

**1. CORPORATE INFORMATION****BOARD OF DIRECTORS**

<b>Name</b>	<b>Address</b>	<b>Occupation</b>	<b>Nationality</b>
Lim Yeow Her <i>(Chairman/Managing Director)</i>	669 Tehel Bemban 77200 Melaka	Director	Malaysian
Lim Yeow Kian <i>(Executive Director)</i>	669 Tehel Bemban 77200 Melaka	Director	Malaysian
Lim Yeow Siong <i>(Executive Director)</i>	669 Tehel Bemban 77200 Melaka	Director	Malaysian
Datuk Wira Abu Seman Bin Haji Yusop <i>(Independent Non-executive Director)</i>	Batu 19 Paya Rumput Masjid Tanah 78300 Melaka	Director	Malaysian
Lim Yaw Tin <i>(Executive Director)</i>	669 Tehel Bemban 77200 Melaka	Director	Malaysian
Chin Peck Li <i>(Independent Non-executive Director)</i>	33A (Tkt.1), Jalan TTC 15 Taman Teknologi Cheng Cheng 75250 Melaka	Director	Malaysian

**AUDIT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Datuk Wira Abu Seman Bin Haji Yusop	Chairman	Independent Non-executive Director
Lim Yeow Her	Member	Chairman/Managing Director
Chin Peck Li	Member	Independent Non-executive Director

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

- COMPANY SECRETARIES** : See Siew Cheng (MAICSA No. 7011225)  
17 Jalan Ara SD7/4G  
Bandar Sri Damansara  
52200 Kuala Lumpur
- Ong Soo Leng (MAICSA No. 7018257)  
SP263 Jalan Dimensi 2  
Taman Dimensi  
78000 Alor Gajah  
Melaka
- REGISTERED OFFICE** : Unit 12A, 12<sup>th</sup> Floor  
Bangunan Yayasan Melaka  
Jalan Hang Tuah  
75300 Melaka  
Tel: 06 – 281 7882 / 06 – 284 8259  
Fax: 06 – 281 7881 / 06 – 284 9069  
E-mail : cssb\_mk@tm.net.my
- HEAD/MANAGEMENT OFFICE** : PT 1678  
Mukim of Serkam  
77300 Merlimau  
Melaka  
Tel: 06 – 268 6315  
Fax: 06 – 268 6327  
E-mail : huatlai@pd.jaring.my
- AUDITORS AND REPORTING ACCOUNTANTS** : PricewaterhouseCoopers  
Chartered Accountants  
(Firm No.: AF-1146)  
12<sup>th</sup> Floor Bangunan Yayasan Melaka  
Jalan Hang Tuah  
75300 Melaka
- SOLICITORS FOR THE LISTING** : Chee Siah Le Kee & Partners  
105 Taman Melaka Raya  
75000 Melaka
- PROFESSIONAL AND INDEPENDENT VALUERS** : Colliers Jordan Lee & Jaafar (M'cca) Sdn Bhd  
(136815-K)  
No. 669 & 669A Taman Melaka Raya  
75000 Melaka
- PRINCIPAL BANKERS** : Bumiputra-Commerce Bank Berhad (13491-P)  
No. 170 & 172 Kompleks Munshi Abdullah  
75100 Melaka
- Malayan Banking Berhad (3813-K)  
Jalan Munshi Abdullah Branch  
No. 171 & 175 Jalan Munshi Abdullah  
75100 Melaka
- Malayan Banking Berhad (3813-K)  
537 Plaza Melaka  
Jalan Gajah Berang  
75200 Melaka
- Bank Pertanian Malaysia  
Bangunan Wisma Dato' Hj. Mohamad  
Jalan Hang Tuah  
75300 Melaka

**I. CORPORATE INFORMATION** *(Cont'd)*

	:	OCBC Bank (Malaysia) Berhad (295400-W) 6, Lorong Hang Jebat 75200 Melaka
<b>ISSUING HOUSE</b>	:	MIDF Consultancy and Corporate Services Sendirian Berhad (11324-H) 12 <sup>th</sup> Floor, Bangunan MIDF 195A, Jalan Tun Razak 50400 Kuala Lumpur
<b>REGISTRAR</b>	:	Malaysian Share Registration Services Sdn Bhd (378993-D) 7 <sup>th</sup> Floor, Exchange Square Bukit Kewangan 50200 Kuala Lumpur
<b>ADVISER AND MANAGING UNDERWRITER</b>	:	Aseambankers Malaysia Berhad (15938-H) 33rd Floor Menara Maybank 100 Jalan Tun Perak 50050 Kuala Lumpur
<b>UNDERWRITERS</b>	:	Hwang DBS Securities Berhad (14389-U) Level 8, Wisma Sri Pinang, 60 Green Hall, 10200 Penang
		MIDF Sisma Securities Sdn Bhd (423833-U) 18 <sup>th</sup> Floor, Empire Tower, 182 Jalan Tun Razak, 50400 Kuala Lumpur
		Mayban Securities Sendirian Berhad (165630-M) Level 8, Mayban Life Tower, Dataran Maybank, 1 Jalan Maarof, 59000 Kuala Lumpur
<b>INDEPENDENT MARKET RESEARCH CONSULTANTS</b>	:	ABNER (S.E. ASIA) Sdn Bhd (443901-T) Suite 13.19 Block A Level 13 Damansara Intan 1 Jalan SS20/27 47400 Petaling Jaya Selangor Darul Ehsan
<b>LISTING SOUGHT</b>	:	Second Board of the Kuala Lumpur Stock Exchange

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## 2. SUMMARY INFORMATION

The summary information set out below is derived from this Prospectus and should be read in conjunction with the full text of the Prospectus. Investors should read and understand the whole Prospectus prior to deciding whether or not to invest in the shares of the Company.

### 2.1 History and Business

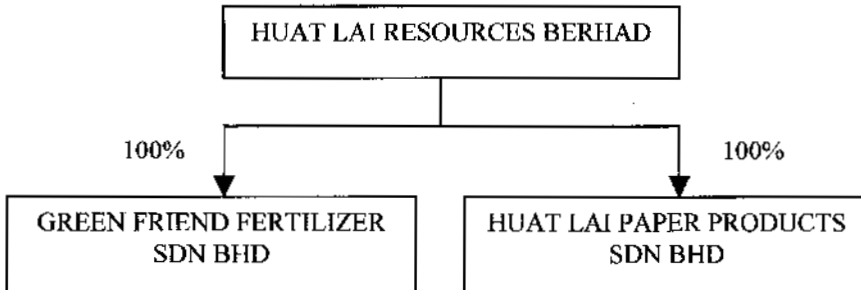
HLRB was incorporated in Malaysia on 12 November 1994 under the Companies Act, 1965 as a private limited company under the name Huat Lai Agriculture Sdn Bhd. On 27 March 2001, the Company changed its name to Huat Lai Resources Sdn Bhd. On 28 April 2001, the Company was converted into a public company and assumed its present name.

