceeds of approximately RM16.757 million accruing to the PWP Group from the Public Issue will be utilised as follows:-

	<b>RM'000</b>
i) Repayment of bank borrowings	5,000
ii) Expansion plan	7,000
iii) Cash acquisition of MSB	399
iv) Finance estimated listing expenses	1,700
v) Working capital	2,658
<b>Total proceeds</b>	<b>16,757</b>

#### *Notes:-*

#### i) Part repayment of bank borrowings

The RM5.0 million partial repayment of bank borrowings is in respect of a term loan facility of RM21.0 million and a RM5.0 million joint Banker Acceptance and Revolving Credit provided by Arab-Malaysian to PISB in October 2000 for the repayment of loans extended by Danaharta Managers Sdn Bhd. By repaying RM5.0 million of the loan from Arab-Malaysian, the PWP Group would be able to save interest cost totalling RM465,000 per annum based on the interest rates of 9.3% per annum.

The total PWP Group borrowings as at 2 November 2001 was about RM40.4 million.

## 2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

### ii) Expansion plan

PWP will utilise a portion of the funds raised for its expansion plan. This will include RM1.0 million for the purchase of a new office building. The balance of the proceeds amounting to RM6.0 million will be utilised for the purchase or upgrading of machineries and vehicles. These capital expenditure will be utilised mainly on its downstream activities to increase the Group's overall capacity by approximately 30%.

The following are the machineries and vehicles which are planned to be purchased:-

Fixed Assets	Number of Units	Estimated Unit Cost RM'000	Estimated Total Cost RM'000
UV Flooring machines	3	500	1,500
Fingerjoint machines	1	1,000	1,000
Moulder machines	4	250	1,000
Solid door machines	2	500	1,000
Barecore board machines	1	200	200
Sawmilling machines	2	250	500
Motor vehicles	2	400	800
			6,000

### iii) Cash purchase of MSB

An amount of RM398,614 will be utilised for the acquisition of the remaining 200,000 ordinary shares of RM1.00 each in MSB by PISB, representing approximately 11.11% of the issued and paid-up share capital of MSB.

### iv) Estimated listing expenses

The estimated listing expenses amounting to approximately RM1.7 million consist of the following:-

Particulars	RM
Estimated professional fees*	600,000
Underwriting commission and management fee	385,140
Brokerage	167,570
Printing of Prospectus and application forms and envelopes	200,000
Issuing House fees	100,000
Advertising of Prospectus	45,000
SC fees	51,250
KLSE fees	30,000
Registration of Prospectus	5,500
Miscellaneous **	115,540
<b>TOTAL</b>	<b>1,700,000</b>

\* The total amount of RM600,000 professional fees include fee from Adviser, Lawyers, Auditors and others

\*\* Any unutilised amount shall be used for working capital.



## 2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

### v). Working capital

A sum of RM2.658 million shall be utilised to finance the working capital of the PWP Group. This utilisation is intended to improve the Group's liquidity and reduce its reliance on borrowings to fund daily operations.

The utilisation of the proceeds by the Group is expected to have a financial impact on the Group's profits as follows:-

Financial Year Ending 30 June 2002	Incremental Effect (RM'000)	With Listing Proceeds (RM'000)
Consolidated PBT	3,340	19,627
Consolidated PAT	3,708	15,106

The proceeds from the Public Issue are expected to be fully utilised by the end of June 2002, assuming the proceeds are received by December 2001.

### 2.7 Brokerage and Underwriting Commission

The Underwriters mentioned earlier in this Prospectus have agreed to underwrite the 12,890,000 Public Issue Shares to be offered to the Malaysian public, employees, Directors and business associates of the PWP Group. Underwriting commission is payable by the Company at 2.0 % of the total underwritten Shares of 12,890,000 at RM1.30 per Share to the respective Underwriters. Management fee of RM50,000 is charged by the Managing Underwriter.

Brokerage is payable in respect of the IPO Shares by the Company at the rate of 1.0% of the IPO price of RM1.30 per Share in respect of successful applications which bear the stamp of Arab-Malaysian, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

### 2.8 Salient Terms of the Underwriting Agreements

**The following are some of the Clauses of the Underwriting Agreement dated 16 November 2001 between the Company and the Underwriters stating the events that may affect the Underwriting of PWP shares:-**

“ 2.3 The obligations of each of the Underwriters and the Managing Underwriter under this Agreement are conditional upon:-

2.3.1 there having been on or prior to the Listing Date, neither any adverse change nor any development reasonably likely to result in any adverse change in the condition (financial or otherwise) of the Group, taken as a whole, which is material in the context of the Public Issue Shares from that set forth in the Prospectus, nor the occurrence of any event which makes any of the representations and warranties contained in Clause 3 in the opinion of the Managing Underwriter (which opinion is final and binding) untrue and incorrect in any material respect as though they had been given and made on such date with reference to the facts and circumstances then subsisting, nor the occurrence of any breach of the undertakings contained in Clause 3;

2.3.2 the delivery to the Managing Underwriter prior to the date of the registration of the Prospectus with the SC of :-

2.3.2.1 a copy certified as a true copy by an authorised officer of the Company of all the resolutions of the directors of the Company and the shareholders in general meeting approving this Agreement, the Prospectus, the Public Issue Shares and authorising the execution of this Agreement and the issuance of the Prospectus;

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**2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**


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- 2.3.2.2 a certificate from the secretary of the Company confirming that Priceworth Industries Sdn Bhd is a wholly-owned subsidiary of the Company;
- 2.3.2.3 a certificate from the secretary of the Company confirming that Ligreen Enterprise Sdn Bhd and Maxland Sdn Bhd are wholly-owned subsidiaries of Priceworth Industries Sdn Bhd; and
- 2.3.2.4 a certificate signed by duly authorised officer of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in Clause 3.
- 2.3.3 the delivery to the Managing Underwriter on the Closing Date of such reports and confirmations from the board of directors of the Company as the Managing Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of this Agreement that will adversely affect the performance or financial position of the Group;
- 2.3.4 the Managing Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 13;
- 2.3.5 the Public Issue not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia;
- 2.3.6 the Managing Underwriter having been satisfied that the Company has complied and that the Public Issue Shares is in compliance with the policies, guidelines and requirements of the Securities Commission and all revisions, amendments and/or supplements thereto;
- 2.3.7 the acceptance for registration by the SC of the Prospectus and such other documents as may be required in accordance with the Securities Commission Act 1993 of Malaysia in relation to the Public Issue Shares.
- 2.4 If any of the conditions set out in Clause 2.3 is not satisfied by the Closing Date, the Underwriters shall thereupon be entitled to terminate this Agreement and in that event except for the liability of the Company for the payment of costs and expenses as provided in Clause 13 incurred prior to or in connection with such termination there shall be no further claims by the Underwriters against the Company, and the Parties shall be released and discharged from their respective obligations hereunder PROVIDED THAT any of the Underwriters may at its discretion with respect only to its own obligations waive compliance with any of the provisions of Clause 2.3.
- 2.5 Notwithstanding anything herein contained, the Underwriters may at any time before the allotment of the Public Issue Shares by notice in writing delivered to the Company terminate its obligations under this Agreement if in the opinion of the Underwriters there shall have been:-
  - 2.5.1 a change in the national or international monetary, financial, political or economic conditions or a material change in the stock market condition or exchange control or currency exchange rates as would in its reasonable opinion prejudice materially the success of the issuance of the Public Issue Shares and the offering of the Underwritten Shares and their distribution or sale (whether in the primary market or in respect of dealings in the secondary market); or
  - 2.5.2 any breach of the representations, warranties and undertakings or breach of any of the terms and conditions of this Agreement by the Company or withholding of information of a material nature from the Underwriters; or

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**2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**


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2.5.3 any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series or series of events beyond the reasonable control of the Underwriters (including without limitation acts of government, strikes, lock-outs, fire, explosions, flooding, civil commotion, acts of war, sabotage, acts of God or accidents) which or is likely to have the effect of making any material part of this Agreement incapable of performance with its terms pursuant to the underwriting hereof;

And thereupon the parties hereto shall (except for the liability of the Company in the payment of costs and expenses referred to in this Agreement incurred prior to or in connection with such termination) be released and discharged from their respective obligations hereunder.

2.6 In the event that a supplemental prospectus is issued with the SC's approval subsequent to the issue of the Prospectus, the Underwriters may at any time before the allotment of the Public Issue Shares, terminate its obligations under this Agreement if in his reasonable opinion, there shall have been events which have occurred detailed in Clause 2.5.1 to 2.5.3 above.

2.7 In the event of termination pursuant to Clause 2.5 and 2.6 above, the respective parties hereto shall be released and discharged from their obligations hereunder, save and except that the liability of the Company for the payment of costs and expenses referred to in this Agreement incurred prior to or in connection with such termination shall remain and shall not be affected by such termination.

3.1 As a condition of the agreement by the Underwriters to underwrite the Underwritten Shares and in consideration thereof, the Company represents, warrants and undertakes to the Underwriters that:-

3.1.1 the Prospectus shall be in form and substance satisfactory and acceptable to the SC, the KLSE and other relevant authorities and will contain all information which is material in the context of the Public Issue, such information to be contained in the Prospectus will be true, complete and accurate in all material respects and the Prospectus will not omit to state any material fact required or necessary to be stated therein with regard to the Public Issue and in light of the circumstances under which they are made, not misleading in any respect and that the Directors have made enquiries to ascertain all facts material for the Prospectus and have verified the completeness and accuracy of all such information and that no material fact has been omitted therein;

3.1.2 the Public Issue and compliance by the Company with the terms of this Agreement:-

(a) do not and will not conflict with, or result in a breach of any of the terms or provisions of, or constitute a default under, the Memorandum and Articles of Association of the Company or any existing law, regulation or listing requirements applying to or affecting the Company; and

(b) do not and will not infringe the terms of, or constitute a default under, any law, judgment, order, licence, permit, consent, trust deed, agreement or other instrument or obligation to which the Company is a party or by which it or any part of its undertaking, assets, property or revenues is bound or affected;

3.1.3 save as disclosed in the Prospectus, neither the Company nor any of its subsidiaries is involved in, nor is there pending or threatened against it, or any of them, any litigation, winding-up or arbitration proceedings which has a material adverse effect on the financial condition or otherwise or the earnings, affairs or business prospects of the Group;

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**2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**

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- 3.1.4 no circumstances or situations have arisen which is or are likely to materially and adversely affect the financial condition or business of the Group or the success of the Public Issue and that no information has been withheld from the Underwriters which may in any way affect their decision to underwrite the Underwritten Shares;
- 3.1.5 each of the Company and its subsidiaries will carry on and operate its business and affairs with due diligence and efficiency and in accordance with sound financial and commercial standards and practices and, except as disclosed in the Prospectus, except as disclosed in writing to the Underwriters, the Group has not entered into any contract or commitment of an unusual or onerous nature, which, in the context of the Public Issue, might be material for disclosure;
- 3.1.6 that all necessary consents, approvals, authorisations or other orders of all regulatory authorities required for or in connection with the execution of this Agreement and the issue of the Public Issue Shares and any other matters contemplated hereby have been or will be unconditionally obtained, or, if granted subject to conditions, such conditions being fulfilled to the satisfaction of the Underwriters, and are or will be in full force and effect;
- 3.1.7 that all information supplied or to be supplied to the Underwriters for the purpose of or in connection with the Public Issue is true, complete and accurate in all respects and where such information relates to opinions or expectations, the basis of such opinions, expectations or intention (including any profit or other forecast) are considered by the Directors of the Company based on relevant considerations and facts then made;
- 3.1.8 the Public Issue and the execution and delivery by the Company of the Prospectus and this Agreement and the performance of the obligations to be assumed hereunder by the Company have been duly authorised by all necessary corporate action of the Company, including but not limited to approval of the shareholders of the Company in a general meeting so that upon due execution, will constitute valid, binding and enforceable obligations of the Company, in accordance with their respective terms;
- 3.1.9 each of the Company and its subsidiaries is a company duly incorporated under the laws of its place of incorporation and validly existing with full power and authority to conduct its business in the jurisdiction where it carries on business and is not in liquidation and no steps have been taken by any person for or with a view to the appointment of a liquidator, receiver and/or manager or judicial manager of the companies or of any of its assets or undertakings;
- 3.1.10 the Accounts have been prepared in accordance with the law and on a basis consistently applied in accordance with accounting principles, standards and practices generally accepted in Malaysia so as to give a true and fair view of the financial results and state of affairs of the Company and the Group as a whole for the financial years ended and as at 30 June 2001 as the case may be, and (so far as are material for disclosure for the purposes of the Accounts) have made adequate provision for appropriate disclosures for all known material liabilities whether actual or contingent, of the Company and the Group as a whole as at such date and have complied in all material respects with the requirements of all relevant laws and accounting principles and practices then in force and generally accepted in Malaysia and since 30 June 2001 there has been no material adverse change in the financial position of the Company, any of its subsidiaries or the Group taken as a whole, save as may be disclosed in the Prospectus, any public announcement or publicly available document or disclosed to the Underwriters prior to the date of this Agreement;

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**2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**


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- 3.1.11 all forecasts, expressions of opinion, intention and expectation which have been or will be disclosed in writing to the Underwriters in connection with the Public Issue are or will when given be fair and truly and honestly held by the Directors of the Company and have been or will be made after due and careful consideration;
- 3.1.12 other than indebtedness contested in good faith by the Company as disclosed in the Prospectus, no outstanding indebtedness of the Group has become payable by reason of default by the Group and no event has occurred or is, so far as the Company is aware, impending which with the lapse of time or the fulfillment of any condition or the giving of notice may result in any such indebtedness becoming so payable;
- 3.1.13 all taxes (whether income tax, property tax or otherwise) of the Company or all taxes which are material in the context of the Public Issue, for which it is liable or which ought to have been paid have been duly paid or adequately provided for; all the returns notices of information which are made or given by it for taxation are up to date, correct and on a proper basis, and are not subject to any dispute with any relevant and appropriate authorities and there are no present circumstances (of which the Company is or ought reasonably to be aware) which are likely to give rise to any such dispute;
- 3.1.14 the records, statutory books and books of accounts of the Group are duly entered upon and maintained in accordance with all legal requirements applicable thereto and contain true, full and accurate records of all matters required to be dealt with therein and all such books and all records and documents (including documents of title) which are their respective property are in their possession or under their control and all accounts, documents and returns required to be delivered or made to the ROC have been duly and correctly delivered or made;
- 3.1.15 all the assets of the Group which are of an insurable nature have at all material times been and are at the date hereof adequately insured against fire and other risks normally insured against by companies carrying on similar businesses or owning property of a similar nature. In respect of such insurances, all premiums have been duly paid to date and all the policies are in force and are not voidable on account of any act, omission or non-disclosure on the part of the insured party;
- 3.2. The Company covenants and undertakes with the Underwriters to do the following:-
- 3.2.1 to pay all and any stamp and other documentary taxes or duties, including any interest and penalties resulting from delay or omission on the part of the Company, payable on, or in connection with, the creation, issue and distribution of the Public Issue Shares or the execution of this Agreement;
- 3.2.2 to apply for and obtain the approval-in-principle of the KLSE for admission of the Company to the Official List of the KLSE and for the listing of and quotation for the entire issued and paid-up share capital of the Company on the Second Board of the KLSE and shall comply with all requirements and provisions of the Companies Act 1965, Securities Commission Act 1993 and other applicable legislation, the Listing Requirements of the KLSE and the requirements of all other relevant authorities;
- 3.2.3 to comply with all the conditions, if any, imposed by the SC and KLSE for the listing of and quotation for the entire issued and paid-up share capital of the Company on the Second Board of the KLSE;
- 3.2.4 to promptly and without any delay whatsoever notify the Managing Underwriter who shall thereafter inform the Underwriters of any facts, information, situations or circumstances which the Company believes may

