

### 3. INTRODUCTION

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This Prospectus is dated 30 September 2003. A copy of this Prospectus has been registered with the SC and lodged with the ROC, and neither the SC nor the ROC takes any responsibility for its contents. The approval obtained from the SC for the Listing Scheme via its letter dated 16 April 2003, 17 September 2003 and 29 September 2003 shall not be taken to indicate that the SC recommends the IPO. Investors are advised to make their own independent assessment of the CBB Group and should rely on their own evaluation to assess the merits and risks of any investment.

An application shall be made to the KLSE within three (3) market days of the issuance of this Prospectus for admission to the Official List of the Second Board of the KLSE and for dealing in and quotation of the entire issued and fully paid-up shares in CBB, including the IPO Shares which are the subject of this Prospectus. These shares will be admitted to the Official List of the Second Board of the KLSE and official quotation will commence after 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.

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

Acceptance of applications for the IPO Shares will be conditional upon permission being granted by the KLSE to deal in and quotation for the entire enlarged issued and fully paid-up share capital of CBB on the Second Board of the KLSE. Accordingly, monies paid in respect of any application accepted from IPO will be returned without interest if the said permission for listing has not been applied for, or is not granted within six weeks from the date of issue of this Prospectus (or such longer 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 if he/she presently has such an account and he/she should then not enter the preferred ADA code. Where an applicant does not presently have a CDS account, he/she should state in the Application Form his/her preferred ADA code. In the case of application 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 if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application required him/her to do so. A corporation or institution cannot apply for the IPO 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 IPO and if given or made, such information or representation must not be relied upon as having been authorised by CBB. Neither the delivery of this Prospectus nor any sale made in connection with this Prospectus shall, under any circumstances and at any time constitute a representation or create any implication that there has been no change in the affairs of CBB or the CBB Group since the date hereof.

The distribution of this Prospectus and the sale of the IPO Shares in certain other jurisdictions outside Malaysia may be restricted by law. Persons into whose possession 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 to buy any IPO Share 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 in doubt about this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser.**

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**4. SHARE CAPITAL**


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	<b>RM</b>
<b>Authorised:</b>	
50,000,000 shares of RM1.00 each	<u>50,000,000</u>
<b>Issued and fully paid-up:</b>	
10,615,978 shares of RM1.00 each	10,615,978
<b>Issued pursuant to the Bonus Issue:</b>	
22,867,022 shares of RM1.00 each	22,867,022
<b>To be issued pursuant to the Public Issue:</b>	
6,517,000 shares of RM1.00 each	6,517,000
Enlarged issued and paid-up share capital	<u>40,000,000</u>
<b>Offer for Sale pursuant to this Prospectus:-</b>	
10,364,000 shares of RM1.00 each	10,364,000
Issue /Offer price per share	1.70

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 and other distributions and in respect of the whole of any surplus in the event of the liquidation of the Company.

At any general meeting of the Company, each shareholder shall be entitled to vote 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 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.

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## 5. DETAILS OF THE IPO

### 5.1 Opening and Closing of Application

The Application will open at 10.00 a.m. on 30 September 2003 and will remain open until 8.00 p.m. on 8 October 2003 or such further date or dates as the Directors of CBB and the Managing Underwriter may in their absolute discretion mutually decide.

### 5.2 Tentative Dates of Special Events

Opening Date	: 30 September 2003
Closing Date	: 8 October 2003 *
Tentative Balloting Date	: 13 October 2003
Tentative Allotment Date	: 20 October 2003
Tentative Listing Date	: 23 October 2003

\* *The Directors of CBB and the Managing Underwriter may in their absolute discretion mutually decide to extend the closing date of the application to a further date or dates. Should the closing date of the application be extended, the dates for the balloting and allotment of the Issue Shares, and the listing of and quotation for the entire enlarged issued and paid-up share capital of CBB on the Second Board of the KLSE would be extended accordingly. Any change to the closing date of the application will be published in a widely circulated daily newspaper within Malaysia.*

### 5.3 Details of the IPO

The IPO is subject to the terms and conditions of this Prospectus and upon acceptance, the IPO Shares shall be allocated in the following manner:-

#### 5.3.1 Offer for Sale

10,364,000 Offer Shares will be placed out to MITI-approved Bumiputera investors.