The Company is principally involved in poultry farming, whilst the principal activities of HLRB's subsidiary companies are as follows:

Subsidiary companies	Effective Interest %	Principal Activities
GFF	100%	Manufacturing of fertilizers
HLPP	100%	Production of paper egg trays

Detailed information on the history and business of the HLRB Group is set out in Section 5 of this Prospectus.

HLRB has no associated company. The corporate structure of the HLRB Group is as follows:



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## 2. SUMMARY INFORMATION (Cont'd)

## 2.2 Promoters, Major Shareholders, Directors and Key Management

## 2.2.1 Promoters

Name	Nationality	No. of HLRB Ordinary Shares Held After Public Issue and Offer for Sale			
		Direct		Indirect	
		No. of Shares Held	%	No. of Shares Held	%
Lim Yeow Her	Malaysian	960,116	1.92	26,459,884 <sup>(1)</sup>	52.92
Lim Yeow Kian	Malaysian	479,942	0.96	26,940,058 <sup>(1)</sup>	53.88
Lim Yeow Siong	Malaysian	479,942	0.96	26,940,058 <sup>(1)</sup>	53.88

Notes:

(1) Deemed interested by virtue of his substantial shareholding in EUSB and by virtue of his siblings' direct shareholdings in HLRB.

## 2.2.2 Major Shareholders

Shareholder	Nationality/ Place of Incorporation	No. of HLRB Ordinary Shares Held After Public Issue and Offer for Sale			
		Direct		Indirect	
		No. of Shares Held	%	No. of Shares Held	%
EUSB	Malaysia	25,500,000	51.00	-	-
Lim Yeow Her	Malaysian	960,116	1.92	26,459,884 <sup>(1)</sup>	52.92
Lim Yeow Kian	Malaysian	479,942	0.96	26,940,058 <sup>(1)</sup>	53.88
Lim Yeow Siong	Malaysian	479,942	0.96	26,940,058 <sup>(1)</sup>	53.88

Notes:

(1) Deemed interested by virtue of his substantial shareholding in EUSB and by virtue of his siblings' direct shareholdings in HLRB.

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## 2. SUMMARY INFORMATION (Cont'd)

## 2.2.3 Directors

Shareholder	Designation	Nationality	No. of HLRB Ordinary Shares Held After Public Issue and Offer for Sale			
			Direct		Indirect	
			No. of Shares Held	%	No. of Shares Held	%
Lim Yeow Her	Chairman/Managing Director	Malaysian	960,116	1.92	26,459,884 <sup>(1)</sup>	52.92
Lim Yeow Kian	Executive Director	Malaysian	479,942	0.96	26,940,058 <sup>(1)</sup>	53.88
Lim Yeow Siong	Executive Director	Malaysian	479,942	0.96	26,940,058 <sup>(1)</sup>	53.88
Datuk Wira Abu Seman Bin Haji Yusop	Independent Non-executive Director	Malaysian	540,000 <sup>(2)</sup>	1.08	-	-
Lim Yaw Tin	Executive Director	Malaysian	-	-	27,420,000 <sup>(3)</sup>	54.84
Chin Peck Li	Independent Non-executive Director	Malaysian	40,000 <sup>(4)</sup>	0.08	-	-

## Notes:

- (1) Deemed interested by virtue of his substantial shareholding in EUSB and by virtue of his siblings' direct shareholdings in HLRB.
- (2) Based on his entitlement under the employees, suppliers, customers and directors shares allocation pursuant to the Public Issue together with shares allocated and approved by MITI pursuant to the Offer For Sale
- (3) Deemed interested by virtue of his siblings' substantial shareholdings in EUSB and his siblings' direct shareholdings in HLRB.
- (4) Based on her entitlement under the employees, suppliers, customers and directors shares allocation pursuant to the Public Issue.

## 2.2.4 Key Management

Names	Nationality	No. of HLRB Ordinary Shares Held After Public Issue and Offer for Sale			
		Direct		Indirect	
		No. of Shares Held	%	No. of Shares Held	%
Arshad bin Abdul Aziz	Malaysian	180,000 <sup>(1)</sup>	0.36	-	-
Tan Kim Huat	Malaysian	185,000 <sup>(1)</sup>	0.37	-	-
Lim Chiew Heong	Malaysian	-	-	27,420,000 <sup>(2)</sup>	54.84
Tey Seek	Malaysian	32,000 <sup>(1)</sup>	0.06	-	-
Ng Heng Bak	Malaysian	33,000 <sup>(1)</sup>	0.07	-	-
Lim Yew Chua	Malaysian	-	-	27,420,000 <sup>(2)</sup>	54.84
Low Kia Hau	Malaysian	204,000 <sup>(1)</sup>	0.41	-	-
Chong Peh Chin	Malaysian	208,000 <sup>(1)</sup>	0.42	-	-
Tan Loon Hwa	Malaysian	22,000 <sup>(1)</sup>	0.04	-	-
Eau Tee Lueh	Malaysian	32,000 <sup>(1)</sup>	0.06	-	-
Ong Leng Leng	Malaysian	22,000 <sup>(1)</sup>	0.04	-	-

## Notes:

- (1) Based on his/her respective entitlement under the employees, customers, suppliers and directors shares allocation pursuant to the Public Issue.
- (2) Deemed interested by virtue of his siblings' substantial shareholdings in EUSB and his siblings' direct shareholdings in HLRB.

Detailed information on the Promoters, Major Shareholders, Directors and Key Management is set out in Section 6 of this Prospectus.

**2. SUMMARY INFORMATION (Cont'd)****2.3 Financial Highlights**

The following table sets out a summary of the consolidated results of the HLRB Group for the past five (5) financial years ended 31 December 2001.

The table should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 11 of this Prospectus:-

	←-----Financial year ended 31 December----->				
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000
Revenue	26,461	30,987	40,564	47,276	62,056
Cost of sales	(21,538)	(24,369)	(29,490)	(32,643)	(47,852)
Gross profit	4,923	6,618	11,074	14,633	14,204
Other operating income	16	135	305	78	105
Administrative expenses	(1,155)	(1,453)	(1,951)	(2,153)	(3,049)
Distribution costs	(329)	(443)	(588)	(735)	(779)
Profit from operations	3,455	4,857	8,840	11,823	10,481
Finance costs	(1,302)	(2,395)	(1,916)	(2,369)	(3,244)
PBT	2,153	2,462	6,924	9,454	7,237
Taxation	(601)	309	50	(599)	15
PAT	1,552	2,771	6,974	8,855	7,252
Weighted average number of ordinary shares in issue ('000)	17,172	19,985	22,199	25,462	38,408
Net EPS (sen) - basic	9	14	31	35	19
Gross dividend rate (%)	-	-	-	-	-

*Notes:*

(1) The net EPS is computed based on the consolidated PAT and on weighted average number of ordinary shares in issue (adjusted for the Bonus Issue as if it had been completed at 1 January 1997) during the relevant financial years.

(2) There are no exceptional or extraordinary items for any of the above years under review.

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

### 2.4 Proforma Consolidated Balance Sheet As At 31 December 2001

The Proforma Consolidated Balance Sheet of HLRB Group as at 31 December 2001 have been prepared solely to illustrate the effects of the Public Issue on the assumption that this transaction was effected on that date and should be read in conjunction with the notes and assumptions to the Proforma Consolidated Balance Sheet as set out in Section 10 of this Prospectus.