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**2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**


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- materially and adversely affect the success of the Public Issue and in particular and without prejudice to the generality of the foregoing representations, warranties or agreements at any time prior to the Closing Date take such steps as may be reasonably requested by the Underwriters to remedy and/or publicise the same;
- 3.2.5 to give to the Underwriters any or all information which the Underwriters may require in respect of the accounts or affairs of the Group or in connection with the Public Issue or the other proposals contained in the Prospectus;
- 3.2.6 to fix the Closing Date together with the Managing Underwriter;
- 3.2.7 to do all other things and sign or execute such documents as may be required in order to complete the Public Issue.
- 3.3 The commitment of the Underwriters to underwrite the Underwritten Shares being made on the basis of the representations, warranties and undertakings of the Company in this Clause 3 and with the intention that such representations, warranties and undertakings shall remain true and accurate in all material respects up to and including the Closing Date, the Company undertakes with the Underwriters that it shall:-
- 3.3.1 hold and keep the Underwriters fully and effectively indemnified and harmless against any damages, losses, liabilities, costs, claims, charges, expenses, actions or demands (including but not limited to all costs, charges and expenses, including legal fees, paid or incurred in disputing or defending any such claim or action) which the Underwriter may incur as a result of any misrepresentation by the Company or any breach on its part of such representations, warranties or undertakings or any failure by the Company to perform its obligations under this Agreement, in particular but not limited to the Company's failure to issue and deliver to the Underwriters or Central Depository for the credit of the Securities Account of the Underwriters, the certificates in respect of the Underwritten Shares allotted to the Underwriters or its nominee(s) pursuant to Clause 5.3 (unless the Underwriters shall have been advised of a change or termination of any of such representations, warranties or undertakings prior to the Closing Date, pursuant to Clause 3.3.2 below and the Underwriters shall have elected not to terminate this Agreement notwithstanding such advice);
- 3.3.2 at any time prior to the Closing Date, forthwith notify the Underwriters of any misrepresentation or of anything which has or may have rendered or will or may render untrue or incorrect in any material respect any of its representations, warranties or undertakings but the giving of any such notice shall not affect or prejudice any of the rights of the Underwriters hereunder;
- 3.3.3 if this Agreement is terminated by the Underwriters in accordance with the provisions of Clause 3, indemnify the Underwriters against any damages, losses, liabilities, costs, claims, charges, expenses, actions or demands which it may sustain or incur as a result of such termination; and
- 3.3.4 not publish any amendment or supplement to the Prospectus of which the Underwriters have not previously been advised or to which the Underwriters or its legal advisers shall reasonably object.
- 3.4 If any action, proceeding, claim or demand shall be brought or asserted against the Underwriters in respect of which indemnity be sought from the Company, the Underwriters shall notify the Company in writing, and the Company shall assume the defence thereof, including the employment of legal advisers selected by the Company with the prior approval of the Underwriters subject to the payment by the Company of all fees and expenses of such employment. The Underwriters shall have the right to select separate legal advisers to assume such legal defences and otherwise to

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**2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**


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- participate in the defence of such action, proceeding, claim or demand on behalf of the Underwriters but the fees and expenses of such legal adviser shall be borne by the Company.
- 3.5 Before the Closing Date, the Company shall at the request of the Underwriters furnish or deliver to the Underwriters all information and documents which the Underwriters may reasonably request for the purpose of verifying the truth, completeness or accuracy of the representations, warranties and undertakings contained herein.
- 3.6 The Company undertakes and agrees not to cause, and to use its best endeavours not to permit, any Specified Event to occur before the Closing Date. If any Specified Event shall occur or come to the knowledge of the Company prior to the Closing Date, the Company shall forthwith give notice to the Underwriters of the same.
- 3.7 The said representations, warranties and undertakings through the Managing Underwriter shall be deemed to be repeated on and as of the Closing Date and shall continue in full force and effect notwithstanding completion of the subscription and issue of the Public Issue Shares or any investigation by or on behalf of the Underwriters.
- 11.1 Notwithstanding anything herein contained, the Underwriters may by notice in writing to the Company given at any time before that Closing Date, terminate and cancel and withdraw its commitment to underwrite the Underwritten Shares if:-
- 11.1.1 there is any material breach by the Company of any of the representations, warranties or undertakings contained in Clause 3, which, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company, or withholding of information of a material nature from the Underwriters, which, in the opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the Public Issue Shares; or
- 11.1.2 there is withholding of information of a material nature from the Underwriters, which, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to the Company, which, in the opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the Public Issue Shares; or
- 11.1.3 there shall have occurred, happened or come into effect any material and adverse change to the business or financial condition of the Group; or
- 11.1.4 there shall have occurred, happened or come into effect any of the following circumstances:-
- (a) 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
- (b) 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 Underwriters (including without limitation, acts of God, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);

## 2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

which, would have or can reasonably be expected to have, a material adverse effect on the business or the operations of the Group, the success of the Public Issue, or the distribution or sale of the Public Issue, or which is likely to have the effect of making any material part of this Agreement incapable of performance with its terms pursuant to the underwriting thereof.

- 11.2 Upon such notice(s) being given under Clause 11.1, the Underwriters shall be released and discharged of their obligations without prejudice to their rights whereby this Agreement shall be of no further force or effect and no Party shall be under any liability to any other in respect of this Agreement, except that the Company shall remain liable in respect of any of its obligations and liabilities under Clause 3 and under Clause 13 for the payment of the costs and expenses already incurred up to the date on which such notice was given.

### 2.9 Moratorium on Shares

Under the Policies and Guidelines on Issue/Offer of Securities issued by the SC and as a condition of the SC's approval for listing, the shareholders/promoter of PWP will not be allowed to sell, transfer or assign their shareholdings amounting to 45% of the enlarged issued and paid-up capital of PWP for one (1) year from the date of admission of PWP to the Official List of the Second Board of KLSE. Thereafter, they are allowed to sell, transfer or assign only up to a maximum of one-third per annum (on a straight-line basis) of their respective shareholdings in the Company under moratorium.

As proposed by PWP and approved by the SC, the following existing shareholders' shareholdings are subject to the moratorium as follows:-

Name	Shareholdings after Restructuring and Listing Scheme*	% of enlarged issued and paid-up share capital	No. of shares under moratorium	% of enlarged issued and paid-up share capital
Lim Nyuk Foh	34,730,980	40.8	32,512,500	38.25
Dato' Sidek Bin Awang	21,270,000	25.0	2,550,000	3.00
Ramlee Bin Mohd Shariff	5,220,000	6.1	2,337,500	2.75
Chok Syn Vun	870,000	1.0	850,000	1.00
	<u>62,090,980</u>	<u>72.9</u>	<u>38,250,000</u>	<u>45.00</u>

Note:-

\* Includes the pink form allocation pursuant to the IPO.

The restriction, which is fully accepted by the shareholders, is specifically endorsed on the share certificates representing the respective shareholding of the shareholders which are under moratorium to ensure that PWP's registrars do not register any transfer not in compliance with the restriction imposed by the SC and the KLSE. The endorsement affixed on the share certificates are as follows:-

"The shares comprised herein are not capable of being sold, transferred or assigned for the period as determined by the Securities Commission ("moratorium period"). The shares comprised herein will not constitute good delivery pursuant to the Rules of the Exchange during the moratorium period. No share certificates will be issued to replace this certificate during the moratorium period unless the same shall be endorsed with this restriction".

### 2.10 Approvals from Authorities

The Acquisitions, Public Issue and the Listing were approved by the following authorities as follows:-



## 2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

Authorities	Date
SC	8 June 2001
MITI	13 March 2001
FIC	23 January 2001

The details of the conditions of the authorities' approvals and status of compliance are set out below :-

Conditions Imposed By SC	Status of Compliance
<p>1. The conditions to be complied for the utilisation of proceeds are as follows: -</p> <p>(i) SC's approval should be obtained for any revision to the original utilisation of proceeds in the event that the revision involves utilisation other than for the core-business activities of the PWP Group;</p> <p>(ii) Shareholders' approval should be obtained for any revision to the utilisation that deviates by 25% or more from the proposed utilisation. Shareholders should be appropriately informed of any revision which deviates by less than 25%;</p> <p>(iii) Any extension of time for the completion of utilisation of proceeds from PWP's earlier-determined time-frame should be approved by a clear resolution of the board of directors and should be clearly communicated to the KLSE; and</p> <p>(iv) The appropriate disclosure on the status of the proceeds must be made on the quarterly reports and annual reports of PWP until the utilisation is completed.</p>	<p>Will be complied.</p> <p>Will be complied.</p> <p>Will be complied.</p> <p>Will be complied.</p>
<p>2. PWP is required to make detailed disclosure in the prospectus on the risk of the source of log supply and the steps undertaken/or will be taken to reduce this risk (including disclosure on the log purchase agreements).</p>	<p>Complied. The risk of the source of log supply and steps undertaken/will be taken to reduce the risk is disclosed under Section 3 of this Prospectus.</p>
<p>3. The substantial shareholders, promoter and directors of PWP are required to furnish written undertakings to the SC that they will not be involved in any new business which will give rise to competition / conflict with the current business of the PWP Group. In relation to this, any existing interest or involvement of the substantial shareholders, promoters and directors of PWP in these types of businesses together with the manner in which such conflict will be addressed must be disclosed in the prospectus.</p>	<p>Complied. Copies of the written undertakings of the substantial shareholders, promoter and directors of PWP were furnished to the SC on 2 November 2001. The existing interest or involvement of the substantial shareholders, promoter and directors of PWP in these types of businesses together with the manner in which such conflict will be addressed has been disclosed under Section 4.10.3 of this Prospectus.</p>

## 2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

Conditions Imposed By SC		Status of Compliance
4	Any future business transactions between the PWP Group and the related companies of the substantial shareholders and directors of PWP would need to be on "arm's length" and not on the terms which will be unfavourable to the PWP Group. These business transactions, if exist, will need to be fully disclosed in the PWP's listing prospectus. The Audit Committee of PWP has to monitor and the Board of Directors is required to report such transactions, if any, in the Annual Report of PWP Group each year;	Noted and will be complied. The current business transactions between the PWP Group and the related companies of the substantial shareholders and directors of PWP are fully disclosed under Section 4.10.2 of the Prospectus.
5	Moratorium is to be imposed on 38,250,000 ordinary shares of PWP with the par value of RM0.50 each, representing 45% of the enlarged issued and paid-up capital of PWP, held by the shareholders of PWP as required by paragraph 10.12 of the SC's Policies and Guidelines on Issue/Offer of Securities ("Guidelines"). They are not allowed to sell, transfer or assign for a period of one (1) year from the date of listing of PWP on the KLSE, and thereafter, is only allowed to sell, transfer or assign up to a maximum of one-third (1/3) per annum (on a straight line basis) of their respective shareholdings in every subsequent year;	Will be complied. Copies of moratorium letters from each shareholder have been obtained.
6	Arab-Malaysian is required to give written confirmation to SC that the share allocation of 4,250,000 new PWP shares with par value of RM0.50 each to the eligible employees, directors and business associates of PWP Group is in compliance with the requirements of Chapter 10 of SC Guidelines, after the allocation has been fully completed;	Complied. A letter from Arab-Malaysian dated 2 November 2001 has confirmed that the share allocation of 4,250,000 new PWP shares with par value of RM0.50 each to the eligible employees, directors and business associates of PWP Group, is in compliance with the requirements of Chapter 10 of SC Guidelines.
7	In relation to the payment of special dividend as proposed by PISB (for the financial year ended 30 June 2001) before the acquisition of PISB by PWP, Arab-Malaysian / PWP is required to disclose to SC the terms of the special dividends after it has been determined and also to confirm that the payment of special dividends will not be detrimental to the cash flow positions of PWP; and	Complied. A letter from Arab-Malaysian dated 28 August 2001 had disclosed the terms of the special dividends after it had been determined and had confirmed that the payment of the special dividends will not be detrimental to the cash flow position of PWP.
8	Full compliance to the requirements relating to the listing of company as stated in SC Guidelines, especially Chapter 7, 10 and 25 of the said Guidelines.	Noted and have / will be complied.

Conditions Imposed By FIC		Status of Compliance
1.	PWP is to have at least 30% direct Bumiputera equity interest upon listing and quotation of the PWP Shares on the Second Board of the KLSE	Complied.
2.	PWP is to obtain the approval of the SC and MITI.	Complied. PWP obtained the approvals of SC and MITI on 8 June 2001 and 13 March 2001 respectively.

**2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**

<b>Conditions Imposed By MITI</b>	<b>Status of Compliance</b>
1. PWP is to ensure that the approval is obtained from MITI prior to any sale or transfer of the 32.18% equity participation of the Company held by the approved Bumiputera shareholders, namely:- (a) Dato' Sidek bin Awang (b) Tan Sri Sabbaruddin Chik (c) Ramlee bin Mohd Shariff	The said approved Bumiputera shareholders have provided an undertaking that they shall not sell or transfer their shares until and unless the approval from MITI is obtained.

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### 3. THE RISK FACTORS

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In evaluating an investment in the IPO Shares, prospective applicants should carefully consider all information contained in this Prospectus including but not limited to the general and specific risks of the following investment considerations:-

i) Political, Economic and Regulatory Considerations

Adverse developments in political, economic and regulatory conditions in Malaysia and other countries where the Group may operate, source its supplies or market its products could materially and adversely affect the financial prospects of the Group. The PWP Group source its logs, its key raw material, locally while a significant portion of the Group's timber products are exported worldwide which includes Japan, China, Hong Kong, Taiwan, Singapore, Thailand, South Korea and Philippines. Political and economic uncertainties include (but are not limited to) changes in general economic, business and credit conditions, government legislations and policies affecting manufacturers, inflation, interest rates, fluctuation in foreign exchange rates, political or social development, risks of war, expropriation, nationalisation, renegotiation or nullification of existing contracts, methods of taxation and currency exchange controls.

ii) Log Supply

The long-term viability of the timber industry is mainly dependent on the sustainability of the log supply. In order to reduce the threat of a depleting forest in Malaysia, the National Forest Policy has restricted the amount of timber to be felled each year. In addition, the Government has set up the Malaysian Timber Industry Board to regulate the felling of trees in order to maintain the sustainability of the forest.

While the Group does not have a timber concession for the supply of logs, the Group has nevertheless secured its long-term log supply by entering into two long term Logs Purchase Agreements as follows:

- (a) The log supply agreement dated 1 November 2000 between PISB and Teras Selasih for the supply of a total monthly volume of 10,000 cubic metre of logs to PISB for a period of seven (7) years from 1 November 2000 onwards; and
- (b) The log supply agreement dated 1 November 2000 between PISB and Rintisan Bumi for the supply of a total monthly volume of 7,000 cubic metre of logs to PISB for a period of five (5) years from 1 November 2000 onwards.

Both agreements would have supplied a total annual volume of up to 204,000 cubic metres of logs, which would be able to sustain the Group's timber requirements for its manufacturing operations currently, which is estimated to be an average of 100,000 cubic metres of logs per annum. Currently, logs consist of an estimated 80% of the raw material cost for the Group.

Nevertheless, to be proactive in diversifying its supply base, the Group is actively securing its log supply from other quality log suppliers.

iii) Fluctuation in Log Prices

The PWP Group's log requirements is currently sourced from the two logs supply agreement which will reduce the Group's susceptibility toward any adverse repercussions arising from the shortage of supply of logs in the open market. However, even though the Group has an assured supply of logs at prevailing market prices, the Group's profits will still be subject to fluctuations in the cost of logs supplied to the Group.