#### 5.3.2 Public Issue

(a) ***MITI-approved Bumiputera Investors***

1,636,000 Issue Shares will be placed out to MITI-approved Bumiputera investors.

(b) ***Eligible employees, Directors and persons who have contributed to the success of the CBB Group***

2,000,000 Issue Shares have been reserved for eligible employees, Directors and persons who have contributed to the success of the CBB Group.

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## 5. DETAILS OF THE IPO (continued)

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

Category	Number	Pink Form Allocation
Executive Directors	6	-
Senior Management / Manager / Assistant Manager	16	385,000
Professional / Executive Officer	2	20,000
Technical and Supervisory	22	210,000
Clerical and General Staff	36	177,000
Factory workers	42	109,000
Customers	11	331,000
Suppliers	24	768,000
<b>Total</b>	<b>159</b>	<b>2,000,000</b>

The allocation of the pink form shares to the eligible employees of the CBB Group is generally based on seniority, position, length of service and contribution to the Company.

In the event that any of the Issue Shares are not taken up by the eligible employees and persons who have contributed to the success of the CBB Group, such number of unsubscribed shares will first be re-allocated to those eligible employees and persons who have contributed to the success of the CBB Group who apply for excess Issue Shares on top of their pre-determined allocation on a proportionate basis (subject to rounding of odd lots). In the event that there are still Issue Shares not taken up after the above re-allocation, such Issue Shares will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions.

**(c) *Malaysian public via balloting***

1,500,000 Issue Shares will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% of the Issue Shares are designated and set aside for Bumiputera individuals, companies, co-operatives, societies and institutions.

**(d) *Investors via placement***

1,381,000 Issue Shares will be placed out to potential investors.

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**5. DETAILS OF THE IPO (continued)**

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

The Issue/Offer price of RM1.70 per Issue/Offer Share is determined and agreed upon by CBB and the Underwriters based on various factors after taking into account the following:-

- (a) The proforma consolidated NTA per CBB Share as at 31 March 2003 of RM1.35;
- (b) The forecast net PE Multiple of 7.48 times based on the proforma forecast net EPS of 22.72 sen and the IPO price of RM1.70 per share.
- (c) The dividend yield forecast for the financial year ending 31 March 2004 as outlined in Section 13.10 of this Prospectus.
- (d) The qualitative and quantitative factors of the CBB Group as outlined in Sections 7 and 13.1 of this Prospectus.
- (e) The industries in which the CBB Group operates and the future plans, strategies and prospects of the CBB Group as outlined in Section 7 of this Prospectus.

**5.5 Purposes of the Listing**

The purposes of the Listing include, inter-alia, the following:-

- (a) to obtain a listing of and quotation for the Company's entire issued and paid-up share capital on the Second Board of the KLSE;
- (b) to provide an opportunity for the Malaysian investing public and eligible employees and persons who have contributed to the success of the CBB Group, to participate in the equity and continuing growth of the CBB Group;
- (c) to aim to strengthen the financial position and competitive standing of the CBB Group by providing it with the accessibility and flexibility of raising funds from the capital markets to possibly finance future growth plans; and
- (d) to achieve compliance with the Malaysian Government's policies with regards to Bumiputera equity participation in the corporate sector.

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## 5. DETAILS OF THE IPO (continued)

## 5.6 Proceeds from the IPO

## 5.6.1 Proceeds from the Public Issue

The total gross proceeds of RM11,078,900 arising from the Public Issue shall accrue entirely to the CBB Group and are planned to be utilised within 6 months from the date of the listing of CBB on the KLSE, in the following manner:-

Planned Utilisation of Proceeds	Note	RM
1. Construction of an office block at PLO 97 to be used as the head office of the CBB Group.	i	1,500,000
2. (a) Repayment of bank borrowings for the purchase of machinery for manufacturing of paper bags		2,200,000
(b) Purchase of machinery for manufacturing of paper bags		3,800,000
3. Working capital requirements for CBB Group		1,778,900
4. Estimated Listing expenses	ii	1,800,000
		<u>11,078,900</u>

**Notes:-**

- (i) The proposed office block will be a two-storey building with a floor area of approximately 1,713 square metres which is proposed to be used as the head office of the CBB Group.
- (ii) CBB will bear all expenses incidental to the listing of and quotation for the entire issued and paid-up share capital of CBB on the Second Board of the KLSE including professional fees of approximately RM882,000, underwriting commission, brokerage, registration fees, authorities' fees, advertising, listing expenses and other expenses.