	Audited as at 31.12.2001	Proforma 1 After Public Issue
	RM'000	RM'000
PROPERTY, PLANT AND EQUIPMENT	84,496	89,549
CURRENT ASSETS	34,603	33,715
LESS : CURRENT LIABILITIES	(31,929)	(31,039)
NET CURRENT ASSETS	2,674	2,676
LESS : NON CURRENT LIABILITIES	(28,828)	(24,771)
	<u>58,342</u>	<u>67,454</u>
SHARE CAPITAL AND RESERVES		
Share capital	42,420	50,000
Share premium	-	1,532
Revaluation reserve	7,871	7,871
Retained profits	8,051	8,051
Shareholders' equity	<u>58,342</u>	<u>67,454</u>
Net tangible assets per share (RM)	1.38	1.35

#### *Notes:*

#### 1. BASIS OF PREPARATION

##### 1.1 BALANCE SHEET OF HLRB GROUP

The Proforma Consolidated Balance Sheet has been prepared based on the audited financial statements for the year ended 31 December 2001 which were reported on without qualification by the auditors.

- 1.2 The Proforma Consolidated Balance Sheet incorporate, on a Proforma basis, the effects of the Public Issue of 7,580,000 new ordinary shares of RM1.00 each in HLRB at an issue price of RM1.40 per share and the utilisation of the proceeds from the Public Issue as though it was effected on 31 December 2001:-



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

The proceeds from the Public Issue will be utilised as follows:

	RM'000
Repayment of hire purchase liabilities	4,947
Purchase of property, plant and equipment	5,053
Share issue expenses	612
	<u>10,612</u>

- 1.3 The Proforma Consolidated Balance Sheet is presented on a basis consistent with the accounting policies normally adopted by HLRB and its subsidiaries.
2. The movements in share capital, share premium, revaluation reserve and retained profits of HLRB are as follows:

	<u>Share capital</u> RM'000	<u>Share premium</u> RM'000	<u>Revaluation reserve</u> RM'000	<u>Retained profits</u> RM'000
As at 31.12.2001	42,420	-	7,871	8,051
Public Issue	7,580	3,032	-	-
Estimated share issue expenses written off *	-	(1,500)	-	-
	<u>50,000</u>	<u>1,532</u>	<u>7,871</u>	<u>8,051</u>

\* Estimated share issue expenses of RM1,500,000 of which RM888,000 is payable from the proceeds of the Rights Issue and RM612,000 from the proceeds of the Public Issue.

**2.5 Auditors' Qualifications**

There were no qualifications reported in the audited financial statements of HLRB for the past five (5) financial years ended 31 December 2001.

**2.6 Summary of Material Risk Factors**

Prospective investors should consider carefully all the relevant information contained in this Prospectus, including, inter-alia, the following investment considerations:-

- (a) Prior to this Public Issue and Offer, there has been no public market for HLRB shares and, as such, there can be no assurance regarding the future development of the market for HLRB shares.
- (b) Upon completion of the Public Issue and Offer for Sale, EUSB will be the controlling shareholder of HLRB, holding 51% equity interest of the enlarged issued and paid up share capital of HLRB. EUSB is controlled by Lim Yeow Her and his brothers, Lim Yeow Kian and Lim Yeow Siong. EUSB, being the single largest shareholder of HLRB may be able to effectively control the Company and will have sufficient voting control to effect certain corporate transactions.
- (c) The principal business activities of HLRB Group consists of operation of a poultry farm for the production and sale of chicken eggs, processing chicken droppings into organic fertilizer and production of paper egg trays. Hence, HLRB Group is subject to certain risks inherent in the poultry and livestock industry its businesses are involved. These risks include the possible increase in the operating and capital costs due to increase in the cost of labour and raw materials, changes in consumer demands and changes in general economic conditions.

2. SUMMARY INFORMATION (Cont'd)

- (d) The Company faces competition from various competitors which include private and public listed companies in both its domestic and export markets.
- (e) The continued success of the Company is also dependent on the Company's ability to attract and retain skilled personnel.
- (f) The Group has established good rapport with a relatively large pool of suppliers and is therefore not overly dependent on any one supplier. Likewise, the Group's clientele base is also quite diverse.
- (g) Adverse development in the political and economic conditions in Malaysia and other countries in which the Group has business operations or trading could have unfavourable impact on the financial prospects of the Group.
- (h) The consolidated profit forecast of HLRB has been prepared based on assumptions which the Directors of HLRB believe to be reasonable, but which nevertheless, are subject to uncertainties and contingencies.
- (i) HLRB's business involves the export of chicken eggs and local purchase of raw materials from suppliers who import them and thus, subject the Company to foreign exchange fluctuations risks. The imposition of currency controls via the pegging of the RM to USD at the fixed exchange rate of USD1.00 to RM3.80 by Bank Negara Malaysia on 1 September 1998 has stabilized the risks arising from foreign exchange fluctuation. However, there can be no assurance that the currency controls will remain and that future exchange fluctuations arising from lifting of the currency controls or the adjustment of the RM to USD peg will not adversely affect the financial results of the HLRB Group.
- (j) HLRB is committed to environmentally sound business practices in all its operations. The Company constantly monitors and checks its manufacturing facilities to ensure compliance with the relevant environmental laws.
- (k) The risk of outbreak in avian diseases and changes in weather conditions is one of the greatest challenges faced by the poultry industry. The Group has consistently upheld its emphasis on biosecurity measures through having clean and tidy farms in a well buffered zone, enforcing a stringent animal health inspection and vaccination programme, efficient sanitation and management of farm effluents and the installation of sophisticated multi-tiered layer production system.
- (l) HLRB, pursuant to credit facility agreements entered into by it and its subsidiaries with banks or financiers, are bound by cross default clauses in such credit facility agreements whereby in the event HLRB or any of its subsidiaries goes into default under, or commits a breach of, any instrument or agreement relating to any indebtedness or guarantee, that default or breach can also constitute an event of default on HLRB's credit facilities and/or its subsidiaries' credit facilities.

Details of the investment considerations are set out in Section 4 of this Prospectus.