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**3. THE RISK FACTORS (Cont'd)**

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iv) Fluctuation in Product Prices

Fluctuation in the selling price of timber products is an inherent risk. However, the impact of such fluctuation can be mitigated through the diversification of the range of products and markets, thus preventing over-reliance on any particular product or single customer. The more processing a piece of timber undergoes and the more value-added to the product, the less volatile the price of the finished product would be. Thus, through downstream diversification, the PWP Group will improve its resilience to the cyclical nature of the economic trends in various markets.

The PWP Group has a fully integrated timber processing plant, which comprises various degrees of value-adding, from sawmilling to kiln drying, tanalising and moulding for downstream diversification. By branching out to various product mix, the Group is able to monitor and manage its concentration according to any material fluctuation in product prices, market demand in product and achieve an overall synergy through optimum turnover. As the Group is not a single product and single customer / market region reliant, a market downtrend for a particular product category or market region should not adversely affect the viability of the Group. With its clientele base covering countries in Asia and Europe, the PWP Group has spread its dependency across the economies of many countries. Taking the above into consideration, the Directors of PWP believe that this will be a key factor in preserving its margins.

v) Exchange Rate Risk

As the PWP Group exports most of its products, which are mostly denominated in US Dollar to the overseas market, there is exchange rate risk. For the financial years 1997 to 2001, the PWP's Group exports accounted for between 57% to 71% of the turnover. Even though currently the risk is low as the Malaysian Ringgit is pegged against the US Dollar, there is no certainty of the permanence of the currency peg.

vi) Competitive Conditions

The timber industry faces competition both in terms of its supply and demand. Competition from the supply chain is due to the availability of logs as logs is a limited resource and producers who have access to the raw material at lower cost will be able to price their products better. The PWP Group is able to mitigate this by entering into the two log supply agreements, which will help ensure a consistent supply of logs but the PWP Group will still be vulnerable to any increase in logs prices.

In terms of demand, the PWP Group faces competition from the products of both local and foreign timber producers, such as Indonesia, Cambodia and Myanmar. Competition in these countries may come in the form of cheaper timber products due to the abundant supply of logs and cheaper labour costs and hence producers are able to produce cheaper timber products.

In addition, due to the environmental conditions imposed on the timber industry, there may be substitutes, which are environmentally more acceptable in certain markets. However, presently there has not been and it is not expected that there will be a perfect immediate substitute to be developed to replace timber.

To mitigate this risk, the Group strives to remain competitive by producing quality value-added downstream products, by using modern and efficient machinery, which reduces wastage, and by achieving economies of scale.

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**3. THE RISK FACTORS (Cont'd)**

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vii) No Prior Market for PWP's Shares

Prior to this Public Issue, there has been no public market for PWP's Shares. There can be no assurance that an active market for PWP's Shares will develop upon its listing on the Second Board of the KLSE or, if developed, that such a market will be sustained. The issue price of RM1.30 for the Public Issue Shares has been determined after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and condition, its prospects and the prospects of the industry in which the Group operates, the management of the Group, the market prices for shares of companies engaged in business similar to that of the Group and the prevailing market conditions. There can be no assurance that the issue price will correspond to the price at which PWP's Shares will trade on the Second Board of the KLSE upon or subsequent to its listing or that an active market for PWP's Shares will develop and continue to develop upon or subsequent to its listing.

viii) Control by Certain Shareholders

Following the Public Issue, Mr Lim Nyuk Foh and Dato' Sidek Bin Awang would own approximately 40.8% and 25.0% respectively, of the Company's issued and paid-up share capital. As a result, they would be able to effectively control the outcome of certain matters requiring the vote of the Company's shareholders, unless they are required to abstain from voting by law and / or the relevant authorities.

ix) Continuity of Management

The PWP Group is headed by an experienced, committed, and dynamic management team with almost all of its key personnel having been in the timber industry for more than fifteen(15) years. Combined with their technical expertise, the Group is confident of being equipped with the technical 'know-how' in the timber industry.

Most of the key personnel, together with the founder of PWP Group have been with the Group since the commencement of the manufacturing timber business in 1994. The continuing profitability as well as the high growth in its asset base is testimony that its management is industrious and committed to the Group.

x) Dependence on Key Personnel

The success of the Group could be attributed to the leadership and stewardship of its experienced Directors and senior management who have been in the timber industry for more than fifteen (15) years, as well as the team of technical staff and workers who have been helping in the technical support of the Group. The Group will strive to continue attracting and retaining skilled personnel to support its business operations. In addition, the Group is also making efforts to groom suitable junior employees to participate in the management of the PWP Group.

xi) Forecast

The Prospectus contains certain forecast for the Group that are based on assumptions that are subject to uncertainties and contingencies. The Directors have considered the assumptions used in the preparation of the forecast to be reasonable. Due to the subjective judgements and inherent uncertainties of forecast as well as events and circumstances frequently do not occur as expected, there can be no assurance that the forecast contained herein will be realised. Investors will be deemed to have read and understood the description of the assumptions and uncertainties underlying the forecast that is contained herein.

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**3. THE RISK FACTORS (Cont'd)**

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xii) Business Risks

The PWP Group is subject to certain risks inherent in the timber industry. These include but are not limited to, labour and raw material shortages, cyclical price fluctuations for its products, seasonal sales, increases in the costs of labour and raw materials, changes in general economic, business and credit conditions, fluctuations in foreign exchange rates, entry of new competitors, introduction of new technology and products, new legislation that may impose stringent requirements on participants in the timber industry and publicity from Non-Governmental Organisations concerned with the effect of the timber industry on the environment at which may affect certain export markets. The Group seeks to limit these risks through, inter-alia, development of new products, going into capital intensive productions, sourcing for new suppliers both local and overseas, sourcing timber from Forest Management Unit holders.

xiii) Financial Risks

Given that the Group has borrowings and the loan interest is dependent on interest rates, future fluctuations of the interest rates could have material effects on the Group's profitability. As at 2 November 2001 (being the latest practicable date prior to printing of the Prospectus), the PWP Group's bank borrowings amounted to approximately RM40.4 million of which the interest rates range from 9.0 - 9.5%. The interest expense and interest coverage ratio for the financial year ended 30 June 2001 are RM2.71 million and 6.41 times respectively. Assuming that the interest rate were to increase by 1.0%, the increase in interest expense is estimated to increase by RM0.4 million.

The borrowings facilities were mainly obtained for the construction of the operating facility and purchase of machineries of the Group. Notwithstanding this, the funds to be generated in the future are expected to be more than adequate to meet the repayment terms of the facilities.

xiv) Environmental Concerns

In the manufacturing of timber products, the Group ensures that the general environment surroundings of the site are not damaged. Various forms of environmental friendly approaches have been taken into consideration during the design and implementation stage. The Group ensure that there is minimal wastage throughout the timber manufacturing process. This is in line with the increasing global awareness for environment conservation and the Group will continue to work in close co-operation with requirements of the governmental environmental enforcement and regulatory agencies.

#### 4. INFORMATION ON THE PWP GROUP

##### 4.1 Incorporation

PWP was incorporated in Malaysia under the Companies Act, 1965 on 22 August 1996 as a private limited company under the name of Priceworth Wood Products Sdn Bhd. On 6 November 2000, it was converted to a public limited company and assumed its current name. It is principally an investment holding company, with a wholly owned subsidiary company, namely PISB; of which PISB holds 100% of LESB and 100% of MSB. As at 2 November 2001, PISB has 167 employees, LESB has 6 employees, whereas MSB has 10 employees.

Details of the subsidiary company of PWP are summarised below:-

Subsidiary Companies of PWP	Date and place of incorporation	Issued and paid-up share capital (RM)	Effective Equity Interest (%)	Principal Activities
PISB	11.06.1990 Malaysia	32,974,031	100	Manufacture and sale of processed wood products, distribution of log timber, provision of wood processing services and rental of kiln dry machinery.

Details of the subsidiary companies of PISB are summarised below: -

Subsidiary Companies of PISB	Date and place of incorporation	Issued and paid-up share capital (RM)	Effective Equity Interest (%)	Principal Activities
LESB	13.09.1993 Malaysia	500,000	100	Log timber trading.
MSB	21.12.1982 Malaysia	1,800,000	100	Construction, timber extraction, and land development contract.

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#### 4. INFORMATION ON THE PWP GROUP (Cont'd)

##### 4.2 Share Capital and Changes in Share Capital

The present authorised share capital is RM50,000,000 comprising 100,000,000 ordinary shares of RM0.50 each whilst its issued and paid-up share capital is RM36,055,000 comprising 72,110,000 ordinary shares of RM0.50 each.

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

Date of Allotment	No. of Ordinary Shares	Par Value RM	Consideration	Total Issued and Paid-up Share Capital RM
22.08.1996	10	1.00	Cash; Subscribers' Shares	10
28.08.2000	20	0.50	Subdivision of shares from RM1.00 each to RM0.50 each	10
01.11.2001	72,109,980	0.50	Issued pursuant to the Acquisition of PISB	36,055,000

##### 4.3 Restructuring and Listing Scheme

In conjunction with, and as an integral part of the listing and quotation for the entire issued and paid-up share capital of PWP on the Second Board of the KLSE, the Group undertook a restructuring and listing scheme, which involved the following:-

i) Acquisition of MSB

Acquisition of 200,000 ordinary shares of RM1.00 each in MSB by PISB representing approximately 11.11% of the issued and paid-up capital of MSB for a purchase consideration of RM398,614 satisfied by cash based on the audited NTA of MSB as at 30 June 2000. The Acquisition of MSB was completed on 1 November 2001.

ii) Acquisition of PISB

Acquisition of the entire issued and paid-up share capital of PISB comprising 32,974,031 ordinary shares from its existing shareholders for a purchase consideration of RM42,076,738 based on the audited NTA of PISB as at 30 June 2000 satisfied by the issuance of 72,109,980 Shares in PWP at an issue price of approximately RM0.58 per Share as follows:-

Shareholders	No of shares held in PISB	% interest	Purchase Consideration RM	No. of PWP Shares issued
Lim Nyuk Foh	15,872,436	48.2	20,254,127	34,710,980
Chok Syn Vun	388,683	1.2	495,982	850,000
Fung Kar Hung	1,562,049	4.7	1,993,263	3,416,000
Dato' Sidek Bin Awang	9,717,076	29.5	12,399,541	21,250,000
Abdullah Bukhari Bin Mustapha	914,548	2.8	1,167,016	2,000,000
Tan Sri Sabbaruddin Chik	411,547	1.2	525,157	900,000
Ramlee Bin Mohd Shariff	2,377,826	7.2	3,034,241	5,200,000
Ismail Sabri Bin Yaakob	304,544	1.0	388,616	666,000
Maksum Bin Latif	792,455	2.3	1,011,220	1,733,000
Saleh Bin Baharudin	632,867	1.9	807,575	1,384,000
<b>TOTAL</b>	<b>32,974,031</b>	<b>100.0</b>	<b>42,076,738</b>	<b>72,109,980</b>

The Acquisition of PISB was completed on 1 November 2001. The shares issued pursuant to the Acquisition of PISB rank pari passu in all respects with the then existing shares of the Company.

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**4. INFORMATION ON THE PWP GROUP (Cont'd)**


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**iii) Initial Public Offering**

The final stage in the Restructuring and Listing Scheme involves a Public Issue of 12,890,000 new ordinary shares of RM0.50 each in PWP at an issue price of RM1.30 per Share.

The total of 12,890,000 Public Issue Shares representing approximately 15.16% of the enlarged issued and paid-up share capital of PWP will be allocated in the following manner:-

- i) 8,640,000 of the Public Issue Shares will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions; and
- ii) 4,250,000 of the Public Issue Shares have been reserved for eligible employees, Directors and business associates of the PWP Group.

All the new Shares issued pursuant to the Public Issue will rank pari passu in all aspects with the existing ordinary shares of PWP including voting rights and the rights to the dividend that may be declared, subsequent to the date of allotment of the Public Issue Share.

**4.4 Subsidiary Companies**
**(i) Information on PISB**
History and Business Overview

PISB was incorporated on 11 June 1990 in Malaysia as a private limited company under the Companies Act, 1965 as Priceworth Development Sdn Bhd. It assumed its present name with effect from 26 November 1994. PISB is principally involved in the manufacture and sale of processed wood products, distribution of log timber, provision of wood processing services and rental of kiln dry machinery.

PISB has 167 employees as at 2 November 2001.

Share Capital

PISB's present authorised share capital is RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each whilst its issued and paid-up share capital is 32,974,031 comprising 32,974,031 ordinary shares of RM1.00 each.

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#### 4. INFORMATION ON THE PWP GROUP (Cont'd)

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

Date of Allotment	No. of Ordinary Shares	Par Value RM	Consideration	Total Issued and Paid-up Share Capital RM
11.06.1990	3	1.00	Cash ; Subscribers' shares	3
22.03.1993	9,997	1.00	Cash	10,000
30.11.1993	990,000	1.00	Cash	1,000,000
17.01.1994	500,000	1.00	Cash	1,500,000
25.02.1994	1,000,000	1.00	Cash	2,500,000
28.12.1994	2,500,000	1.00	Cash	5,000,000
29.06.1996	5,000,000	1.00	Bonus Issue	10,000,000
28.06.1997	5,384,615	1.00	Bonus Issue	15,384,615
18.01.2000	6,594,835	1.00	Bonus Issue	21,979,450
18.07.2000	10,994,581	1.00	Bonus Issue	32,974,031

#### Profit and Dividend

The financial record of PISB based on its audited accounts for the past five (5) financial years ended 30 June 1997 to 2001 are as follows:-

	<-----Financial Year Ended 30 June----->				
	1997 (RM'000)	1998 (RM'000)	1999 (RM'000)	2000 (RM'000)	2001 (RM'000)
Revenue	38,985	34,311	35,152	41,529	60,049
EBIDTA	10,604	12,154	12,022	14,137	17,283
Interest expense	(2,172)	(3,248)	(2,285)	(1,338)	(1,881)
Interest income	-	11	30	9	4
Depreciation	(1,965)	(2,503)	(2,618)	(2,607)	(2,453)
Profit before exceptional items	6,467	6,414	7,149	10,201	12,953
Exceptional items	-	(1,089)	-	-	376
PBT	6,467	5,325	7,149	10,201	13,329
Taxation	(1,060)	(428)	-	(500)	(1,140)
Profit from ordinary activities	5,407	4,897	7,149	9,701	12,189
Extraordinary items	-	-	-	-	-
Minority interest	-	-	-	-	-
Net profit	5,407	4,897	7,149	9,701	12,189
Adjusted no. of shares in issue of RM1.00 each ('000) *	32,974	32,974	32,974	32,974	32,974
Gross EPS (Sen)*	19.61	16.15	21.68	30.94	40.42
Net EPS (Sen)*	16.40	14.85	21.68	29.42	36.97
Basic and diluted EPS (Sen)	16.40	14.85	21.68	29.42	36.97
Tax exempt dividend rate (%)	-	-	-	-	24.2

Note:-

\* adjusted for the bonus issue in 1997 and 2000

#### 4. INFORMATION ON THE PWP GROUP (Cont'd)

##### (ii) Information on LESB

###### History and Business Overview

LESB was incorporated on 13 September 1993 in Malaysia as a private limited company under the Companies Act, 1965. LESB is principally involved in the trading of log timber.