## 5.6.2 Proceeds from the Offer for Sale

The gross proceeds of the Offer for Sale of RM17,618,800 shall accrue to the Offerors and no part of the proceeds of the Offer for Sale is receivable by CBB. The Offerors shall bear all expenses relating to the Offer for Sale including stamp duty, registration and transfer fees.

## 5.7 Financial Impact from Utilisation of Proceeds

*Cashflow for Financial Year Ending 31 March 2004*

	RM
<b>Inflow</b>	
Gross proceeds from the Public Issue	11,078,900
<b>Outflow</b>	
Construction of an office block at PLO 97 to be used as the head office of the CBB Group.	(1,500,000)
(a) Repayment of bank borrowings for the purchase of machinery for manufacturing of paper bags	(2,200,000)
(b) Purchase of machinery for manufacturing of paper bags	(3,800,000)
Working capital requirements for CBB Group	(1,778,900)
Estimated Listing expenses	(1,800,000)
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Consolidated PAT and MI are expected to be higher after the Listing as compared to before Listing for the forecast financial year ending 31 March 2004 mainly due to interest savings based on the assumption that the proceeds from Public Issue will be received in the last quarter of 2003.

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**5. DETAILS OF THE IPO (continued)**

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The impact on the consolidated balance sheet of CBB is reflected in the proforma consolidated balance sheets in Section 13.11 of this Prospectus.

**5.8 Brokerage and Underwriting Commission**

Brokerage is payable by the Company in relation to the Issue Shares at the rate of 1.0% of the issue price of RM1.70 per share in respect of successful applications which bear the stamp of MIMB, 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 MIDFCCS.

The Underwriters mentioned herein have agreed to underwrite 3,500,000 of the Issue Shares. Underwriting commission is payable by the Company at the rate of 2.5% of the issue price of RM1.70 per share or RM148,750 in total.

**5.9 Salient Terms of the Underwriting Agreement**

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

The Company has entered into an underwriting agreement on 22 September 2003 with MIMB, OSK Securities Berhad and A.A. Anthony Securities Sdn Bhd (collectively, "Underwriters" and each an "Underwriter") for the underwriting of 3,500,000 of the Issue Shares ("Underwritten Issue Shares").

The obligations of the parties are subject to, amongst others, the following:-

- (a) the KLSE having agreed in principle on or prior to the closing date to the listing of and quotation for the enlarged issued and paid up share capital of the Company on the Second Board of the KLSE;
- (b) the proceeds from the places for all the Offer Shares and Issue Shares to MITI-approved Bumiputera and identified investors having been received by the issuing house appointed by the Company for the IPO before the closing date;
- (c) the Public Issue having been approved by the members of the Company at its extraordinary general meeting prior to the closing date;
- (d) there not having been, on or prior to the closing date, any adverse change in the condition (financial or otherwise) of the Company from that set forth in this Prospectus which is material in the context of the Public Issue, nor the occurrence of any event rendering untrue or incorrect to an extent which is material as aforesaid any representation or warranty contained in the Underwriting Agreement and in this Prospectus as though they has been given or made on such date;
- (e) the lodgement and registration with the SC and the ROC of this Prospectus together with copies of all requisite documents in accordance with the requirements of Sections 41 and 42 of the SC Act 1993, the SC Guidelines and Prospectus Guidelines pursuant to Clause 7 and to take place within 90 days from the date of the Underwriting Agreement;
- (f) the Composite Index of the KLSE is at no less than 650 points, on or prior to the closing date;
- (g) the issue, offering and subscription of the Underwritten Issue Shares are in accordance with the provisions hereof not being prohibited by any statute, order, rule, regulation,

**5. DETAILS OF THE IPO (continued)**

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directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including the KLSE); and

- (h) all necessary approvals and consents required in relation to the IPO having been obtained and being in full force and effect.