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**2. SUMMARY INFORMATION (Cont'd)****2.7 Profit and Dividend Forecast****2.7.1 Consolidated Profit Forecast**

<b>Financial Year Ending 31 December</b>	<b>Forecast 2002 RM'000</b>
Revenue	82,687
Profit before taxation	10,084
Taxation	(887)
Profit after taxation	9,197
Weighted average number of ordinary shares in issue ('000) <sup>(1)</sup>	46,210
Enlarged number of ordinary shares in issue ('000)	50,000
Gross EPS (RM) <sup>(2)</sup>	0.22
Net EPS (RM) <sup>(2)</sup>	0.20
Gross PE Multiple based on the Issue/Offer Price of RM1.40 per ordinary share (times)	6.36
Net PE Multiple based on the Issue/Offer Price of RM1.40 per ordinary share (times)	7.00
Fully diluted gross EPS (RM) <sup>(3)</sup>	0.20
Fully diluted net EPS (RM) <sup>(3)</sup>	0.18
Fully diluted gross PE Multiple based on the Issue/Offer Price of RM1.40 per ordinary share (times)	6.94
Fully diluted net PE Multiple based on the Issue/Offer Price of RM1.40 per ordinary share (times)	7.61

*Notes:*

- (1) The weighted average number of shares is calculated based on the assumption that the Public Issue will be completed in June 2002.
- (2) Calculated based on consolidated profit before/after taxation and the weighted average number of shares in issue.
- (3) Calculated based on consolidated profit before/after taxation and the enlarged issued and fully paid-up share capital of 50,000,000 ordinary shares of RM1.00 each

**2.7.2 Dividend Forecast**

<b>Financial Year Ending 31 December</b>	<b>Forecast 2002 RM'000</b>
Gross dividend per ordinary share (sen)	5.00
Net dividend per ordinary share (tax-exempt) (sen)	5.00
Gross dividend yield based on the Issue/Offer price of RM1.40 per ordinary share (%)	3.57
Net dividend yield based on the Issue/Offer price of RM1.40 per ordinary share (%)	3.57
Gross dividend cover (times)	4.03
Net dividend cover (times)	3.68

**2. SUMMARY INFORMATION (Cont'd)****2.8 Proforma Consolidated NTA**

	<b>RM'000</b>	<b>NTA Per Ordinary Share RM</b>
Proforma Consolidated NTA as at 31 December 2001 (after incorporating the effects of Bonus Issue, Rights Issue and Public Issue and deducting estimated listing expenses <sup>(1)</sup> )	67,454	1.35

*Note :*

(1) *Net of estimated listing expenses of RM1,500,000*

Detailed calculation of the Proforma NTA are set out in Section 10.11 of this Prospectus.

**2.9 Principal Statistics Relating To The Public Issue/Offer for Sale**

The following statistics relating to the Issue/Offer are derived from the full text of this Prospectus and should be read in conjunction with the text.

**2.9.1 Share Capital**

<b><i>Authorised :</i></b>	<b>RM</b>
100,000,000 ordinary shares of RM 1.00 each	100,000,000
<b><i>Issued and fully paid-up :</i></b>	
42,420,000 ordinary shares of RM1.00 each	42,420,000
<b><i>To be issued pursuant to the Public Issue :</i></b>	
7,580,000 new ordinary shares of RM1.00 each	7,580,000
<b><i>Enlarged share capital</i></b>	<b>50,000,000</b>
<b><i>To be offered pursuant to the Offer for Sale :</i></b>	
15,000,000 ordinary shares of RM1.00 each	15,000,000
<b><i>Issue/Offer price per ordinary share of RM1.00 each</i></b>	<b>1.40</b>

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**2. SUMMARY INFORMATION (Cont'd)****2.9.2 Class of shares**

There is only one class of shares in the Company, namely, ordinary shares of RM1.00 each, all of which rank pari passu with one another. The Public Issue and Offer for Sale Shares will rank pari passu in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of ordinary shares in the Company shall, in proportion to the amount paid-up on the ordinary shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends, distributions and the whole of any surplus in the event of liquidation of the Company in accordance with its Articles of Association.

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 a 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 ordinary share held.

**2.10 Proceeds Of The Rights Issue and Public Issue**

The Rights Issue and Public Issue are expected to raise total gross proceeds of approximately RM14.652 million comprising approximately RM4.040 million from the Rights Issue and RM10.612 million from the Public Issue. The estimated RM1.5 million in respect of expenses and fees incidental to the listing of and quotation for the entire issued and paid-up share capital of HLRB on the Second Board of the KLSE shall be borne by the Company.

The gross proceeds arising from the Rights Issue and Public Issue estimated to be approximately RM14.652 million will be utilised by the Group in the following manner:

	<b>Within 6 months from date of listing RM'000</b>
1. Financing and re-financing of purchase of plant and machinery	10,000
2. Working capital	3,152
3. Estimated listing expenses	1,500
	<u>14,652</u>

Details of proposed utilization are set out in Section 3.7 of this Prospectus.

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

### 2.11 Material Litigations, Material Commitments, Borrowings and Contingent Liabilities

HLRB Group's material litigations, material commitments, borrowings and contingent liabilities are as follows:-

#### (i) Material Litigations

As at 9 May 2002 (being the latest practicable date of which such matter could be determined prior to the printing of this Prospectus), the Company and its subsidiaries are not engaged in any litigation, either as plaintiff or defendant, which has a material effect on the financial position of the Group and the directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and/or adversely affect the position or business of the Group.

#### (ii) Material Commitments

As at 9 May 2002 (being the latest practicable date of which such amounts could be determined prior to the printing of this Prospectus), the Group has material commitments amounting to approximately RM11,183,000 as follows:

	<b>RM'000</b>
Authorised and not contracted for:	
Purchase of Machinery	10,643
Authorised and contracted for:	
Purchase of Land	540
<b>Total</b>	<b>11,183</b>

#### (iii) Borrowings

As at 9 May 2002 (being the latest practicable date of which such amounts could be determined prior to the printing of this Prospectus), the Group's total bank borrowings, overdraft facilities and term loan facilities amounted to approximately RM58,580,583 as follows:

	<b>RM'000</b>
<b>Short term</b>	
Interest bearing	24,167
Non-interest bearing	-
<b>Long term</b>	
Interest bearing	34,413
Non-interest bearing	-
<b>Total outstanding borrowings</b>	<b>58,580</b>

Saved as disclosed above, the Group does not have any other loan capital outstanding or created but unissued, mortgages or charges outstanding.

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

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**(iv) Contingent Liabilities**

As at 9 May 2002 (being the latest practicable date of which such amounts could be determined prior to the printing of this Prospectus), the Group has no contingent liabilities.

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### 3. PARTICULARS OF THE PUBLIC ISSUE/OFFER FOR SALE

This Prospectus is dated 20 May 2002. A copy of this Prospectus has been registered with the SC and lodged with the Companies Commission of Malaysia, both of whom take no responsibility for its contents.

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

An application will be made to the KLSE within three (3) market days from the date of this Prospectus for admission to the Official List of the Second Board of the KLSE and for permission to deal in and for the listing of and quotation for the entire enlarged issued and paid-up ordinary shares of RM1.00 each in HLRB, including the Public Issue Shares and Offer for Sale Shares, which are the subject of this Prospectus. These ordinary shares will be admitted to the Official List of Second Board of the KLSE and official quotation will commence after the receipt of confirmation from MCD that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been dispatched to all successful applicants.

Acceptance of the applications 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 ordinary shares of HLRB on the Second Board of the KLSE. Accordingly, monies paid in respect of any application accepted from the applications 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.