LESB has 6 employees as at 2 November 2001.

###### Share Capital

LESB's authorised and issued and paid-up share capital are both RM500,000 comprising 500,000 ordinary shares of RM1.00 each.

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

Date of Allotment	No. of Ordinary Shares	Par Value RM	Consideration	Total Issued and Paid-up Share Capital RM
13.09.1993	10	1.00	Cash ; Subscribers' shares	10
27.09.1993	499,990	1.00	Cash	500,000

###### Profit and Dividend

The financial record of LESB based on its audited accounts for the past financial year ended 31 August 1996, ten (10)-month period ended 30 June 1997 and four (4) financial years ended 30 June 1998, 1999, 2000 and 2001 are as follows:-

	Financial Year ended 31 August 1996 (RM'000)	10-month period ended 30 June 1997 (RM'000)	<-----Financial Year Ended 30 June----->			
			1998 (RM'000)	1999 (RM'000)	2000 (RM'000)	2001 (RM'000)
Revenue	3,537	3,385	13,060	16,904	17,857	15,175
EBIDTA	625	432	426	780	1,324	1,959
Interest expense	(1)	-	-	(53)	(485)	(500)
Interest income	3	7	7	5	466	-
Depreciation	(44)	(15)	(11)	(11)	(11)	(6)
Profit before exception items	583	424	422	721	1,294	1,453
Exception items	-	-	-	-	-	-
PBT	583	424	422	721	1,294	1,453
Tax expense	(174)	(117)	(120)	18	(403)	(441)
Profit from ordinary activities	409	307	302	739	891	1,012
Extraordinary items	-	-	-	-	-	-
Minority interest	-	-	-	-	-	-
Net profit	409	307	302	739	891	1,012
No. of shares in issue of RM1.00 each ('000)	500	500	500	500	500	500
Gross EPS (Sen)	116.60	104.23*	84.40	144.20	258.80	290.60
Net EPS (Sen)	81.80	75.03*	60.40	147.80	178.20	202.40
Basic and diluted EPS (Sen)	81.80	75.03*	60.40	147.80	178.20	202.40
Gross dividend rate (%)	-	-	-	-	-	-

\* *time-apportioned*

#### 4. INFORMATION ON THE PWP GROUP (Cont'd)

##### (iii) Information on MSB

###### History and Business Overview

MSB was incorporated on 21 December 1982 in Malaysia as a private limited company under the Companies Act, 1965. MSB is principally involved in construction, timber extraction and land development contracts.

MSB has 10 employees as at 2 November 2001.

###### Share Capital

MSB's authorised share capital is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each whilst its issued and paid-up share capital is RM1,800,000 comprising 1,800,000 ordinary shares of RM1.00 each.

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

Date of Allotment	No. of Ordinary Shares	Par Value RM	Consideration	Total Issued and Paid-up Share Capital RM
21.12.1982	2	1.00	Cash ; Subscribers' Shares	2
24.06.1992	49,998	1.00	Cash	50,000
13.03.1996	150,000	1.00	Cash	200,000
30.06.1997	1,600,000	1.00	Bonus issue	1,800,000

###### Profit and Dividend

The financial record of MSB based on its audited accounts for the financial year ended 31 December 1996, six (6)-month period ended 30 June 1997 and four (4) financial years ended 30 June 1998, 1999, 2000 and 2001 are as follows:-

	Financial Year ended	6-month period ended	-----Financial Year Ended 30 June----->			
	31 December 1996 (RM'000)	30 June 1997 (RM'000)	1998 (RM'000)	1999 (RM'000)	2000 (RM'000)	2001 (RM'000)
Revenue	6,783	2,789	7,849	6,304	6,453	7,485
EBIDTA	802	1,243	2,280	1,740	2,728	1,938
Interest expense	(470)	(110)	(410)	(235)	(764)	(327)
Interest income	10	5	21	11	293	6
Depreciation	(912)	(644)	(1,250)	(1,162)	(1,489)	(1,384)
Profit/(loss) before exceptional items	(570)	494	641	354	768	233
Exceptional items	1,238	-	-	-	-	-
PBT	668	494	641	354	768	233
Taxation	214	(2)	(215)	-	(307)	(220)
Profit from ordinary activities	882	492	426	354	461	13
Extraordinary items	-	-	-	-	-	-
Minority interest	-	-	-	-	-	-
Net profit	882	492	426	354	461	13
Adjusted no. of shares in issue of RM1.00 each ('000) *	1,534	1,800	1,800	1,800	1,800	1,800
Gross EPS (Sen)	43.55	46.00**	35.61	19.67	42.67	12.94
Net EPS (Sen)	57.50	51.83**	23.67	19.67	25.61	0.72
Basic and diluted EPS (Sen)	57.50	51.83**	23.67	19.67	25.61	0.72
Gross dividend rate	-	-	-	-	-	-

\* adjusted for the allotment of shares in 1996 and bonus issue in 1997

\*\* time apportioned

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**4. INFORMATION ON THE PWP GROUP (Cont'd)**

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**4.5 Business Overview**

PWP was incorporated on 22 August 1996 in Malaysia under the Companies Act, 1965 as a private limited company under the name of Priceworth Wood Products Sdn Bhd. On 6 November 2000, it was converted to a public limited company and assumed its current name. It is principally an investment holding company with a wholly owned subsidiary namely PISB which in turn has two subsidiaries, LESB and MSB. The subsidiary companies are involved in the manufacturing and sale of processed wood products namely sawn timber, barecore board, fingerjoints, laminated timber, moulding profiles & moulded timber, wooden doors, window frames, parquet flooring, UV coating flooring, CCA treated wood, timber extraction, distribution of log timber, log timber trading, provision of wood processing services, rental of kiln dry machinery, construction and land development contract.

**Development of the Group**

The PWP Group was established in 1982 with the incorporation of MSB, a company that is involved in log extraction. In 1993, LESB was incorporated to venture into trading of timber logs.

PISB started by the purchase of a few parcels of swampy land measuring 81.02 acres at KM 5.5, off Jalan Ulu Sibuga, Kuala Seguntor, about 16 kilometres from Sandakan, Sabah in 1992. The swampy land was reclaimed in the year 1993 and a modern integrated wood processing complex was built and commenced production in the year 1994. The complex produced processed wood products namely sawn timber, barecore board, fingerjoints, provision of wood processing services and rental of kiln dry machinery.

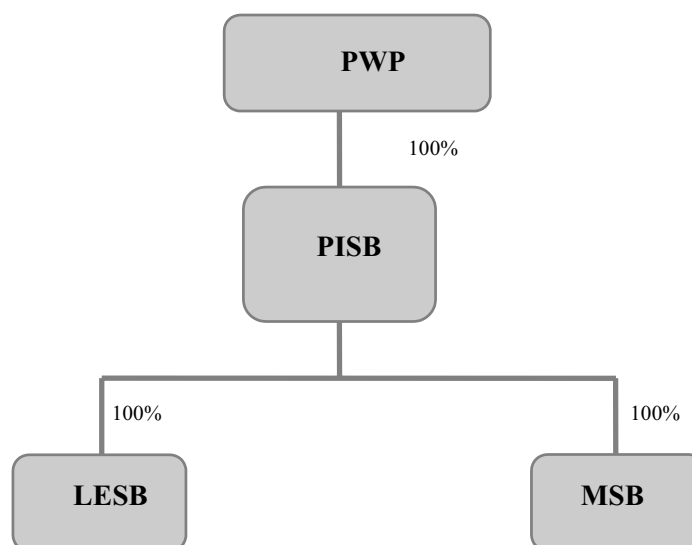
In line with the Government's call for timber companies to venture into higher value-added downstream products, the PISB had further expanded its downstream activities during the year 1997 into the manufacturing of solid doors, window frames, parquet flooring, UV coating flooring, moulding profiles, moulded timber and CCA treated wood. In year 1999, the PISB Group again diversified its downstream products into the manufacturing of hard wood pallets.

Presently, the PWP Group operates an integrated timber complex located on an 81.02 acres land in Seguntor, about 16 kilometres from Sandakan, Sabah. As at 2 November 2001, the Group has a total of 183 employees. A significant portion of the Group's wide range of timber products are exported to several countries around the world such as Japan, China, Hong Kong, Taiwan, Singapore, Thailand, South Korea and Phillipines.

The Group's focus is to produce and market high quality downstream value added products and continue to improve its efficiency and production capacity. The Group plans to extend the range of downstream products, such as furniture parts and components, panelling and moulding profile. In its efforts to achieve product diversification and to at least maintain its current market share, the Group will also increase production in its mills, produce higher profile moulded products and optimise utilisation of its kiln dry chambers.

#### 4. INFORMATION ON THE PWP GROUP (Cont'd)

The following is the overview of the Group's corporate structure:-



#### *Production Capacity for the Product Range*

The annual production capacity of the PWP Group currently stands at about 51,360 cubic metres of timber products. The monthly production capacity of the Group production lines are as follows:-

<b>Production lines</b>	<b>Products</b>	<b>Monthly Production Capacity</b>
Sawmill - 2 breakdown saws - 2 pony saws - 14 table band saws	Sawn timber	3,500 – 4,000 cubic metres
Impregnation Plants - 3 units of fully automatic impregnation plants	Chemically treated timber & poles	2,160 cubic metres
Kiln Dry Plants - 23 Kiln Dry chambers	Kiln dried timber	3,500 cubic metres
Finger Joint Line - 2 fully automatic finger joint machines	Moulding products i.e. finger joint products, parquet etc.	1,000 cubic metres
Solid door & window frame	Solid door & window frames	3,000 units of solid doors & 2,000 units of window frames
Barecore board	Barecore board	2,500 cubic metres

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**4. INFORMATION ON THE PWP GROUP (Cont'd)**

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**Product range and Production process**

The PWP Group's product range and the production process can be generally summarised as follows:-

**a) Sawn Timber**

Sawn timber is the first product from the production process. The process starts when the logs are cut by the chainsaw into the desired length of the sawn timber. Each sawn log is then cut into four triangular slabs by the breakdown saw. The logs then undergo further sawing through ponysaw or band-saw, where the logs' edges and thickness are trimmed to the required specification. The sawn timber is then graded and bundled for delivery to customers or for further value adding processing.

**b) Impregnation Chemical Treatment Timber**

The purpose of undergoing the chemical treatment process or in technical terms, timber impregnation, is to extend the useful life of the timber products for another 40 years.

The process involves the loading of small logs into a pressure vessel, which will create a field of vacuum, to extract moisture from timber. The timber will then be submerged in preservative solution in the same pressure vessel. Pressure is applied into the solution-filled vessel at the same time to allow maximum penetration of the preservative solution into the timber for a period ranging from 3 hours to 8 hours. This will be followed by drainage of the preservative solution. Then a final vacuum will be created again in the pressure vessel to extract any excess preservative solution from the timber. This process is usually done on timber to extend its durability from foreign agents such as chemicals, water and insects. The chemical treatment process is approved by the New Zealand Timber Preservation Authority and complies with many standards throughout the world such as the Malaysian Standard, British Standard and American Wood Preserving Association Standard. The chemically treated timber is then either packed to be sold for the usage as telephone and electricity poles or to be processed further downstream.

**c) Kiln Dried Timber**

The kiln-drying process produces the required moisture level for the sawn timber without damaging the structure and strength of the timber. In this process, the sawn timber is dried in oven-liked structures called kilns before they are rolled out for sale or further value added manufacturing.

**d) S2S & S4S Timbers**

The surfaced 2 sides timber is known as S2S while the surfaced 4 sides timber is known as S4S .

The S2S and S4S timber products are a result from another stage of further value-added process after the kiln-dried process. The kiln-dried timber is dressed by the use of a planner or moulder machine which will smoothen the surface of the timber into either 2 sides or 4 sides as per the required specification. The finished timber is then either sold to customers or kept for further processing which is the moulding process.

**e) E2E & E4E Timbers**

The edged 2 edges is known as E2E timber while the edged 4 edges is known as E4E timber.

Most S2S and S4S timber products are further processed into E2E or E4E timber where the sides of the timber are smoothed into the required specification by the use of moulder machine.



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**4. INFORMATION ON THE PWP GROUP (Cont'd)**

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**f) General Moulding Products**

General moulding products start off from the drying stage which consists of seasoning and then kiln drying. Seasoning or timber impregnation is the process of treating the timber with chemical as explained earlier and which would normally take 3 weeks. Afterwards, depending on customer's requirements, the timber will go through the process of kiln drying. This would take from two to six weeks, depending on the thickness of the plank.

Then the timber goes through a ripping process, which will see it being trimmed into the required width. Subsequently a moulder machine will mould the timber into the required designs while a cross cut machine will cut it into the required length. The final stage is the grading and packing process.

**g) Finger-jointed Products**

The finger-jointed process converts "off-cuts" and short-length timber, which are the wastage from the sawn timber into usable timber products. This would increase the recovery rate of the sawn timber as it enables the recycling of the odds and ends from the wood for further processing into other downstream products. The pieces of off-cuts and short-length timber are joined together by applying glue and then pressing the jagged joints together. This will result in the pieces of "off-cuts" and short-length timber becoming full-length commercial timber strips, hence the term finger-jointed products.

In addition, the finger-jointed products can be processed further into profiles of general moulding and laminated beams. Finger-jointed timber also commands a premium over normal sawn timber due to the following reasons:

- 1) joinery timber is stronger than normal sawn timber due to the strength built in the joints; and
- 2) the length of joinery timber can be specially tailored to meet the needs of the end user whereas the length of the normal sawntimber depends on the length and quality of the logs.

**h) Solid Door & Window Frame**

Firstly, the kiln dried sawn timber are cut into the required specification by the jump saw and the jointer will then mould the timber into the required profile. Next the timber will be drilled and assembled into either a solid door or window frame with the panels. After assembly, the surfaces of the solid door and window frame will be smoothen with the sander. The finished timber products will be graded and packed for delivery to customers

**i) UV (Ultra Violet) Parquet Flooring**

The manufacturing of parquet flooring is fully automated and is completed by using UV drying. The kiln dried moulded timber will firstly undergo the sander stage which will smoothen the timber surface. Next the timber will go through a suction process whereby impurities will be sucked before the timber is dried using UV rays. The timber will then proceed to the spraying stage to add lacquer onto the surface before going through the entire four (4) stages again; sander, suction, UV drying and spraying. The finished product will then undergo three (3) of the stages again namely, sander, suction and UV drying for the third time before a UV finished parquet is produced. Lastly, the UV finished parquet will then be graded, bundled and packed.

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**4. INFORMATION ON THE PWP GROUP (Cont'd)**

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**j) Hardwood Pallet**

Firstly, the kiln dried sawn timber is cut into the required specification by using the jump saw and jointer before being moulded into the required profile. Next the timber will be drilled to form a pallet and assembled with carbonite rods. The final stage will be when the surface of the pallet is smoothed, by using the sander. The finished product will then undergo the grading and packing process.

**k) Barecore Board**

Firstly, the core of the kiln dried sawn lumber is cut into the required specification by the jump saw and cross cut. Subsequent the sander is used to smoothen both sides of the surface of the timber. Then the timber is sent to the rip saw to be ripped into the required specification. Later it will go through a lamination process where it will be processed into barecore board. The final stage is the grading and packing process.