If any of the conditions set forth above are not satisfied, any party to this Agreement shall, be entitled (following prior consultation with the other parties) to terminate this Agreement by notice given to the other parties not later than 5 days after the closing date, and in that event (except for the liability of the Company for the payment of the expenses, and any right and/or liability of the Company and/or the Underwriter), the parties shall be released and discharged from their respective obligations, provided that the Underwriters may at their discretion waive compliance with any provision (in which case any condition so waived shall be deemed to have been satisfied in relation to it).

It is also provided under the Underwriting Agreement that, if in the reasonable opinion of the Underwriters there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Underwriter by reason of the coming into force of any laws of Governmental regulations or directives or any change in national or international monetary, financial, political or economic conditions or exchange control or currency exchange or unforeseen circumstances beyond the reasonable control of the Underwriters concerned including but not limited to Acts of God, strikes, war, and any other similar cause or causes which would have, or can reasonably be expected to have, a material adverse effect on the business or the operations of the Company or the success of the IPO, or which is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms. The Underwriters or any of them, subject to the agreement of the Managing Underwriter and the Company shall be entitled to terminate the Underwriting Agreement and the parties thereto shall thereafter be released and discharged from their obligations as stated therein, except for the liabilities of the Company for the payment of costs and expenses as provided in Clause 8 therein incurred prior to or in connection with such termination provided always that the parties thereto agree that in the event of termination of the Underwriting Agreement pursuant to a force majeure event, the Underwriters and the Company may confer with a view to deferring the IPO or amending its terms or the terms of the Underwriting Agreement and/or entering into a new underwriting agreement as the case may be with the mutual consent of the parties thereto.

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## 6. RISK FACTORS

All applicants should give due and careful regard to investment considerations/risks associated with an investment in the IPO Shares, in addition to other information contained in this Prospectus, and such considerations may include but may not be limited to the following:-

### 6.1 Business Risks

CBB is not insulated from the risks inherent in various areas of its business. These include but is not limited to the general downturn in the national and/or global economies, competition among the existing players in the industry, entry of new players, the introduction of new technology and products, changes in law and tax affecting the industries, labour and raw material shortages, increases in the costs of labour and raw materials, changes in business and credit conditions and fluctuations in foreign exchange rates. While it is commercially acceptable to pass on cost increases to CBB's customers, it should be borne in mind that this may not always be possible and even when possible, it may not cover the increase in cost and/or may take some time to be implemented.

Although the Group seeks to limit its business risks through, inter-alia, delivering quality services and products to its clients, establishing a pool of reliable and reputable suppliers and clients with long term relationships, developing new products and increase in automation and efficiency of operation, no assurance can be given that any changes to these factors will not have a material adverse effect on the Group's business or financial performance/position.

### 6.2 Operational Risks

Other risks which are also inherent to the packaging industry include fire outbreaks and the disruption of electricity supply, which would affect the Group's business operations. In its aim to address these inherent risks, the Group has put in place the following risk management practices/plans:-

- (i) The Group has formed a Safety Committee (consisting of senior management and operational staff of the Group) which is entrusted with the duty of evaluating and performing security checks on the factories and ensuring security policies and control system are adhered to. The members of the Safety Committee have attended external safety courses in relation to method of handling fire fighting equipment and proper procedures to be carried out should fire occur in the factories. The said members are responsible for the provision of such training to the factory workers.
- (ii) The Group has recently made an arrangement with the Jabatan Bomba dan Penyelamat Kulai to conduct fire drills and these drills are to be carried out on an annual basis.
- (iii) The factory premises are guarded 24 hours with a minimum of 2 guards. These guards are required to clock-in at designated locations within the premises every half an hour during the night time. The guardhouses are installed with telephone lines which are equipped with speed dial systems to alert the nearest fire station and key personnel when the need arises.
- (iv) Fire fighting system i.e. fire hydrants, hose reels and fire extinguishers have been installed in the factories and a sprinkler system has been installed for the corporate office. The fire fighting system installed in the CBB factory is controlled by a fire control panel which will alert the Jabatan Bomba dan Penyelamat Kulai when the system is triggered.
- (v) To ensure CBB's factories have back-up generator sets in the event of electricity supply disruption.