In the case of an application by way of Application Form, an applicant should state his/her CDS account number in the space provided in the Application Form only if he/she presently has such an account. Where an applicant does not presently have a CDS account, he/she should state in the Application Form his/her preferred ADA Code. Where an applicant already has a CDS account, he/she should not complete the preferred ADA Code. In the case of an applicant by way of Electronic Share Application, only an applicant who is an individual and has a CDS account can make an Electronic Share Application and the applicant shall furnish his/her CDS account number to the Participating Financial Institutions by way of keying in his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. A corporation or institution cannot apply for the Public Issue Shares by way of Electronic Share Application.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and Offer For Sale and if given or made, such information or representation must not be relied upon as having been authorised by HLRB. Neither the delivery of this Prospectus nor any offer 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 the HLRB Group since the date hereof.

The distribution of this Prospectus and the sale of the Public Issue Shares and Offer for Sale Shares in certain other jurisdictions may be restricted by law. Persons into whose possession of this Prospectus may come 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 offer to sell or invitation of an offer to buy any Public Issue Shares and Offer for Sale 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.

The KLSE assumes no responsibility for the correctness of any of the statements made or opinion or reports 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 ordinary shares.

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



**3. PARTICULARS OF THE PUBLIC ISSUE/OFFER FOR SALE (Cont'd)**

**3.1 Opening and Closing of the Application Lists**

The Application Lists will open at 10.00 a.m. on 3 June 2002 and will remain open until 8.00 p.m. on the same day or for such further period or periods as the Directors of HLRB and/or the Offerors in their absolute discretion may decide.

**3.2 Date of Special Events**

Opening of the Issue/Offer	:	20 May 2002
Closing of the Issue/Offer	:	3 June 2002 (8.00 p.m.)
Tentative Balloting Date	:	10 June 2002
Tentative Allotment Date	:	24 June 2002
Tentative Listing Date	:	28 June 2002

**3.3 Purposes Of The Public Issue and Offer For Sale**

The purposes of the Public Issue and Offer for Sale are as follows :-

- (i) To grant HLRB access to the capital market to finance future expansion and continued growth of the HLRB Group;
- (ii) To provide additional funds to meet the present and future working capital requirements of the HLRB Group;
- (iii) To provide an opportunity for the eligible employees, customers, suppliers and directors (excluding the promoters i.e. Lim Yeow Her, Lim Yeow Kian and Lim Yeow Siong and members of their family as defined under Section 122A of the Companies Act,1965) of the Group as well as the Malaysian investing public to participate in the equity of and continuing growth of HLRB; and
- (iv) To obtain the listing of and quotation for HLRB shares on the Second Board of the KLSE.

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**3. PARTICULARS OF THE PUBLIC ISSUE/OFFER FOR SALE (Cont'd)****3.4 Number And Class Of Securities To Be Issued/Offered**

<i>Authorised :</i>	<b>RM</b>
100,000,000 ordinary shares of RM 1.00 each	100,000,000
<i>Issued and fully paid-up :</i>	
42,420,000 ordinary shares of RM1.00 each	42,420,000
<i>To be issued pursuant to the Public Issue :</i>	
7,580,000 new ordinary shares of RM1.00 each	7,580,000
<i>Enlarged share capital</i>	
	<b>50,000,000</b>
<i>To be offered pursuant to the Offer for Sale :</i>	
15,000,000 ordinary shares of RM1.00 each	15,000,000
<i>Issue/Offer price per ordinary share of RM1.00 each</i>	1.40

There is only one class of shares in the Company, namely, ordinary shares of RM1.00 each, all of which rank pari passu with one another. The Public Issue Shares and Offer for Sale Shares will rank pari passu in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of ordinary shares in the Company shall, in proportion to the amount paid-up on the ordinary shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends, distributions and the whole of any surplus in the event of liquidation of the Company in accordance with its Articles of Association.

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 a 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 ordinary share held.

**3.5 Details Of The Public Issue and Offer For Sale**

The Public Issue and Offer for Sale of 7,580,000 new ordinary shares and 15,000,000 ordinary shares of RM1.00 each respectively at an Issue/Offer Price of RM1.40 per ordinary share is payable in full on application upon the terms and conditions set out in this Prospectus.

The Public Issue and Offer for Sale shall be subject to the terms and conditions of this Prospectus and upon acceptance, the Public Issue and Offer for Sale will be allocated in the following manner:-

**3. PARTICULARS OF THE PUBLIC ISSUE/OFFER FOR SALE (Cont'd)**

**(i) Bumiputera Investors Approved by MITI**

15,000,000 Offer Shares will be offered to Bumiputera investors approved by MITI;

**(ii) Eligible Employees, Customers, Suppliers and Directors**

2,500,000 Issue Shares will be reserved for eligible employees, customers, suppliers and directors of HLRB Group, excluding the promoters i.e. Lim Yeow Her, Lim Yeow Kian and Lim Yeow Siong and members of their family as defined under Section 122A of the Companies Act, 1965.

As approved by HLRB's Board of Directors, the criteria of allocation to eligible HLRB Group's employees and directors is based on the job grade and years of service whilst for customers and suppliers of the Company, the criteria is based on annual sales and annual purchases respectively. The total number of employees, customers, suppliers and directors eligible for the allocation are 75, 94, 62 and 2 respectively.

**(iii) Malaysian Public**

5,080,000 Issue Shares will be made available for application by Malaysian citizens, 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.

The ordinary shares under paragraph 3.5(i) above are not required to be underwritten and are therefore not underwritten. All the shares under paragraph 3.5 (ii) and 3.5(iii) above have been fully underwritten.

**3.6 Basis of Arriving at the Issue/Offer Price**

The Issue/Offer Price of RM1.40 per ordinary share was determined and agreed upon by the Company, Offerors and Aseambankers as the Adviser and Managing Underwriter based on inter-alia, the following factors:-

- (a) the Group's financial and operating history and conditions as outlined in Section 10 of this Prospectus;
- (b) the prospects of the industry in which the Group operates as outlined in Section 5.7 to 5.10 of this Prospectus;
- (c) the forecast net PE multiple of 7.61 times based on the forecast net EPS of RM0.18 computed based on the enlarged issued and paid-up share capital of 50,000,000 ordinary shares of RM1.00 each;
- (d) the proforma Group NTA per share of RM1.35 as at 31 December 2001; and
- (e) the forecast gross dividend yield of 3.57%.

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**3. PARTICULARS OF THE PUBLIC ISSUE/OFFER FOR SALE (Cont'd)****3.7 Proceeds Of the Rights Issue and Public Issue**

The Rights Issue and Public Issue are expected to raise total gross proceeds of approximately RM14.652 million comprising approximately RM4.040 million from the Rights Issue and RM10.612 million from the Public Issue. The estimated RM1.5 million in respect of expenses and fees incidental to the listing of and quotation for the entire issued and paid-up share capital of HLRB on the Second Board of the KLSE shall be borne by the Company.

The gross proceeds arising from the Rights Issue and Public Issue estimated to be approximately RM14.652 million would be utilised by the Group in the following manner:-

		<b>Within 6 months from date of listing RM'000</b>
(i)	Financing and re-financing of purchase of plant and machinery	(a) 10,000
(ii)	Working capital	(b) 3,152
(iii)	Estimated listing expenses	(c) 1,500
		14,652

**Note:****(a) Financing and re-financing of purchase of plant and machinery**

In line with the Group's expansion of business, RM5,052,800 of the proceeds of the Rights Issue and Public Issue will be utilised to finance the purchase of two (2) Staalkat Egg packing machines and four (4) Tecno Impianti Aviocoli hen houses.