**l) CCA Chemical Treatment Timber.**

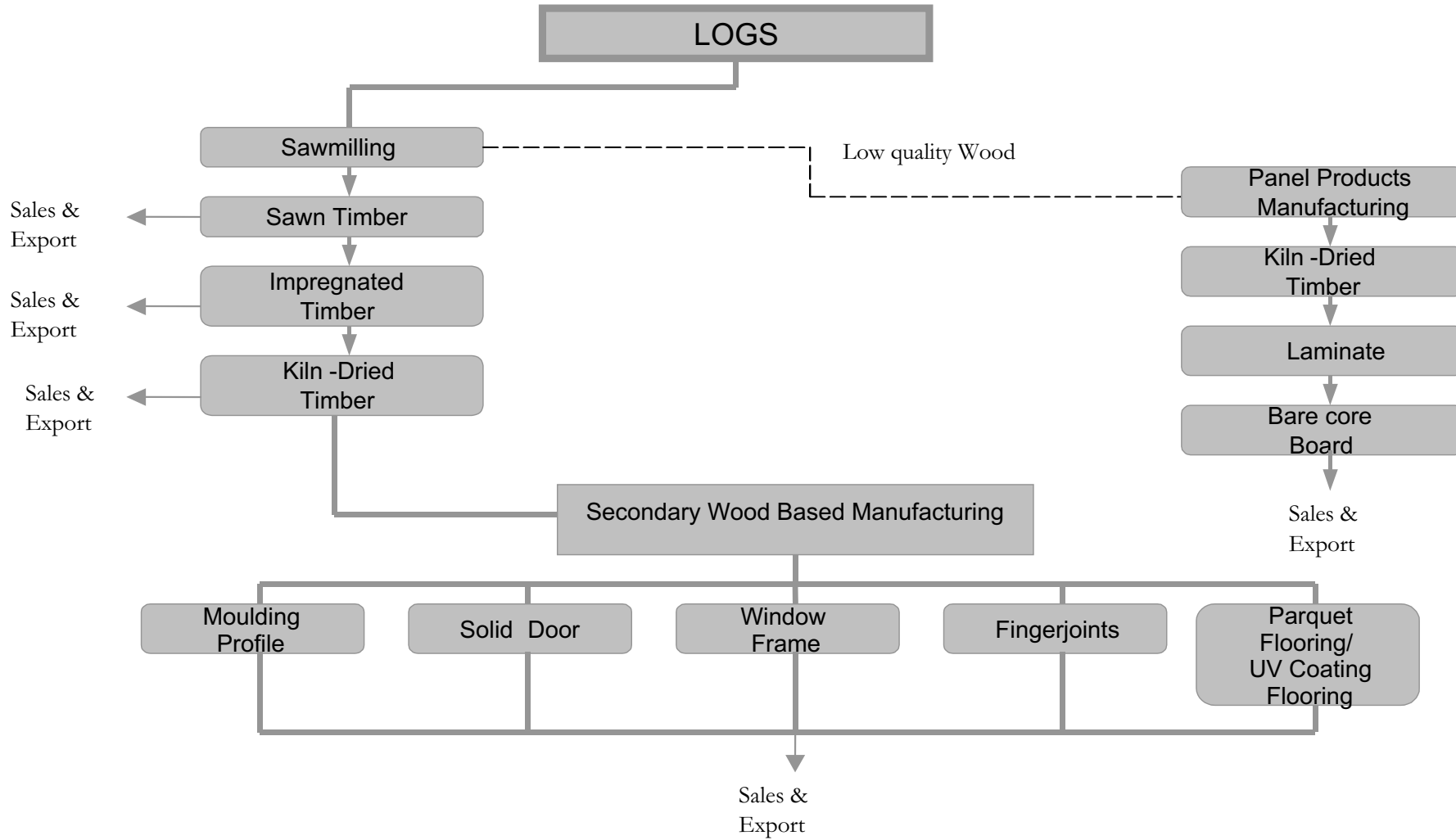
As a result of PWP Group's research and development, PWP Group commenced selling CCA treated transmission and telecommunication poles in 1997. The production process for this product is similar to the impregnated chemical treatment timber except that it is treated with CCA instead.

At present, there is a good demand for the product in several neighbouring countries such as the Philippines and South Korea. The demand for CCA treated transmission and telecommunication poles in the Philippines alone is estimated approximately 2 million pieces per annum and is expected to remain or increase for the next five years with their Rural Electrification Program, sponsored by the World Bank and the Japanese Economic transmission and telecommunication poles.

Looking ahead, the Group is looking at producing CCA treated marine piling and railway sleepers for the Asian markets.

4. INFORMATION ON THE PWP GROUP (Cont'd)

**Production Flow Chart**



**4. INFORMATION ON PWP (Cont'd)***Principal Markets, End Users and Demand for Products and Services*

<b>Products</b>	<b>Principal Markets</b>	<b>End users</b>
Sawn timber	China, Hong Kong, Japan, South Korea, Taiwan, Thailand, Holland, Sweden	Infrastructure and building contractors and furniture manufacturers
E4E & E2E	Japan, South Korea, Holland, Sweden, China, Hong Kong	Building contractors
S4S & S2S	China, Hong Kong, Japan, South Korea	Building contractors
Chemically treated timber & poles	South Korea, The Philippines	Infrastructure contractor
Kiln dried timber	South Korea, China, Hong Kong, Singapore	Infrastructure contractors
Moulding products i.e. finger joint products, parquet flooring, UV coating flooring etc.	China, Holland, Sweden, Korea, Japan, Taiwan, Hong Kong, Singapore	Building contractors, furniture manufacturers
Solid door & window frames	Domestic	Building contractors
Bare core board	Taiwan	Building contractors
Hardwood pallet	China, Singapore, Hong Kong	Infrastructure and building contractors

**Export Markets by Destination**

The PWP Group is an export orientated Group with more than half of its products are exported to overseas markets, in particular, Japan, China, Hong Kong, Taiwan, Singapore, Thailand, South Korea and Philippines. The table below sets out the contribution of the Group's export markets from the year ended 30 June 1997 to 2001.

*Breakdown in Turnover by Export Markets*

	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Japan	5,665	5,640	8,959	12,321	21,678
China	1,051	959	28	16,624	17,024
Thailand	12,954	13,608	9,802	1,863	2,245
Singapore	925	972	1,347	239	4,054
Holland and Sweden	925	972	700	133	39
United Arab Emirates	925	972	700	133	-
South Korea	5,453	1,898	3,585	-	1,843
Philippines	-	570	-	799	1,723
Taiwan	2,176	6,230	5,640	3,612	4,776
Hong Kong	-	-	5,225	187	5,122
Australia	-	-	1,281	-	-
<b>Total</b>	<b>30,074</b>	<b>31,821</b>	<b>37,267</b>	<b>35,911</b>	<b>58,504</b>
% of total turnover (%)	61.2%	62.0%	68.0%	56.5%	70.8%

**Sources of Raw Materials**

Log is the key raw material for the PWP Group as it make up of approximately 80% of the raw material cost. The other raw material used by the PWP Group are off cut, waste wood and glue. The worldwide concern on the depleting forestry has seen the setting up of the International Tropical Timber Organisation ("ITTO"), which has the objective that all tropical timber products traded internationally by member countries will have to originate from sustainable managed forests. With the participation of the Malaysian government in ITTO's programme, the Malaysian Timber Industry Board was set up to regulate the felling of trees and ensuring that the Malaysian forestry will be logged on a sustainable basis. To ensure the sustainability of the forest resources, the National Forest Policy sets out that each state in Malaysia is subjected to a cutting coupe where there is a restriction on the amount of timber to be extracted each year.

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**4. INFORMATION ON PWP (Cont'd)**


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The PWP Group has not experienced any vulnerability due to the shortage of log as it has established good relationship with its suppliers. For the past 2 financial years, the Group's log supply is mainly sourced from Teras Selasih. The current and future log requirements are fulfilled via two (2) long term Logs Supply Agreements which are as follows:-

- (a) The log supply agreement dated 1 November 2000 between PISB and Teras Selasih for the supply of a total monthly volume of 10,000 cubic metre of logs to PISB for a period of seven (7) years from 1 November 2000 onwards; and
- (b) The log supply agreement dated 1 November 2000 between PISB and Rintisan Bumi for the supply of a total monthly volume of 7,000 cubic metre of logs to PISB for a period of five (5) years from 1 November 2000 onwards

The two log supply agreements are estimated to provide approximately 204,000 cubic metres of log per annum. Hence the Group's future log consumption, which is estimated, to be an average of 100,000 cubic metres per annum can be fully fulfilled. On average, approximately 95% of the Group's total log requirements are fulfilled via the log suppliers while 5% are sourced from other cheaper log suppliers. Nevertheless, to be proactive in diversifying its procurements, the Group is actively securing its log supply from other quality log suppliers.

**Quality control procedures or quality management programmes**

Quality control measures are established throughout the various stages of production. The Group employs a mixture of manual and automated features to ensure consistent quality in its products and liaises closely with buyers on the required quality.

The Group has established a training program for its factory workers to enable them to contribute to the efficient production and operation of the factory. Constant monitoring of the production lines by the skilled and trained workforce has enable the PWP Group to manufacture products that meet the stringent quality grading imposed by the Japanese Standard and Malaysian Grading Rules for sawntimber. Customers' complaints on the quality of the Group's products are also handled promptly whenever they arise.

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

**(i) Policy on R&D**

The Group is committed to ensure that its products are of high standard and quality and meets its customers' specifications and requirements. In the past, the PWP Group has undertaken its R&D activities in collaboration with its customers to ensure that the timber products produced by the Group meet the regulatory and quality of its export markets.

The Government of Malaysia wishes to promote the development and improve the efficiency and international competitiveness of Malaysian timber industry. In line with the Government's call for timber companies to venture into a higher value added downstream products, the Group had developed its research and development activity with the aim of setting up efficient preservation processes to improve the treatment quality of treated timbers as well as to promote and commercialise the treated wood products.

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**4. INFORMATION ON PWP (Cont'd)**


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The objectives of the current R&D project are as follows:-

- I. to develop treatment processes on transmission / telecommunication poles, marine piling and railway sleepers
- II. to promote and commercialise CCA treated timber for the export markets.

**(ii) R&D Facilities and Personnel Involved**

As at 2 November 2001, the Group has ten (10) personnel performing R&D for downstream wood processing. The R&D facilities are situated in the Group's factory.

**(iii) Present status of R&D**

The PWP Group is currently developing the CCA marine piling and railway sleepers for the export markets. This is in line with the Group's objective in furtherance of development of treated timber. The Group is also undergoing R&D to treat specific timber species peculiar to Sabah.

**(iv) Achievements of R&D in New Products**

The following are the achievements of the R&D:-

- a) CCA treatment technology of East Malaysian hardwoods;
- b) Development of incising technology for the treatment of railway sleepers;
- c) Development of suitable treatment schedule using CCA for small diameter logs; and
- d) Maximise utilisation of small diameter log as finished products for the export markets.

**Interruption/Disruption in Business**

The Group did not experience any disruption in business having significant effect on its operations for the past twelve (12) months prior to the date of this Prospectus.

**Employees**

As at 2 November 2001, the Group employs a total of 183 employees. The management of the Group is of the opinion that its dedicated and efficient employees are instrumental to its success. The management of the Group enjoys a good working relationship with the employees and there has not been any industrial disputes in the past. The employees do not belong to any organised union.

The Group's employees can be segregated into five (5) categories as follows:-

#### 4. INFORMATION ON PWP (Cont'd)

Category of Employee	Total number	Average no. of years of service (year)
Managerial and Professional	9	7
Technical and supervisory	19	6
Clerical and related occupations (e.g. clerks, typist, stenographers, personal secretaries, etc.) plus sales personnel	16	6
General workers (e.g. telephone operators, drivers, office boys, watchmen, gardener, etc.)	13	5
Factory workers	126	6
<b>TOTAL</b>	<b>183</b>	

#### Modes of marketing

The PWP Group has successfully established a diversified distribution network consisting of trading agents, distributors and customers, established from the days when the founders of the PWP Group were involved in log trading and then on to the manufacture of its current products. These trading agents, distributors and customers deal in the marketing of all timber products, which means that PWP have some ready buyers for its existing products.

Generally PWP sales to the export market is divided into 2 types which are as follows:-

- (i) Foreign customers - Direct sales to foreign customers
- (ii) Local / Foreign agents - Sales through local / foreign agents who further distribute to their own customers

#### 4.6 Industry Overview

##### ***Overall Malaysian Economy***

The performance of the Malaysian economy in 2001 has been adversely affected by the greater-than-expected slowdown in the world economy, particularly in the United States (US) as well as the continuing weak performance of the Japanese economy. The recent attack on the US has led to greater uncertainties with respect to the severity and duration of the recovery in the US. There are concerns on the risks of the US economy entering into a recession and its contagion on other industrialised and developing economies. In the light of the more difficult environment, real GDP growth of the Malaysian economy is projected to grow by 1- 2% for 2001. (Source : *Economic Report 2001/2002*)

All major sectors are expected to be adversely affected by the slower growth in the economy, particularly manufacturing which is estimated to record a sharp deterioration in output growth. The steep decline in value added of the manufacturing sector has, however, to some extent been offset by the better performance from agriculture, construction and services sectors. The services sector has provided the lead in the growth of the economy on account of better performance of government services and other services sub-sectors. In construction sector, fiscal stimulus efforts by the Government, particularly for infrastructure projects coupled with the construction of low-and medium-cost residential houses, have contributed towards its higher growth. In the agriculture sector, the higher output from palm oil has resulted in higher rate of growth for the sector. (Source : *Economic Report 2001/2002*)

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**4. INFORMATION ON PWP (Cont'd)**

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Notwithstanding this, the strong fundamentals of the Malaysian economy continue to provide sufficient policy flexibility to implement growth-supporting measures to stimulate domestic economic activities without jeopardising the sustainability of the nation's potential growth prospects in the medium- and long-term. The nation's current account in the balance of payments continues to register strong surpluses since 1998. The external reserves has stabilized at a higher level and is sufficient to finance 4.6 months of retained imports and is 6.2 times short-term liabilities, while external debt remains low and inflation subdued. (*Source : Economic Report 2001/2002*)

In response to the adverse developments in the external sector and with a view to minimizing its immediate adverse spillover effects, the Government announced another stimulus package of RM4.3 billion on 25 September 2001. Apart from adding further stimulus to domestic economic activities, the package also aims to cushion the implications on the poor and other less advantaged segments of the society from the impact of the economic slowdown, generating business and income opportunities for small enterprises as well as providing skills training. The largest allocation of RM1 billion is provided for small projects in rural and selected urban areas including, among others, the construction and upgrading of roads, bridges, water and electricity supply, and community-based projects. In addition, computer laboratories will be constructed in 2,000 more schools, while maintenance works on government buildings and facilities will be stepped up. The package also provides for the doubling of current rates of welfare payments, monthly allowance for degree and diploma holders to learn IT, mathematics and languages as well as the promotion of tourism. (*Source : Economic Report 2001/2002*)

**ii) The Global Economy**

Following the attack on the US, the outlook of the global economy becomes increasingly uncertain. The attack has not only altered the prospects for an early recovery, but also increased the risk of the US economy entering into a recession. The US being the largest economy in the world and accounting for about one-fifth of world output and exports, the contagion on the economies of major industrialised countries and the rest of the world would be significant. (*Source : Economic Report 2001/2002*)

Even before the attack, there was increased evidence of a more protracted slowdown of the world economy, primarily on account of the sharper decline in output growth in the three main economic blocks, namely the US, Japan and the euro area. The decline in the US manufacturing output continued to worsen, its equity market became increasingly volatile, while the unemployment rate edged upwards and business sentiment deteriorated. At the same time, Japan, the second largest economy, has not shown any sign of recovery. Depressed consumer demand, weak external sector and a lacklustre pace of financial and corporate sector restructuring have pointed towards a contraction in Japan's output growth. The outlook for the euro area became more pessimistic with Germany, its largest economy, experiencing a stronger downturn, particularly in its industrial sector. The rigidities in the labour market and constraints in the European Central Bank (ECB) monetary policy also contributed to the greater pessimism. (*Source : Economic Report 2001/2002*)



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**4. INFORMATION ON PWP (Cont'd)**


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**(iii) Overview of the Timber Industry****(a) Industry Dynamics**

The timber industry encompasses a wide range of activities from logging, sawmilling, secondary processing to tertiary processing. Its main products are sawlogs, sawn timber, panel products, mouldings and joinery, and furniture. The timber processing industry is a highly fragmented one with over 1,500 units ranging from sawmills to pulp and paper manufacturers. In 1995, there were 1167 sawmills; 170 plywood and veneer mills; 287 timber moulding factories; 5 medium density fibreboard mills and 9 particleboard mills. In addition, there were also blockboard mills, laminated board plants, woodchip mills and paper mills. As for Sabah and Sarawak, although the timber processing industry there was largely undeveloped until early 90's, these 2 states now boasts of some of the largest sawmills and integrated timber complexes in the country. *(Source : 2000 Dynaquest Sector Analysis - Sawmill & Timber Processing)*

The PWP Group is principally a downstream timber products manufacturer which produces mainly barecore boards, raw and processed sawn timber, fingerjoints, floorings, solid doors and window frames. It is currently one of the largest downstream timber products manufacturing companies in the east coast of Sabah.