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**6. RISK FACTORS (continued)**

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However, no assurance can be given that even with the existing risk management practices/plans in place, the business operations and financial performance/position of the Group will not be affected in the event one or a combination of operational risk factors do crystallise.

**6.3 No prior Market for CBB shares**

Prior to this Public Issue, there has been no public market for CBB's shares. There can be no assurance that an active market for CBB'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 RM1.70 per share for the Public Issue has been determined after taking into consideration factors such as CBB's historical and forecast earnings, and the prevailing market conditions. There can be no assurance that the said issue price will correspond to the price at which the shares will trade on the Second Board of the KLSE upon or subsequent to its listing or that an active market for CBB's shares will develop and continue upon or subsequent to its listing. The price at which CBB's shares will trade on the Second Board of the KLSE after the Public Issue may be influenced by a number of factors, including the depth and liquidity of the market for CBB's shares, investors' individual perceptions of CBB, market conditions, economic environment, etc..

**6.4 Political, Economic, Social and Regulatory Considerations**

Adverse developments in political and economic conditions in Malaysia or where CBB operates, or the countries where CBB exports to could have unfavourable effect on the financial and business prospects of the Company. Other political and economic uncertainties include risks of war, terrorist attacks, riots, epidemics, expropriation, nationalisation, renegotiation or nullification of existing contracts, and changes in interest rates and methods of taxation and currency exchange controls. Whilst CBB plans to continue to take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that adverse developments in political, economic, social and regulatory conditions will not materially and adversely affect the Company.

**6.5 Competition**

CBB faces competition from its existing competitors who may expand their business substantially and from new players coming into the industry. Nevertheless, CBB has been in business for many years and believes it has successfully built up a close relationship with its customers generally to maintain customer loyalty.

CBB faces competition from various competitors, which include private and public listed companies. However, CBB tries to distinguish itself from the majority of its customers. It operates as an integrated and diversified packaging operator with products and services ranging from paper and plastic to contract manufacturing. The complementary nature of the Group's existing products and services, together with its clientele network, allows the CBB Group to capitalise on cross-selling opportunities. It is CBB's policy to satisfy its customers needs and also to anticipate the changing needs of its customers. CBB also aims to maintain a good relationship with its customers by striving to provide good service, prompt delivery and minimal defect rate upon delivery of end products to its customers. In connection with this, it is notable that CBB have been receiving awards from its customers, the details of which are given in Section 7.4.14 of this Prospectus.

In addition, the Directors of CBB believe that the knowledge, experience and expertise of the key management of the Group will assist the Group to remain competitive in the packaging industry.

## 6. RISK FACTORS (continued)

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Notwithstanding the above, there is no assurance that CBB will indeed be able to maintain its existing market share or competitiveness in the future and that CBB will not be adversely affected by the competitive strategies adopted by other players in the industry, including possible new and major entrants.

### 6.6 Control by Promoters

Upon Listing, the Promoters will collectively hold a total of 55% of the enlarged issued and paid-up share capital of CBB. Depending on how they choose to vote and because of their shareholdings, the Promoters will generally be expected to have a significant influence on the outcome of certain matters requiring the vote of the Company's shareholders unless they abstain from voting as required by law and/or by the relevant authorities.

CBB has appointed four independent directors as a measure to promote good corporate governance and with an aim of ensuring that any future transactions involving related parties, if any, are entered into on normal commercial terms.

### 6.7 Dependency on Key Management

The Directors believe that CBB's continued success will depend to a certain extent on the abilities and continued efforts of its existing Directors and senior management. The Group's future success will depend upon its ability to attract and retain skilled personnel. It is the Group's practice to retain the services of these Directors and senior management whenever possible and to also attract and retain experienced personnel. The Group is keeping up-to-date with incentives to retain its key management personnel for its continued and future performance. The Group has also implemented both external and in-house training programmes in the view of grooming and developing its younger management personnel. These training programmes are expected to enhance the ability of the employees to carry out their daily duties effectively and to provide succession.