The Group also intends to utilise RM4,947,200 of the proceeds from the Rights Issue and Public Issue as follows:

- to repay the existing hire-purchase/term loan facilities taken to finance the purchase of machineries; and
- purchase machineries and/or repay bank facilities that may be procured to finance the purchase of machineries.

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**3. PARTICULARS OF THE PUBLIC ISSUE/OFFER FOR SALE (Cont'd)**

HLRB intends to repay the existing hire-purchase/term loan facilities taken to finance the purchase of machineries as described below:

<b>Financier</b>	<b>Description of machinery</b>	<b>Amount financed</b>	<b>Amount to be repaid *</b>	<b>Date of commencement of facilities</b>
		<b>RM</b>	<b>RM</b>	
Aseam Credit Sdn Bhd	Tecno Impianti hen house – No.5	1,216,459	803,384	June 2000
Ascarn Credit Sdn Bhd	Staalkat Egg Grading Machine	1,114,400	750,297	August 2000
Aseam Credit Sdn Bhd	Tecno Impianti hen house – No.6	1,216,459	844,942	November 2000
Aseam Credit Sdn Bhd	Moba Omnia Egg Grading Machine	915,488	774,607	August 2001
Arab-Malaysian Finance Berhad	5 houses of Grower cage system	250,000	171,093	August 2001
Arab-Malaysian Finance Berhad	5 houses of Grower cage system	275,000	195,214	September 2001
Aseam Credit Sdn Bhd	Staalkat Egg Grading Machine	1,180,000	1,047,049	October 2001
Arab-Malaysian Finance Berhad	2 houses of brooding cage system and 4 houses breeder farm	450,000	316,996	April 2002
Arab-Malaysian Finance Berhad	Staalkat Farmpacker - No.12 & 13	85,200	43,618	April 2002
<b>Total</b>		<b>6,703,006</b>	<b>4,947,200</b>	

\* Amount to be repaid is the estimated amount of hire-purchase/loan outstanding as at June 2002 when proceeds from the Public Issue is expected to be received by the Company.

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### 3. PARTICULARS OF THE PUBLIC ISSUE/OFFER FOR SALE (Cont'd)

#### (b) Working Capital

An amount of RM3,152,002 of the proceeds will be utilised for the working capital purposes of HLRB to support its existing business operations which includes financing its purchases and operating expenses.

#### (c) Estimated Listing Expenses

Approximately RM1,500,000 will be allocated for the estimated expenses relating to the listing exercise.

Details of the estimated listing expenses are provided in Section 3.11.

### 3.8 Underwriters

The names of the underwriters are as follows:

Managing Underwriter	:	Aseambankers Malaysia Berhad
Underwriters	:	Hwang DBS Securities Berhad MIDF Sisma Securities Sdn Bhd Mayban Securities Sendirian Berhad

The underwriters may withdraw from their obligations under the Underwriting Agreement after the opening of the offer in the event that any of the warranties, representations, or undertakings given by the Company is breached prior to the listing date and on the occurrence of any unforeseen circumstances beyond the reasonable control of the contracting parties.

The Company shall bear all expenses such as brokerage and underwriting commissions, registration fee relating to the Public Issue together with all other expenses and fees incidental to the listing of and quotation for the entire issued and paid-up capital of HLRB on the Second Board of the KLSE estimated at RM1.5 million.

### 3.9 Salient Terms of the Underwriting Agreement

The salient terms of the Underwriting Agreement are as follows:

#### Clause 6.1

The several obligations of the Underwriters under the Underwriting Agreement shall further be conditional upon:

- (i) the SC having approved the Prospectus and the application forms and the KLSE agreed in-principle on or prior to the Closing Date to the listing and quotation to the Second Board of the KLSE of all the issued shares of the Company (and if such approvals shall be conditional, all conditions thereto being in terms acceptable to the Underwriters) or the Underwriters being reasonably satisfied that such listing and quotation will be granted three (3) clear Market Days (or such other days as the KLSE may permit) after the KLSE has received all the necessary supporting documents and the receipt of confirmation from Malaysian Central Depository Sdn Bhd that all Central Depository System accounts of the successful applicants have been duly credited and notices of allotment have been despatched to them ;
- (ii) there not having been in the opinion of the Underwriters prior to the Closing Date any adverse change or any development likely to involve a prospective adverse change in the condition (financial or otherwise) of the Company and its group of companies from that set forth in the Prospectus which is material in the context of the Public Issue nor the occurrence of any event rendering untrue or incorrect any representations or warranties contained in Clause 3.1 of the Underwriting Agreement as though they had been given or made on such date;

3. PARTICULARS OF THE PUBLIC ISSUE/OFFER FOR SALE (Cont'd)

- (iii) the registration of the Prospectus with the SC in accordance with the requirement of the Securities Commission Act 1993 (as amended), together with all documents required by the aforesaid Act and the issue by the SC of the relevant letter of registration of the Prospectus or any like documents on or before the Closing Date;
- (iv) the lodgement with the Registrar of Companies, Malaysia of the Prospectus in accordance with the requirements of the Companies Act, 1965 and together with copies of all documents required by Section 42 of the Companies Act, 1965 on or before the Closing Date; and
- (v) all other relevant approvals having been obtained.

If any of the foregoing conditions is not satisfied by the Closing Date, the Underwriters shall thereupon be entitled subject as mentioned below, to terminate this Agreement by notice in writing delivered to the Company and in that event (except for the liability of the Company for the payment of costs and expenses as provided in Clause 19 hereof incurred prior to or in connection with such termination) the parties hereto shall be released and discharged from their obligations hereunder.

Clause 13.1

Notwithstanding anything herein contained, the Underwriters may, at any time, be entitled to terminate their obligations under this Agreement by notice in writing delivered to the Company, if in the reasonable opinion of the Underwriters, there shall have occurred, happened or come into effect, any of the following circumstances, on or before the Closing Date, namely:-

- (a) any government requisition or other occurrence of any nature whatsoever which would or is likely to have a material adverse effect on the financial condition or business or operations of the Company and its subsidiaries, and/or the prospects or future financial condition or business or operations of the Company and its subsidiaries;
- (b) any change in national or international monetary, financial, political or economic conditions or exchange control or currency exchange rates which would or is likely to have a material adverse effect on the success of the Public Issue and the distribution of the Public Issue Shares or the sale of any Underwritten Shares (whether in the primary or in respect of dealings on the secondary market);
- (c) any change in law, regulation, directive, policy or ruling in any jurisdiction which would or is likely to have a material adverse effect on the success of the Public Issue and the distribution of the Public Issue Shares or the sale of any Underwritten Shares (whether in the primary or in respect of dealings on the secondary market);
- (d) any event or series of events beyond the reasonable control of the Underwriters by reason of force majeure which has or is likely to make this Agreement or any part thereof incapable of performance or which would or is likely to have a material adverse effect on the success of the Public Issue and the distribution of the Public Issue Shares or the sale of any Underwritten Shares.