The wood-based industry is a highly export oriented industry. In value terms, about 77% of the production is exported. However, as the export sector usually commands better prices than domestic sector, in volume terms, it is estimated that about 55-65% of the wood-based products are exported. The high export orientation of the wood-based industry thus contributed to the timber industry's prominence as a foreign exchange earner. *(Source : 2000 Dynaquest Sector Analysis - Sawmill & Timber Processing)*

With lower exports of saw logs, much of its higher production was used for sawn timber, production of which rose in 2000. Export earnings from sawn timber also rose in 2000 with higher offtake by Thailand, Taiwan, Republic of Yemen and the United Arab Emirates, which is a group accounted for 35% of total Malaysian sawn timber exports. This, together with an increase in the export unit value for sawn timber, led to higher export earnings for the industry during the year. *(Source : Bank Negara Annual Report 2000)*

**(b) Competition and Market Share**

The industry sees competition throughout the various processing stages from getting supply of logs to sales of the timber products. The largest timber operators in the country are found in Sarawak, among which are the Rimbunan Hijau group, the Samling group, the WTK group, the KTS group, Limbang Trading and Pan Pacific Asia Bhd. All these groups are backed by huge concessions. As for West Malaysia, among the bigger privately owned sawmills are Pan Resources Sdn Bhd of Pahang and Great Bonanza Timber Sdn Bhd of Kelantan. Most of these big companies are integrated backward and forward, that is, they carry out logging activity, sawmilling, kiln-drying, manufacturing of mouldings and some even go downstream to furniture parts, furniture, parquet, prefabricated roof trusses. *(Source : 2000 Dynaquest Sector Analysis - Sawmill & Timber Processing)*

#### 4. INFORMATION ON PWP (Cont'd)

The players in Sabah are Sinora Industries Berhad, Timberwell Berhad and NWP Holdings Berhad. The competitors of the PWP Group are Jaya Tiasa Holdings Berhad, Lingui Developments Berhad, Subur Tiasa Holdings Berhad, Tekala Corporation Berhad, Sinora Industries Berhad, Timberwell Berhad, Jin Lin Wood Industries Bhd and NWP Holdings Berhad. There is no report to support the Group's market coverage, position and market share as the timber industry is very fragmented.

Presently there is no competition from substitutes as there has not been and it is not expected that there will be a perfect immediate substitute to be developed to replace timber.

##### (c) Government Legislation, Policies and Incentives

The Malaysian Government has been actively promoting the development of the local timber and the manufacture of the wood-based product industry. In addition to the setting up of various agencies to oversee the development of the sector, various tax incentives and exemptions from duty were accorded to capital expansion, R&D, import/export and training activities. For example, companies under the Pioneer Status tax incentive enjoy tax exemption for up to 100% of its statutory income for a period of 5 years. Under the Investment Tax Allowance, a company enjoys an allowance of 60% of the qualifying capital expenditure incurred within 5 years from the date of approval of the project which can be utilised to exempt 70% of statutory income.

The PWP Group had enjoyed a Pioneer Status tax incentive for the past five financial years and the incentive expired during the financial year ended 30 June 2001.

The Ministry of Primary Industries has set up the Malaysian Timber Industry Board ("MTIB") to oversee the timber industry and has a Forestry Department to oversee the timber resources. The governance of the regions classified as Peninsular Malaysia, Sabah and Sarawak are overseen by MTIB through Malaysian Timber Council, Timber Association of Sabah and Sarawak Timber Industry Development Corporation respectively. The Forestry Department set policies such as the Forestry Development Policy to gear the country towards International Tropical Timber Organisation's requirements.

Malaysian timber exports continued to face non-tariff barriers including a requirement for timber certification and legislation by states and city councils in some consuming countries to restrict the use of tropical timber in their localities. In response to the increasing demand for certified timber, Malaysia established the National Timber Certification Council (NTCC). This Council began operations in January 1999 to develop a national timber certification scheme for Malaysia. In view of the greater demand by overseas buyers for timber certified by the Forest Stewardship Council (FSC), which dominated timber certification in the world market, the NTCC has taken steps in 2000 to initiate collaborative efforts with the FSC with a view to achieving mutual recognition between the NTCC and the FSC. (*Source : Bank Negara Annual Report 2000*)

The Forestry Industry has granted the Group sawmilling and logging licences whilst the Grading Qualifications of the products are approved by the MTIB. The Group has a qualified Timber Graders under the MTIB. The equipment used by the Group for production purposes are all approved by the Environmental Ministry. Appropriate licences have been obtained from the Ministry of International Trade and Industry Malaysia, Lembaga Perindustrian Kayu Malaysia, Kerajaan Jabatan Hutan, Jabatan Alam Sekitar, Perbadanan Kemajuan Perusahaan Kayu and other state and national authorities as required.

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**4. INFORMATION ON PWP (Cont'd)**


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Other strategies to further develop the industry include to continue upgrading existing industries to develop downstream activities and promoting new investments in high value-added and differentiated products. Among the products with the potential to be developed further for the export market are panel products for interior décor, up-market goods such as household and home-office furniture, and builders' woodwork, which includes solid wood doors and windows. In order to maximize the recovery rate of wood and encourage further the utilization of wood waste, efforts will be taken to intensify R&D activities and develop new technologies. In addition, the manufacture of ornamental wood-based products will be encouraged. The Government will continue to encourage the consolidation and rationalization of industries to replace small, uneconomic and low-technology operations in order to compete effectively in the global market. *(Source : Eight Malaysian Plan – 2001-2006)*

**(d) Demand and supply conditions**

Production of saw logs increased by 9.6% in 2000 in response to higher domestic demand particularly from the wood-based industries. Nevertheless, saw log production during the year was in line with the Government's forest conservation policy and sustainable forest management as stipulated under the International Tropical Timber Agreement. On the external front, demand for Malaysian logs was lower given the high inventories in the major importing countries. At the same time, logs from Malaysia also encountered competition from temperate logs particularly from New Zealand and Chile. As a result, the export earnings from saw logs declined during the year. *(Source : Bank Negara 2000)*

**(e) The Timber Industry's Past Growth**

Looking at the output trend over the years, it can be seen that the industry went through a tough period of low demand and low prices during the mid-80's as a result of recession. Following the recovery in 1986, the local wood-based industry recorded increases in output every year from 1987 to 1997. In the first 3 years from 1987-1989, the growth was mainly led by the export sector. The period saw good overseas demand which caused prices to rise by a great deal. However, from 1990-1992, with overseas demand for the local wood based products sluggish as a result of the economic slowdown/recession in the West and the Gulf War, the main impetus for growth came from domestic demand. The local construction sector registered vibrant growth during the period and hence was able to offset the sluggish overseas demand. In 1993, continued strong local demand coupled with recovery in some of the Western countries and record prices of timber products led the industry to register buoyant growth. However, growth slowed down during the 4 years from 1994 to 1997 owing to shortage of timber, weaker external demand in the major importing countries, competition from the other timber producing countries (hardwood and softwood), as well as competition from non-wood substitutes. In mid-1997, the Asian financial and economic crisis erupted and the ensuing drop in demand led to a 3.1% fall in industry output in 1998. Nevertheless, the industry growth reverted back to the positive territory in 1999 due to economic recovery in the region, floods in China and the need to replenish depleting inventories. *(Source : 2000 Dynaquest Sector Analysis - Sawmill & Timber Processing)*

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**4. INFORMATION ON PWP (Cont'd)**

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**(f) Future Growth and Prospects of the Timber Industry**

The future prospects of the timber industry will be dependent on the outlook on the international front as well as the domestic economy.

The outlook of the external sector in 2002 remains uncertain, particularly in the light of the aftermath of the attack on the US. While it is generally viewed that the US may avoid a recession, the recovery would be delayed with an upturn taking place gradually in the later part of 2002. The prospect for a growth in Japan continues to be discouraging, with the economy not expected to witness a rapid growth. Given the weaker performance of the US and Japan, world growth has subsequently been revised downwards to 2.6%, with the GDP growth for the major industrialised countries decelerating to 1.3%. Taking cognisance of the uncertainties in the external environment, growth for the Malaysian economy will continue to be spearheaded by domestic activities. In this regard, the Government will continue to adopt an expansionary fiscal policy to further strengthen domestic demand to generate growth. At the same time, to increase business confidence and commitment, the Government will ensure a more conducive business environment for the private sector's expansion and initiatives. *(Source : Economic Report 2001/2002)*

Growth in real GDP in 2001 has been adversely affected by the unfavourable external environment, precipitated by the slowdown in the US economy. Despite this, the Malaysian economy, supported by domestic demand, is expected to record GDP growth of 1-2%. Prospects for an improved world economic performance remain uncertain with world recovery expected to be delayed to the later part of 2002. Although uncertainties regarding the US recovery and, hence, world growth have increased, the setback has been minimised through concerted actions taken by the major economies in enhancing liquidity as well as adopting continued monetary and fiscal easing. For the Malaysian economy, it is expected to recover from a slower growth in 2001 to register a higher real GDP growth of 4-5% in 2002. *(Source: Economic Report 2001/2002)*

The positive growth for the year 2001 and 2002 will be beneficial for the timber and processed wood products industry especially since the Government's expansionary fiscal and monetary policy will concentrate on the construction sector, which is one of the main users of timber products. Hence the demand from the timber industry is expected to grow in tandem with the growth in the construction sector.

The recovery in private sector investment and fiscal expansion will contribute to growth in the construction sector by 4.3%. The demand for housing, in particular low- and medium-cost units as well as infrastructure projects in the health and education sub-sectors and rural development, from the RM3 billion pre-emptive measures in March and the recent RM4.3 billion package in September will also contribute towards further growth in this sector. *(Source: Economic Report 2001/2002)*

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**4. INFORMATION ON PWP (Cont'd)**

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**(iv) Prospect and Future Plans of the PWP Group**

The management of the PWP Group believes that the long-term prospect for the industry and the PWP Group are favourable based on the following factors:

- a) Modern process technology enables the Group to be flexible in terms of this production process;
- b) Strong encouragement by the Government with the structural change of the industry towards modernisation and specialisation of production geared towards reducing dependency on primary processing activities; and
- c) Move towards free trade will see lowering / elimination of trade barriers which will boost export opportunities for the Group.

The world consumption of sawn timber is expected to grow by 2.3% from 1990-2010. However, as expected, the rates differ between developed and developing countries. The developing countries are expected to grow at a faster pace than that of the developed countries, with South America and the Asia Pacific countries projected to have the highest growth rates - at respectively 5.0% and 3.4% from 1990-2010. The higher growth projected for the developing countries reflects existing behaviour in consumption which shows higher increases as the standard of living increases. It also reflects the rapid increasing consumption in the tropical timber producing countries. (*Source : 2000 Dynaquest Sector Analysis - Sawmill & Timber Processing*)

The PWP Group's focus is to produce and market high quality downstream value added products and to continue improve its efficiency and production capacity. The Group plans to extend the range of downstream products, such as furniture parts and components, panelling and moulding profile within the next 2 years. In its efforts to achieve product diversification and to at least maintain its current market share, the Group will also increase production in its mills, produce higher profile moulded products and optimise utilisation of its kiln dry chambers.

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#### 4. INFORMATION ON PWP (Cont'd)

##### 4.7 Major Customers

The major customers of the Group for the financial year ended 30 June 2001 are as follows:-

<b>Buyers</b>	<b>Length of relationship (Years)</b>	<b>Percentage of total sales (%)</b>
NKG Holding Pte Ltd	7	16.1
Tomen (Asia) Hong Kong Ltd	6	7.3
Taiga Trading Co Ltd	4	5.7
<b>TOTAL</b>		<b>29.1</b>

The Group is not over-dependent on any single customer.

##### 4.8 Major Suppliers

The following are the major suppliers of round logs to the PWP Group for the financial year ended 30 June 2001:-

<b>Suppliers</b>	<b>Length of relationship (Years)</b>	<b>Percentage of total purchase (%)</b>
Teras Selasih Sdn Bhd	2	83.3
Syt. Hung Enterprise	6	7.7
Masbah Sdn Bhd	6	4.5
<b>TOTAL</b>		<b>95.5</b>

The PWP Group had entered into two (2) logs supply agreements as follows:-

- (a) The log supply agreement dated 1 November 2000 between PISB and Teras Selasih for the supply of a total monthly volume of 10,000 cubic metre of logs to PISB for a period of seven (7) years from 1 November 2000 onwards; and
- (b) The log supply agreement dated 1 November 2000 between PISB and Rintisan Bumi for the supply of a total monthly volume of 7,000 cubic metre of logs to PISB for a period of five (5) years from 1 November 2000 onwards.

Save for Teras Selasih, the Group is not over-dependent on any single supplier. Hence the Group has entered in a log supply agreement with Teras Selasih, details of which are disclosed above to ensure the consistency in the supply of logs to the Group. In the unlikely event that Teras Selasih is unable to supply the logs to the Group, PWP can still source its supply of logs from other logs suppliers to meet its capacity.