Any significant or sudden loss of services of key management personnel may adversely affect the business and financial performance of the Group until such time as sufficient, timely and appropriate rectification measures are made.

### 6.8 Forecast

This Prospectus contains the forecast of CBB for the financial year ending 31 March 2004 that is based on certain assumptions made by the Directors of CBB, but which nevertheless are subject to uncertainties and contingencies. Due to the subjective judgments and inherent uncertainties of the profit forecast, and because events and circumstances may not occur as expected, there can be no assurance that the forecast contained herein will be realised and actual results may not be materially different from those shown. Investors will be deemed to have read and understood the assumptions and uncertainties underlying the forecast contained herein.

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**6. RISK FACTORS (continued)**

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**6.9 Implementation of Asean Free Trade Area (“AFTA”)**

The reduction of import duties to 0% or 5% with the implementation of AFTA through Common Effective Preferential Tariff (“CEPT”) may make imports more competitive against locally manufactured products. CEPT is the mechanism by which tariffs on goods traded within the Asean region, which meet a 40% Asean content requirement, will be subjected to a reduction of the above-mentioned range of tariff from 2003 (2006 for Vietnam, 2008 for Laos and Myanmar). In this regard, whilst AFTA is expected to have an impact on paper and polymer-based bags, the Directors of CBB do not expect the same for carton boxes (which contribute about 43.55% of the total Group’s revenue), which are seen to be too bulky and therefore not economically viable to be imported into Malaysia. From that perspective, imports of carton boxes may be less likely to be a major threat against local manufacturers.

Nevertheless, no assurance can be given that the CEPT, and any further or new development or rulings thereon, will not adversely affect the business or financial performance/position of the Group in the future.

**6.10 Dependency on Imported Raw Materials**

With paper-based packaging, there is a dependency on imports of paper especially in sack kraft and kraftliner paper. To the knowledge of CBB’s Directors, most of the supply of these types of paper are being met mainly by imports, because sack kraft and kraftliner papers require the use of a relatively higher content of virgin pulp as raw material. As far as CBB’s Directors are aware, there is presently a number of sack kraft and kraftliner papers producing countries in the world. As such, the threat in supply of sack kraft and kraftliner papers is seen as being relatively low.

Nevertheless, there can be no assurance that changes in circumstances or new developments in the global paper industry in the future will not adversely affect the continuing stability and availability of paper supply to the Group, which would have consequential impact on its business and financial performance.

**6.11 Global Environmental Concerns on Polymer Packaging**

Environmental concerns stemming from the non-biodegradability of polymer packaging in Europe and Australia has created increasing pressure on limiting the usage of polymer-based packaging in these countries. As a result, this may impact on the demand of imports of polymer packaging in Europe and Australia. While recycling and reuse continue to grow in popularity, the Directors of CBB are informed that most of the polymer-based packaging wastes are disposed through landfills. There is a general assumption that when the wastes inside a landfill biodegrade, it will create harmful liquid and gaseous by-products that could contaminate groundwater supplies and air, and threaten the ecological system.

However, to the knowledge of CBB’s Directors, the environmental issue and concerns about polymer packaging are not new and have existed for some time, and therefore, they view this as an indication that there is no immediate threat of a material drop in the use of polymer packaging. Notwithstanding, this only represents the view and expectation of the Directors of CBB, and there can be no assurance that the polymer-based packaging business of the Group will not be adversely affected in the future by any new developments arising from such environmental concerns including restrictions on the use of such materials or products.

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**6. RISK FACTORS (continued)**

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**6.12 Fluctuations in Prices of Raw Materials**

As pulp, paper and polymer are commodities, the cost of sourcing these commodities as raw materials for the production of paper and polymer-based packaging is subject to fluctuations in world prices. In some situations, the increase in prices of raw materials is not easily passed on to the end-users. This could impact the margin of the operators or alternatively, if the increase in cost is passed on to the user, the products may not be price competitive.