**“Force Majeure” shall mean causes which are unpredictable and beyond the reasonable control of the party claiming force majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation [including without limitation (i) war, acts of warfare, hostilities (whether war be declared or not) invasion, incursion by armed force, act of hostile army, nation or enemy; (ii) riot, uprising against constituted authority, civil commotion, disorder, rebellion, organized armed resistance to the government, insurrection, revolt, military or usurped power, civil war, industrial action; (iii) flood, fire, arson, storm, lightning tempest, accident, or other Acts of God; and (iv) epidemic, explosion, disease, earthquake, hijacking, sabotage, crime;**

**3. PARTICULARS OF THE PUBLIC ISSUE/OFFER FOR SALE (Cont'd)**

- (e) any breach of any representation, warranty, covenant, undertaking or obligation of the Company in this Agreement or which is contained in any certificate, statement or notice provided under or in connection with this Agreement or which proves to be incorrect in any material respect;
- (f) the occurrence of any event or the discovery of any fact rendering inaccurate, untrue or incorrect to such extent which is or will be material in any of the representations, warranties, covenants and undertakings and obligations of the Company herein contained; and
- (g) If the Kuala Lumpur Composite Index plunges below 550 points.

**3.10 Underwriting Commission And Brokerage**

The Underwriters mentioned earlier in this Prospectus have agreed to underwrite the 5,080,000 and 2,500,000 Issue Shares which are made available to the Malaysian Public and eligible employees, customers, suppliers and directors (excluding the promoters i.e. Lim Yeow Her, Lim Yeow Kian and Lim Yeow Siong and members of their family as defined under Section 122A of the Companies Act, 1965) of HLRB Group. Underwriting commission is payable by the Company at the rate of 2.0% of the Issue Price of RM1.40 per ordinary share.

Brokerage relating to the Public Issue is payable by the Company at the rate of 1% of the Issue Price of RM1.40 per ordinary share in respect of successful applications which bear the stamp of Aseambankers, a member company of the KLSE, a member of the Association of Banks in Malaysia, a member of the Association of Merchant Banks in Malaysia or MIDF Consultancy and Corporate Services Sendirian Berhad.

The Offerors shall bear the stamp duty (if any) and any other related expenses and fees relating to the Offer for Sale Shares.

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**3. PARTICULARS OF THE PUBLIC ISSUE/OFFER FOR SALE (Cont'd)****3.11 Estimated Listing Expenses**

The estimated listing expenses for the listing of and quotation for the enlarged issued and paid-up share capital of HLRB comprising 50,000,000 ordinary shares of RM1.00 each on the Second Board of the KLSE are as follows :

	<b>To be borne by HLRB RM</b>
The KLSE – Initial Listing fee	<sup>(1)</sup> 5,000
Prospectus Lodgement fee with CCM	500
Prospectus Registration fee with SC	5,000
SC processing fee	<sup>(2)</sup> 55,000
Issuing house fee, Registrar's fee, Translation fee	80,000
Printing of application forms, share certificates and prospectuses	171,840
Estimated professional advisory fees	<sup>(3)</sup> 857,000
Underwriting commission and brokerage (approximately)	<sup>(4)</sup> 318,360
Other miscellaneous expenses and contingencies	7,300
<b>Total Estimated Listing Expenses (approximately)</b>	<b>1,500,000</b>

*Notes:*

- (1) *Initial Listing Fee for Second Board*  
*RM250 million Ringgit or part thereof of the issued share capital of the listed issuer, subject to a minimum fee of RM1,000 and a maximum fee of RM5,000*

$$RM250 \times (50,000,000/1,000,000) = RM12,500$$

*Therefore, initial listing fee payable is RM5,000.*

- (2) *Nominal amount + 0.05% of total issue of securities*  
*RM30,000 + (0.05% x 50,000,000) = RM55,000*

- (3) *Estimated professional advisory fees include:*

	<b>RM</b>
<i>Solicitors' fees</i>	75,000
<i>Auditors' and Reporting Accountants' fees</i>	200,000
<i>Valuers' fees</i>	132,000
<i>Independent Market Report</i>	50,000
<i>Merchant banker's fees</i>	400,000
	<u>857,000</u>

- (4) *Estimated underwriting commission is based on the issue price of RM1.40 per share and a commission rate of 2%. Estimated (7,580,000 x RM1.40 x 2% = RM212,240)*

*Estimated brokerage fees are based on the issue price of RM1.40 per share and brokerage fee of 1%. Estimated (7,580,000 x RM1.40 x 1% = RM106,120)*

#### 4. INVESTMENT CONSIDERATIONS

Applicants for the Issue/Offer Shares should carefully consider the following in addition to all the other relevant information contained elsewhere in this Prospectus, before applying for the Issue/Offer Shares:

**(a) Marketability Of HLRB Shares**

Prior to this Issue/Offer, there has been no public market for HLRB's shares and there can be no assurance regarding the future development of the market for the shares upon its listing on the Second Board of the KLSE. The Issue/Offer Price of RM1.40 per ordinary share has been determined after taking into consideration of a number of factors, including but not limited to, the Group's financial and operating history and standing, the future prospects of the Group and the industry in which the Group is involved, the net tangible assets of the Group, the valuation of all properties of the Group, the market prices for shares of other companies engaged in businesses similar to that of the Group and the prevailing market condition prior to the signing of the underwriting agreement for HLRB Public Issue shares.

There is no assurance that the Issue/Offer Price will correspond to the price at which HLRB's shares will trade on the Second Board of the KLSE upon or subsequent to its listing or that an active market for HLRB's shares will develop and continue upon or subsequent to its listing.

**(b) Ownership And Control Of The Group**

Upon completion of the Public Issue and Offer for Sale, EUSB will be the controlling shareholder of HLRB, holding 51% equity interest of the enlarged issued and paid up share capital of HLRB. EUSB is controlled by Lim Yeow Her and his brothers, Lim Yeow Kian and Lim Yeow Siong. EUSB, being the single largest shareholder of HLRB may be able to effectively control the Company and will have sufficient voting control to effect certain corporate transactions.

**(c) Business Risks**

The principal business activities of the HLRB Group consist of operation of a poultry farm for the production and sale of chicken eggs, processing chicken droppings into organic fertilizer and production of paper egg trays. Hence the Group is subject to certain risks inherent in the poultry and livestock industry its businesses are involved. These risks include the possible increase in the operating and capital costs due to increase in the cost of labour and raw materials, dependence on imported feed ingredients and materials, dependence on foreign labour, changes in consumer demands and changes in general economic conditions. Although the Group seeks to limit these risks through, inter-alia, expansion of both existing and new markets, developing and maintaining a diversified market network, investment in automated machinery to improve efficiency, no assurance can be given that any changes to these factors will not have a material effect on the Group's business.

**(d) Competition**

The Group faces competition from various competitors, which include private and public listed companies in both its domestic and export markets. While the Group is constantly improving its operations to remain competitive, no assurance can be given that the Group will be able to maintain its existing market position in the future. A list of some of the Group's main competitors is disclosed in Section 5.7.4.