#### 4. INFORMATION ON PWP (Cont'd)

##### 4.9 Approvals, Major Licences and Permits

Approvals, major licences and permits under the possession of the PWP Group are as follows :

##### PISB

No.	Type of Licence	Date of Issuance	Date of Expiry	Equity Conditions
1.	Manufacturing Licence No. A009850 (Industrial Coordination Act 1975)	4 August 1995	No expiry date	None
2.	Certificate of Registration Serial No. 0434 for export and supply issued by Lembaga Perindustrian Kayu Malaysia (Federal)	10 March 1995	31 January 2002*	None
3	Licence to Export Processed Timber No.JP(PT)025/00 (M) R issued by Jabatan Perhutanan Sabah (State)	28 December 2000	27 December 2002	None
4	Licence to erect, operate sawmill, plywood, veneer No. JP(S)SS001/94(X29) (Jabatan Perhutanan)	8 September 1996	8 September 2002	None
5	Certificate of Registration as Factory Contractor No. KON (SSS) 345/95 (KK) and Licence No. JP(S) SS01/00 (X29)R issued by Jabatan Perhutanan Sabah (State)	12 April 2001	11 April 2002*	None
6.	Licence to erect and operate wood preservation plant No. JP(S)SS016/00 (X07)R issued by Jabatan Perhutanan Wilayah (Federal)	8 September 1996	8 September 2002	None
7.	Licence to erect and operate kiln dry plant No. JP(S)SS035/00(X22) issued by Jabatan Perhutanan Wilayah (Federal)	8 September 1996	8 September 2002	None
8.	Licence to employ immigrant workers No. IW/SKN/3-33/01/4682 issued by Jabatan Buruh Sabah (State)	14 <sup>th</sup> April 2001	13 <sup>th</sup> April 2002*	None
9.	Licence under the Sales Tax Act – Manufacturers' licence No. A034014 for moulding, finger joint, laminated board, solid door, window frame and shuttering board issued by Royal Customs and Excise Malaysia)(Federal)	16 <sup>th</sup> March 1995	No expiry date	None
10.	Jetty Licence at CL 07536578 Ref No.KE.SG(39)381/02-13/Klt.2/(03) issued by Kastam dan Eksais Diraja Malaysia(Federal)	09 <sup>th</sup> March 2001	31 <sup>st</sup> December 2001*	None
11.	Membership Certificate No. 0464 Issued by Sabah Timber Industries Association (State)	2 <sup>nd</sup> January 2001	No expiry date	None
12.	Licence to install generator No. 2023 under the Akta Bekalan Elektrik 1990 issued by Jabatan Bekalan Elektrik & Gas Malaysia (Federal)	22 <sup>nd</sup> June 1996	21 <sup>st</sup> June 2002	None
13.	Licence to install generator No. 1660 under the Akta Bekalan Elektrik 1990 issued by Jabatan Bekalan Elektrik & Gas Malaysia (Federal)	30 <sup>th</sup> September 1999	29 <sup>th</sup> September 2002	None
14.	Licence to store diesel in CL075203726 under Ref:-JBM/S.10/14N/Jld.II/-(194) issued by Jabatan Bomba Dan Penyelamatan Malaysia (Federal)	12 <sup>th</sup> October 2000	No expiry date	None
15.	Trading Licence No. F142994 to operate the business as Timber Merchant (Majlis Perbandaraan Sandakan) (State)	16 <sup>th</sup> February 2001	31 <sup>st</sup> December 2001*	None

**4. INFORMATION ON PWP (Cont'd)****MSB**

<b>No.</b>	<b>Type of Licence</b>	<b>Date of Issuance</b>	<b>Date of Expiry</b>	<b>Remarks</b>
1.	Trading Licence No. F143003 issued by Majlis Perbandaran Sandakan	16 February 2001	31 December 2001 *	None

**LESB**

<b>No.</b>	<b>Type of Licence</b>	<b>Date of Issuance</b>	<b>Date of Expiry</b>	<b>Remarks</b>
1.	Certificate of Registration for export No. SBH.T/E-459/1198 (Lembaga Perindustrian Kayu Malaysia)	27 November 1997	30 November 2001 *	None
2.	Trading Licence to export timber No. F142996 (Majlis Perbandaran Sandakan)	16 February 2001	31 December 2001 *	None

\* *The Group intends to renew these licenses, which are going to expire within the next 6 months upon its expiry.*



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**4. INFORMATION ON PWP (Cont'd)**


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**4.10 Related Party Transactions / Conflict of Interest**
**4.10.1 Promotions of any assets acquired/to be acquired within two years preceding the date of Prospectus**

Saved as follows, none of the Directors nor substantial shareholders of the Company has any interest, direct or indirect, in the Acquisitions, and none of the Directors has any interest, directly or indirectly in the promotion of or in any assets acquired or proposed to be acquired or disposed or proposed to be disposed of or leased or proposed to be leased to the Company or any of its subsidiary companies or any contract or arrangement subsisting within the two(2) years preceding the date of this Prospectus.

<b>Acquisition of PISB</b>	
<b>Persons interested</b>	<b>Nature of relationship</b>
Tan Sri Sabbaruddin Chik	Director and shareholder of PISB
Lim Nyuk Foh	Director and substantial shareholder of PISB
Dato' Sidek Bin Awang	Director and substantial shareholder of PISB
Chok Syn Vun	Director and shareholder of PISB
Ramlee Bin Mohd Shariff	Director and substantial shareholder of PISB

Details of the Acquisition of PISB are set out in Section 4.3 of this Prospectus.

<b>Acquisition of MSB</b>	
<b>Persons interested</b>	<b>Nature of relationship</b>
Lim Nyuk Foh	Director and substantial shareholder of MSB.
Chok Syn Vun	Director and shareholder of MSB
Dato' Sidek Bin Awang	Indirect substantial shareholder of MSB

Details of the Acquisition of MSB are set out in Section 4.3 of this Prospectus.

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#### 4. INFORMATION ON PWP (Cont'd)

##### 4.10.2 Transactions between PWP Group and the Directors/Substantial Shareholders

Saved as disclosed below, there are no transactions between the Group and the Directors or substantial shareholders of the Company and their related companies:-

- (a) The log supply agreement dated 1 November 2000 between PISB and Teras Selasih for the supply of a total monthly volume of 10,000 cubic metre of logs to PISB for a period of seven (7) years from 1 November 2000 onwards. In order to mitigate any conflict of interest which may arise from the agreement, the purchase of timber logs is based on the prevailing market price and at arm's length;

<b>Agreement with Teras Selasih</b>	
<b>Persons interested</b>	<b>Nature of relationship</b>
Lim Nyuk Foh Chok Syn Vun	Director and substantial shareholder of Teras Selasih Director and shareholder of Teras Selasih

- (b) The logs extraction agreement dated 8 November 2000 between MSB and Cergas Kenari for MSB to perform logging on the 38,000 hectares of land in the Gunung Rara/Kalabakan Forest Reserve for a period of 5 years. In order to mitigate any potential conflict of interest which may arise from the agreement, the log extraction agreement has stipulated that the transactions will be at the prevailing log extraction rates. The above logging activities commenced on January 2000;

<b>Agreement with Cergas Kenari</b>	
<b>Persons interested</b>	<b>Nature of relationship</b>
Lim Nyuk Foh Chok Syn Vun	Director and substantial shareholder of Cergas Kenari Director and shareholder of Cergas Kenari

- (c) The tenancy agreement dated 8 November 2000 entered between Maxland Enterprise Sdn Bhd as the landlord and PWP as the tenant for the premises known as 1<sup>st</sup> Floor, Lot 5, Block 4, Bandar Indah, Mile 4, Jalan Utara, Sandakan, Sabah for a period of ten (10) years subject to the terms and conditions therein stated;

<b>Tenancy Agreement between Maxland Enterprise Sdn Bhd and PWP</b>	
<b>Persons interested</b>	<b>Nature of relationship</b>
Lim Nyuk Foh	Director and substantial shareholder of Maxland Enterprise Sdn Bhd

- (d) The tenancy agreement dated 8 November 2000 between Maxland Enterprise Sdn Bhd as the landlord and PISB as the tenant for the premises known as the 1<sup>st</sup> Floor, Lot 6 Block 4, Bandar Indah, Mile 4, Jalan Labuk, Sandakan, Sabah for a period of ten (10) years subject to the terms and condition therein stated;

**4. INFORMATION ON PWP (Cont'd)**

<b>Tenancy Agreement between Maxland Enterprise Sdn Bhd and PISB</b>	
<b>Persons interested</b>	<b>Nature of relationship</b>
Lim Nyuk Foh	Director and substantial shareholder of Maxland Enterprise Sdn Bhd

- (e) Tenancy Agreement dated 8 November 2000 entered between Maxland Enterprise Sdn Bhd as the landlord and MSB as the tenant for the premises known as 2<sup>nd</sup> Floor, Lot 5 & 6, Block 4, Bandar Indah, Mile 4, Jalan Utara, Sandakan, Sabah for a period of ten (10) years subject to the terms and conditions therein stated.

<b>Tenancy Agreement between Maxland Enterprise Sdn Bhd and MSB</b>	
<b>Persons interested</b>	<b>Nature of relationship</b>
Lim Nyuk Foh	Director and substantial shareholder of Maxland Enterprise Sdn Bhd

- (f) Tenancy Agreement dated 1 July 2001 entered between Maxland Enterprise Sdn Bhd as the landlord and MSB as the tenant for the premises known as Ground Floor, Lot 5 & 6, Block 4, Bandar Indah, Mile 4, Jalan Labuk, Sandakan, Sabah for a period of ten (10) years subject to the terms and conditions therein stated;

<b>Tenancy Agreement between Maxland Enterprise Sdn Bhd and MSB</b>	
<b>Persons interested</b>	<b>Nature of relationship</b>
Lim Nyuk Foh	Director and substantial shareholder of Maxland Enterprise Sdn Bhd

- (g) A Sale And Purchase Agreement dated 31 July 2001 entered between MSB as the Vendor and Sikap Hajat Sdn Bhd as the Purchaser for the sale of the land held under title No. CL075364939 at the price of RM30,000.00 and upon the terms and conditions contained therein;

<b>Sales and Purchase Agreement between MSB and Sikap Hajat Sdn Bhd</b>	
<b>Persons interested</b>	<b>Nature of relationship</b>
Lim Nyuk Foh	Director and substantial shareholder of Sikap Hajat Sdn Bhd

- (h) A Sale And Purchase Agreement dated 31 July 2001 entered between MSB as the Vendor and Sikap Hajat Sdn Bhd as the Purchaser for the sale of the land held under title No. CL075344197 at the price of RM30,000.00 and upon the terms and conditions contained therein;

<b>Sales and Purchase Agreement between MSB and Sikap Hajat Sdn Bhd</b>	
<b>Persons interested</b>	<b>Nature of relationship</b>
Lim Nyuk Foh	Director and substantial shareholder of Sikap Hajat Sdn Bhd

**4. INFORMATION ON PWP (Cont'd)**

- (i) A Sale And Purchase Agreement dated 31 July 2001 entered between MSB as the Vendor and Sikap Hajat Sdn Bhd as the Purchaser for the sale of the land held under title No. CL075344222 at the price of RM30,000.00 and upon the terms and conditions contained therein;

<b>Sales and Purchase Agreement between MSB and Sikap Hajat Sdn Bhd</b>	
<b>Persons interested</b>	<b>Nature of relationship</b>
Lim Nyuk Foh	Director and substantial shareholder of Sikap Hajat Sdn Bhd

The Directors confirmed that the agreements made between the PWP Group and the companies in which the Directors/substantial shareholders have controlling interest are entered into on an arms-length basis and are based on commercial terms. The Audit Committee of the PWP Group will monitor any related party transactions to ensure that these transactions are carried out on arms-length basis and on commercial terms. Any related party transactions will be reported by the Directors in the Company's annual report.

**4.10.3 Interest in similar business**

Save as disclosed hereunder, none of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in any business carrying on a similar trade as the Company and its subsidiary companies:-

<b>Name of Directors/ Substantial Shareholders /Persons Connected to the Directors/Substantial Shareholders of PWP</b>	<b>Name of Company</b>	<b>Nature of Business</b>	<b>Nature of interest</b>
Lim Nyuk Foh	Bountiful Returns Sdn Bhd ( Co. No. 285076-W)	Log timber trading	Director and substantial shareholder
	Cergas Kenari Sdn Bhd (Co No. 476221-T)	Timber contractor	Director and substantial shareholder
	Gamore Holdings Sdn Bhd (Co No, 280381-K)	Log timber trading	Director and substantial shareholder
	Maxland Enterprise Sdn Bhd (Co. No. 365593-H)	Timber contractor	Director and substantial shareholder
	Sikap Hajat Sdn Bhd (Co. No. 374084-V)	Timber contractor	Director and indirect substantial shareholder
	Sikap Pesona Sdn Bhd (Co. No. 371048-X)	Timber trading	Director and substantial shareholder
	Superchance Enterprise Sdn Bhd (Co. No. 152355-D)	Timber trading	Director and substantial shareholder
Ang Lee Eng (wife of Lim Nyuk Foh)	Teras Selasih	Timber trading	Director and substantial shareholder
	Maxland Enterprise Sdn Bhd (Co. No. 365593-H)	Timber contractor	Director and substantial shareholder
	Melur Azim Sdn Bhd (Co. No. 366929-H)	Timber trading	Director and substantial shareholder

**4. INFORMATION ON PWP (Cont'd)**

<b>Name of Directors/ Substantial Shareholders /Persons Connected to the Directors/Substantial Shareholders of PWP</b>	<b>Name of Company</b>	<b>Nature of Business</b>	<b>Nature of interest</b>
Chok Syn Vun	Sikap Hajat Sdn Bhd (Co. No. 374084-V)	Timber contractor	Director and substantial shareholder
	Softim Industries Sdn Bhd (Co. No. 274376P)	Timber trading	Director and substantial shareholder
	Akil Jaya Sdn Bhd (Co. No. 300553-D)	Log timber trading	Director and substantial shareholder
	Bountiful Returns Sdn Bhd (Co. No. 285076-W)	Log timber trading	Director and substantial shareholder
	Cergas Kenari Sdn Bhd (Co. No. 476221-T)	Timber contractor	Director and shareholder
	Teras Selasih	Timber trading	Director and shareholder

There is no potential conflict of business due to the following reasons:-

- (i) Akil Jaya Sdn Bhd, Bountiful Returns Sdn Bhd, Melur Azim Sdn Bhd, Sikap Pesona Sdn Bhd, Softim Industries Sdn Bhd, Superchance Enterprise Sdn Bhd, and Gamore Holdings Sdn Bhd are dormant (log timber trading in the past) and there are intentions to wind up these companies;
- (ii) Maxland Enterprise Sdn Bhd is a timber contractor, which operates in Indonesia while MSB operates locally;
- (iii) Teras Selasih sells its logs to the local market of which PISB is currently the major customer and there is a log supply agreement between Teras Selasih and PISB, the details of which are disclosed under Section 4.10.2 of the Prospectus. LESB's turnover is mainly for the overseas markets as exports contributed 92.6% toward its turnover for the financial year ended 30 June 2001;
- (iv) Sikap Hajat Sdn Bhd's activity is expected to cease in due course and its turnover stood at a marginal RM2.7 million for the financial year ended 30 June 2001 compared to MSB's turnover of RM7.5 million; and
- (v) Cergas Kenari Sdn Bhd is the main contractor for an extraction agreement while MSB is the sub-contractor for Cergas Kenari of which there is already a log extraction agreement signed between Cergas Kenari Sdn Bhd and MSB.

To mitigate any potential conflict of interest, the Directors of PWP have provided written undertakings not to be involved in any new business for the future which will give rise to competition / conflict with the current business of the PWP Group.

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**4. INFORMATION ON PWP (Cont'd)**

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**4.10.4 Declaration by the Advisers**

Arab-Malaysian wished to inform that part of the proceeds from the IPO amounting to RM5.0 million will be used towards the repayment of a term loan owing to Arab-Malaysian. The amount represents 29.7% of the total proceeds from the IPO. Whilst Arab-Malaysian may be deemed to be in a conflict of interest situation by virtue of being a lender to PWP, and would benefit from the positive outcome of the IPO, namely the repayment of term loan facility owing to Arab-Malaysian from the proceeds arising from the IPO, it should be noted that the repayment of the said term loan facility will benefit the Company in terms of interest savings. The loan extended to PISB represents a transaction that was entered into in the normal course of business and is only a small portion of Arab-Malaysian's lending portfolio.

The basis for determining the facilities to be repaid with the proceeds from the IPO was decided by the Board of PWP on a purely commercial basis taking into consideration the terms of the term loan facility and the interest savings arising therefrom which will hence be a contributory factor to the profitability of the Company and ultimately, the shareholders.