Barriers to entry to the industry consist of high capital investment, bio-technical expertise, farm management knowledge, skilled manpower, access to reliable and good quality sources of raw materials, effective distribution channels and strict demand conditions imposed by buyers.

#### 4. INVESTMENT CONSIDERATIONS *(Cont'd)*

HLRB believes that the following factors allow it to undertake the commitment towards providing quality eggs and maintaining its competitive advantage:

- integrated farm operations;
- production efficiency and stability of revenue;
- capital investment in machinery and technology;
- export oriented strategy;
- preservation of the environment; and
- experienced and skilled management.

##### (e) **Management and Key Personnel**

The Group believes that its continued success depends to a significant extent upon the abilities and continued efforts of its existing Directors and competent senior management team. The loss of any of the key members of the Group's Directors and senior management could adversely affect the Group's continuing ability to compete in the poultry industry. Hence, the Group's future success will also depend upon its ability to attract and retain skilled personnel. The Group is committed to provide continuous training to its employees while at the same time maintaining a competitive compensation package.

##### (f) **Dependencies on Major Suppliers and Customers**

The Group has established good rapport with a relatively large pool of suppliers as seen in Section 5.9 and is therefore not overly dependent on any one supplier. Likewise, the Group's clientele base as seen in Section 5.8 is also quite diverse.

##### (g) **Political and Economic Considerations**

Adverse development in political and economic conditions in Malaysia and other countries in which the Group has business operations or trading could have unfavourable impact on the financial prospects of the Group. Other political and economic uncertainties include risks of wars, expropriations, nationalization, renegotiation, and changes in exchange rates, interest rates and taxation policies.

##### (h) **Profit Forecast**

This Prospectus contains the consolidated profit forecast for HLRB that has been prepared based on assumptions, which the Directors of HLRB believe to be reasonable, but which nevertheless, are subject to uncertainties and contingencies. Due to the subjective judgements and inherent uncertainties of forecasts and because events and circumstances frequently do not occur as expected, there can be no assurance that the forecast contained herein will be realised and actual results may be materially different from those shown. Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forecast that are contained herein.

##### (i) **Foreign Exchange Fluctuations**

HLRB's business involves the export of chicken eggs and local purchase of raw materials from suppliers who import them and thus, subject the Company to foreign exchange fluctuations risks. The imposition of currency controls via the pegging of the RM to USD at the fixed exchange rate of USD1.00 to RM3.80 by Bank Negara Malaysia on 1 September 1998 has stabilized the risks arising from foreign exchange fluctuation. However, there can be no assurance that the currency controls will remain and that future exchange fluctuations arising from lifting of the currency controls or the adjustment of the RM to USD peg will not adversely affect the financial results of the HLRB Group.

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**4. INVESTMENT CONSIDERATIONS (Cont'd)**

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**(j) Environmental Consideration**

The HLRB Group is committed to environmentally sound business practices in all its operations. The Group constantly monitors and checks its manufacturing facilities to ensure compliance with the relevant environmental laws.

**(k) Risk of disease and changes in weather conditions**

The risk of outbreak in avian diseases and changes in weather conditions is one of the greatest challenges faced by the poultry industry. The Group has consistently upheld its emphasis on biosecurity measures through having clean and tidy farms in a well buffered zone, enforcing a stringent animal health inspection and vaccination programme, efficient sanitation and management of farm effluents and the installation of sophisticated multi-tiered layer production system.

Therefore, the Group believes that it is well-equipped to prevent any outbreak of infectious diseases or risks that may arise from changes in weather conditions. Its adherence to such biosecurity practices does not however exempt the Group from any adverse effects of the above factors.

**(l) Cross default risks on borrowings agreements**

HLRB, pursuant to credit facility agreements entered into by it and its subsidiaries with banks or financiers, are bound by cross default clauses in such credit facility agreements whereby in the event HLRB or any of its subsidiaries goes into default under, or commits a breach of, any instrument or agreement relating to any indebtedness or guarantee, that default or breach can also constitute an event of default on HLRB's credit facilities and/or its subsidiaries' credit facilities.

As at 9 May 2002 (being the latest practicable date of which such amounts could be determined prior to the printing of this Prospectus), the Group's total bank borrowings, overdraft facilities and term loan facilities amounted to approximately RM58,580,583. Any increase in interest rates will increase the burden of the Group with respect to interest payments of the loans depending on the total outstanding at that point in time.

**(m) Forward-Looking Statements**

Certain statements in this Prospectus are based on historical data which may not be reflective of the future results, and others are forward-looking in nature which are subject to uncertainties and contingencies.

All forward-looking statements are based on estimates and assumptions made by the Board of Directors of the Company, and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements.

Such factors include, inter-alia, general economic and business conditions, competition, the impact of new laws and regulations affecting the HLRB Group and the industry, changes in interest rates and changes in foreign exchange rates. In light of these uncertainties, the inclusion of forward-looking statements in this Prospectus should not be regarded as a representation or warranty by the Company or its advisers that the plans and objectives of the Group will be achieved.

**4. INVESTMENT CONSIDERATIONS (Cont'd)**

**(n) Failure/delay in the listing exercise**

The listing exercise is also exposed to the risk that it may fail or be delayed should the following events occur :-

- (a) One or more of the Bumiputera investors approved by MITI fail to subscribe to their respective Offer for Sale Shares allocated to them;
- (b) The Underwriters fail to honour their obligations under the underwriting agreement for whatsoever reasons;
- (c) The Underwriters, in honouring their obligations become a shareholder holding 5% or more of the shares in the Company and therefore not able to meet the requirement as per (d) below; and
- (d) The Company is unable to meet the public spread requirements i.e. at least 25% of the issued and paid-up capital of the Company must be held by a minimum number of 750 public shareholders holding not less than 1,000 shares each, of which at least 500 shareholders are members of the public who are not employees of the Company, upon completion of the Public Issue and Offer for Sale and at the point of listing.

**(o) Adequacy of insurance coverage on the Group's assets**

The Company is of the opinion that its closed farm houses which contribute more than 50% of its production are adequately insured. The major sites namely Farm F and G which constitute more than 50% of the Company's total assets value are insured up to 65% of their present market value. The open farm houses are also insured according to their respective replacement cost. The majority of the Company's facilities, equipment and machinery are presently leased or hired from financial institutions and in complying with the financial institutions' requirement, the said facilities, equipment and machinery are duly insured in accordance with the financial institutions' valuation.

**(p) Technology used or to be used by HLRB Group and the rapid development of technological change**

The risks involved with rapid technological changes are the obsolescence of current technology, the requirement of new technology not matched by existing technical staff and that the operations of the Company are not ready for new methods. Although the industry in which HLRB Group is involved in is less sensitive to rapid developments of technological change, HLRB Group acknowledges the said risks and is continuously exploring areas of technological improvement, ensuring that staff are continuously trained to align their skills with the requirements of new technologies and investing in state-of-the-art machinery and equipment to keep abreast with the latest technology. However, there can be no assurance that the rapid development of technological change will not have a material adverse effect on the Group's business.

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