Messrs. Vincent Wong & Co and Rahman & Juhar hereby confirm that there is no conflict of interest with respect of their capacity as Solicitors to the PWP Group for the Public Issue and due diligence respectively.

Messrs. Ernst & Young hereby confirm that there is no conflict of interest with respect of their capacity as Auditors and Reporting Accountants to the PWP Group for the Public Issue.

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## 5. INFORMATION ON SHAREHOLDERS / DIRECTORS / KEY MANAGEMENT

The Group is led by strong and committed promoter, directors and management with extensive experience in the timber industry.

### 5.1 Promoter

The promoter of PWP is its founder, Lim Nyuk Foh who started the Group. Information on the promoter is set out in Section 5.4 below.

### 5.2 Substantial Shareholders

The substantial shareholders (with 5% or more shareholding, directly and indirectly) of PWP after the IPO are Lim Nyuk Foh, Dato' Sidek Bin Awang and Ramlee Bin Mohd Shariff. Information on the substantial shareholders is set out in Section 5.4.

### 5.3 Changes in the Promoter/ Substantial Shareholders

There are no changes to the Promoter/substantial shareholders for PWP for the past three (3) financial years ended 30 June 2001 save as disclosed in the Prospectus for the Acquisition of PISB and Public Issue and the transfers of shares in the Company 2 November which are as follows:-

Date	Transferor	Transferee	Number of Shares
2.11.2000	Lim Nyuk Foh	Chu Vui Khat	18
2.11.2000	Chok Syn Vun	Wooi Foong Kheng	2

### 5.4 Board of Directors

The Directors' shareholdings in the Company before and after the IPO are as follows:-

	Designation	Nationality	BEFORE THE IPO				AFTER THE IPO			
			Direct		Indirect		Direct		Indirect	
			No. of shares	%	No of shares	%	No. of shares	%	No of shares	%
Tan Sri Sabbaruddin Chik	Chairman	Malaysian	900,000	1.2	-	-	920,000	1.1	-	-
Lim Nyuk Foh	Managing Director	Malaysian	34,710,980	48.1	-	-	34,730,980	40.8	-	-
Chok Syn Vun	Executive Director	Malaysian	850,000	1.2	-	-	870,000	1.0	-	-
Dato' Sidek Bin Awang	Non-Executive Director	Malaysian	21,250,000	29.5	-	-	21,270,000	25.0	-	-
Ramlee Bin Mohd Shariff	Non-Executive Director	Malaysian	5,200,000	7.2	-	-	5,220,000	6.1	-	-
Kwan Tack Chiong	Independent Non-Executive Director	Malaysian	-	-	-	-	20,000	*	-	-
Ooi Jit Huat	Independent Non-Executive Director	Malaysian	-	-	-	-	20,000	*	-	-

Note :-

\* Negligible percentage

**5. INFORMATION ON SHAREHOLDERS / DIRECTORS / KEY MANAGEMENT (Cont'd)**

Profiles of the Directors of the Company are as follows:-

**TAN SRI SABBARUDDIN CHIK**, aged 60, is appointed as the Chairman of the PWP Group on 2 November 2001.

He graduated from Universiti Malaya in 1965 and from the Institute of Social Studies, The Hague, Holland in 1974. He started his government career as the Assistant Secretary for the State of Negeri Sembilan from 1966 to 1967. In 1967, he was appointed as Assistant Secretary for the Ministry of Foreign Affairs. From 1967 to 1971, he was the Malaysian Consulate in Saigon before being appointed as the Assistant Secretary Head in the Prime Minister Department from 1971 to 1975. In 1975, he was appointed as Director for Planning in the Prime Minister Department and thereafter became the Director for International Trade in the Ministry of Trade and Industry from 1976 to 1979. Between 1980 and 1981, he was the Deputy Secretary for the Government of Selangor. Subsequently he was appointed as Deputy Finance Minister from 1982 to 1987 and thereafter, he was the Cultural, Arts and Tourism Minister from 1987 to 1999. He was awarded the Setia Mahkota Selangor (S.M.S.) and Darjah Sultan Ahmad Shah Pahang (S.D.A.P.) in 1982, the Seri Indera Mahkota Pahang (S.I.M.P.) in 1988, the Dato' Paduka Mahkota Selangor (D.P.M.S.) in 1992, the Sri Sultan Ahmad Shah Pahang (S.S.A.P.) in 1998 and the Paduka Setia Mahkota (P.S.M.) in 2000.

He currently holds 900,000 shares or 1.2% of the issued and paid-up share capital of PWP as at 2 November 2001.

He has no directorship or major shareholdings in other public corporations for the past two (2) years.

**LIM NYUK FOH**, aged 37, who is the founder was appointed as the Managing Director of the PWP Group from 2 November 2001. He graduated from the University of Toledo, Toledo, United States of America with a Degree in Finance majoring in Investment.

He has extensive experience in the timber industry. Coming from a family involved in the timber business, he ventured into the trading of timber for the domestic and foreign market in 1989, and in 1990 he founded PISB to undertake the sawmilling and timber extraction business. In 1993, PISB commenced its manufacturing operations. PWP today is involved in the manufacture and sale of processed wood products namely sawn timber, barecore board, fingerjoints, laminated timber, moulding profiles & moulded timber, wooden doors, window frames, parquet flooring, UV coating flooring, CCA treated wood, provision of wood processing services and rental of kiln dry machinery.

He currently holds 34,710,980 shares or 48.1% of the issued and paid-up share capital of PWP as at 2 November 2001.

He has no directorship or major shareholdings in other public corporations for the past two (2) years.

**CHOK SYN VUN**, aged 31, is the Executive Director of PWP Group from 2 November 2001.

He graduated from Stamford College, Singapore in 1991 with a Diploma in Accounting. In 2000, he was awarded Bachelor of Business Administration, with a major in Accounting with Distinction from Ashington University, England. He joined PISB in 17 March 1994. The limited number of personnel during the formative years of the Group provided him with the opportunity to involve himself in various aspects of operations, including administrative, finance and human resources management. Through this exposure, he has gained extensive experience in the timber operations of the Group.



## 5. INFORMATION ON SHAREHOLDERS / DIRECTORS / KEY MANAGEMENT (Cont'd)

Chok Syn Vun was appointed as the Executive Director of PISB on 17 February 1997. He is in the management team where he oversees the administration and financial functions of the PWP Group.

He currently holds 850,000 shares or 1.0% of the issued and paid-up share capital of PWP as at 2 November 2001.

He has no directorship or major shareholdings in other public corporations for the past two (2) years.

**DATO' SIDEK BIN AWANG**, aged 59, is a director of PISB.

He is a Barrister-at-Law (Lincoln's Inn). He served as a legal adviser in the City Hall of Kuala Lumpur from 1973 to 1979 prior to setting up his own legal practice named Sidek, Teoh, Wong & Dennis. He is also presently a director of Arena Proaktif Sdn Bhd which is involved in construction activities.

He currently holds 21,250,000 shares or 29.5% of the issued and paid-up share capital of PWP as at 2 November 2001.

He has no directorship or major shareholdings in other public corporations for the past two (2) years.

**RAMLEE BIN MOHD SHARIFF**, aged 37, is a director of PISB. He is a Fellow member of Association of Certified Chartered Accountants (ACCA). He began his career in Ernst & Young in 1987 and became an Audit Manager in 1992. In 1993, he joined Shapadu Corporation Sdn Bhd as the Internal Audit Manager and was promoted to Group Financial Controller in May 1995. He left the company in May 1997 to join Bridgecon Holdings Berhad as the General Manager - Finance where he was also responsible for the Group's Corporate Finance, Accounts and Management Information System Department. He is currently the Managing Director of Iman Consulting Sdn Bhd, a company involved in providing corporate finance and financial related advice to clients.

He currently holds 5,200,000 shares or 7.2% of the issued and paid-up share capital of PWP as at 2 November 2001.

He has no directorship or major shareholdings in other public corporations for the past two (2) years.

**KWAN TACK CHIONG**, aged 38 was appointed to the Board of PWP on 2 November 2001. He graduated from the University of Toledo, Toledo, United States of America with a Bachelor of Business Administration. He started off as a supervisor in Pinayas Wood Products Sdn Bhd in 1989. Then in 1990, he joined Trimwood Industrial Sdn Bhd as a Manager until 1992. Subsequently from 1992 until 1993, he joined Service Trading Sdn Bhd as a Marketing Director before joining Priceworth Industrial Sdn Bhd as a Director from 1993 to 1995. In 1996, he is the Director for Matotech (M) Sdn Bhd until currently.

He currently does not hold any of the issued and paid-up share capital of PWP as at 2 November 2001.

He has no other directorship or major shareholdings in other public corporations for the past two (2) years.

## 5. INFORMATION ON SHAREHOLDERS / DIRECTORS / KEY MANAGEMENT (Cont'd)

**OOI JIT HUAT**, aged 49 was appointed to the Board of PWP on 2 November 2001. He started his career at Peat Marwick Mitchell & Co, Kuala Lumpur as an Article Student and was subsequently promoted to be an Audit Supervisor. He was a supervisor in the Computer Audit Department for Peat Marwick Mitchell & Co in London from 1980 to 1981. Subsequently on 1981, he was a Manager at Peat Marwick Mitchell & Co of Kuala Lumpur until 1982. In 1983, he became a Financial Controller for Zemex Corporation before he founded his own public accounting firm, Fuss Ooi & Associates in 1985. He has over 20 years of experience in the financial industry having carved areas of expertise in corporate consultancy, financial management, management information systems and auditing and investigations. He has also served on the Boards of several Malaysian Public Listed companies and currently he is the independent director of Kwantas Corporation Berhad. His professional assignments covered flotations exercises, investigations and due diligence reporting and the reverse take-overs of several companies on the Kuala Lumpur Stock Exchange. He is a Certified Public Accountant, a member of the Malaysian Association of Certified Public Accountants, Malaysian Institute of Accountants and the Malaysian Institute of Taxation. .

He currently does not hold any of the issued and paid-up share capital of PWP as at 2 November 2001.

He is a director of Kwantas Corporation Berhad. Save as disclosed, he does not have other directorship or major shareholdings in other public corporations for the past two (2) years.

### 5.5 Management Team

**Pang Kah Sian**, aged 54, is the Sawmill Manager of PISB. A professional saw-doctor trained in Japan in 1970, he has been involved in management duties since 1975 and have gained extensive experience in sawmill management, production operations and marketing in timber related field.

**Chew Chon Phin**, aged 31, is the Moulding Plant Manager of PISB. Subsequent to his formal education, he gained 2 years' experience in round logs inspection and in 1995, he was sent to West Germany where he underwent machinery technical training, specialising in finger-jointing and finger-joint laminated board. He worked in Yunnan City at the Kunming state of China in 1997 where he gained vast experience in finger-joint laminated board, parquet UV flooring, solid door, engineer door and colour skirting. He also established good marketing contacts and relationship with investors in Shanghai, China.

**Chong Chui Yen**, aged 27, is the Head Office In-Charge of MSB. She assumed the present position in October 1997 after graduating from Coventry University, England with a Bachelor of Arts degree in Business Administration.

**Lee Chung Shun**, aged 45, is the Camp Co-ordinator cum Branch Officer In-charge of LESB. He started his career as a supervisor with Bo Kan Contractor in 1975. In 1978, he completed his LCCI (Higher Stage Certificate) in Accounting and became the Accounts Clerk with Syt. Jumbo Development Sdn Bhd for 2 years starting 1986. In 1988, he joined MSB as the Camp operations co-ordinator before assuming the current position with LESB in 1992. His is well vested in the co-ordination and day-to-day operations of the branch.

**Lee Khin Yin**, aged 50, is the Chief Mechanic of PISB. Having graduating from Sabah College in 1970, he worked as a mechanic with MDM (Malaysia) Sdn Bhd in 1973 until 1978 where he switched to Sabah Auto. From 1986 to 1994, he was the Assistant to Chief Mechanic of MSB where he acquired the skill and technical know-how and in 1994, he was promoted to the position of Chief Mechanic of PISB.

The above management team has no shareholding in PWP, direct and indirect as at 2 November 2001. Pursuant to the IPO, they will be entitled to their pink form.

## 5. INFORMATION ON SHAREHOLDERS / DIRECTORS / KEY MANAGEMENT (Cont'd)

### 5.6 Employees

As at 2 November 2001, the PWP Group employed a total workforce of 183 employees. Its employees are not part of any union.

### 5.7 Family Relationship

None of the Directors and Senior Management of PWP Group are related to each other.

### 5.8 Audit Committee

PWP has set up an Audit Committee on 2 November 2001 which comprises the following Board members:-

Name	Designation	Directorship
Kwan Tack Chiong	Chairman	Independent Non-Executive Director
Chok Syn Vun	Member	Executive Director
Ooi Jit Huat	Member	Independent Non-Executive Director

The main functions of the Audit Committee include the review of audit plan and audit report with the Auditors, review of Auditors' evaluation of internal accounting controls, review of the scope of internal audit procedures, review of balance sheets and profit and loss accounts and nomination of Auditors.

### 5.9 Continuity in Management

As in any other business, the Board of Directors believe that the continued success of the PWP will depend on the ability and dedication of its Directors and management. The loss of any key members of the Group could adversely affect the Group's continued ability to compete. However, the Group has made efforts to train its staff and have the support of long-term management staff. The Group's future success will also depend on its ability to attract and retain skilled personnel.

## 6. LANDED PROPERTIES OF THE PWP GROUP

### 6.1 Summary of Landed Properties

The landed properties owned by the PWP Group are set out below:-

No.	Registered Owner/ Location	Land area ( acres)	Description and existing Use	Built-up area (sq. ft.)	Tenure from / to	Approximate Age of Building	Net Book Value RM
<b>PISB</b>							
1.	C.L. 075365794 Sungai Seguntor, Sandakan	15.12	<ul style="list-style-type: none"> <li>• Generating Sets Room</li> <li>• Kiln Dry</li> <li>• Sawmill &amp; sawroom</li> <li>• Warehouse</li> </ul>	3,858 65,000 32,620 121,000	01-01-1979/ 31-12-2077	7 7 7 6	9,026,910
2.	C.L. 075203726 Sungai Seguntor, Sandakan	11.64	Moulding plant main factory	104,840	01-01-1964/ 31-12-2063	7	2,820,254
3.	C.L. 075365785 Sungai Seguntor, Sandakan	15.29	<ul style="list-style-type: none"> <li>• Impregnation plant</li> <li>• Warehouse</li> <li>• Workshop</li> </ul>	4,500 20,000 4,800	01-01-1979/ 21-12-2077	4 6 7	3,511,749
4.	C.L. 075170277 Sungai Seguntor, Sandakan	14.06	Labour quarters	54,000	01-01-1960/ 31-12-2059	7	2,405,437
5.	C.L. 075364948 Sungai Seguntor, Sandakan	17.88	Agricultural land	-	01-01-1979/ 31-12-2077	7	729,222
6.	C.L. 075170286 Sungai Seguntor, Sandakan	7.03	Labour quarters	12,000	01-01-1961/ 31-12-2060	7	639,992
		<b>81.02</b>		<b>422,618</b>			<b>19,133,564</b>
<b>MSB</b>							
7.	C.L. 075313398 Mile 17, Jalan Labuk, Sandakan	14.24	Agriculture	-	01-01-1970/ 31-12-2069	N/A	150,000
		<b>52.65</b>		-			<b>230,561</b>
	<b>TOTAL</b>	<b>133.67</b>		<b>422,618</b>			<b>19,364,125</b>