CBB is susceptible to the change in prices of raw materials and as an attempt to mitigate the increase in costs and eroding profits, CBB has taken steps to improve operations efficiency and control wastage. Notwithstanding, fluctuations in raw material prices, which are not easily predictable, remain a business risk faced by the Group and any significant or sudden increases in raw material prices may adversely affect the financial performance of the Group.

**6.13 Foreign Exchange Risk**

Fluctuations in foreign exchange rates will have an impact on the prices of imported raw materials as well as export earnings. All transactions with overseas suppliers are currently transacted in US dollars which are now being pegged to the Ringgit at 1US Dollar to RM3.80. As a result, CBB does not expect to be very much affected by fluctuation in exchange rates in the foreseeable future. However, no assurance can be given that the said currency peg will not be changed in the future, in the event of which, the Group may face adverse material exposure to foreign exchange risk particularly at the time when such change (if any) is made.

**6.14 Market Price War**

From CBB's experience, market price war is more rampant during an economic recession due to market competition from industry rivals to maintain or increase their market share. It is important for companies to maintain sufficient financial reserves in order to be sustainable during this period. Market price war is also more likely to occur if the industry is facing an excess capacity or supply situation. The excess capacity may compel producers in general to reduce their prices, thus resulting in a price war in the industry.

The Group operates in such an environment particularly in relation to its corrugated carton activities. There is a risk that the financial performance and results of the Group may be adversely affected as and when a price war arises in the market.

**6.15 Financial risks**

The Group's total long-term and short-term borrowings as at 31 August 2003 amounted to RM2.6 million and RM11.9 million respectively. All bank borrowings of the CBB Group are interest bearing. As such, any increase in interest rates will increase the burden of the Group with regard to interest payments of loans. Depending on the total outstanding loans as at the prevailing date, there can be no assurance that the performance of CBB would remain favourable in the event of adverse changes in the interest rate.

Save as disclosed in Section 13.5 of this Prospectus, the CBB Group does not have any material commitment and contingent liabilities, which may have a substantial impact on the result or the financial position of the Group.

Save as disclosed in Section 17.9 of this Prospectus, the CBB Group does not have any material litigation, which may have a substantial impact on the result or the financial position of the Group.

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**6. RISK FACTORS (continued)**

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**6.16 Threat of substitutes**

Whilst CBB views that there is no direct substitute for packaging per se, there is a threat in terms of alternative forms of materials used in the packaging of products. From CBB's view for paper bags, the closest substitute is to use polymer-based materials or 'hybrid' combination of paper and polymer to replace paper as the main material. Similarly, this scenario applies to polymer packaging. Other substitute materials for bags include cloth bags and sacks. However, these types of packaging are seen by CBB to be not suitable for all products, particularly those that are susceptible to moisture. As for corrugated cartons, other substitute materials include wooden crates but again, in CBB's opinion, it is not considered a feasible alternative from the convenience, cost and weight perspectives.

There are alternative substitute materials for packaging. However, the suitability of each of these alternative substitutes has to be assessed depending on applications and content. More importantly, CBB Group manufactures both paper-based and polymer-based packaging. As such, CBB believes that it is able to cater for the demand of two common forms of packaging.

Notwithstanding, the above only represents the views of CBB and is based on the various alternatives presently available in the market, as informed by CBB. New and/or improved alternative substitute materials may be introduced in the future, and depending on their acceptance and suitability as well as cost considerations, there is no assurance that such new alternatives will not pose a material threat to CBB Group's business or prospects.

**6.17 Insurance coverage**

The Directors of CBB are of opinion that the major assets of the Group, comprising largely land and buildings, plant and machinery, and stocks, are sufficiently insured for explosive, public liability, fire and allied perils, and consequential loss. However, there can be no assurance that there will not arise any incident or event which may not be covered or fully covered under such insurance policies obtained, and which may adversely affect the financial performance/position and business prospects of the Group.

**6.18 Forward-looking/prospective statements**

Certain statements in this Prospectus are based on historical data, which may not be reflective of future results, and others are forward-looking in nature, which may or may not be achievable. Whether such statements ultimately prove to be accurate depends upon a variety of factors that may affect the business, operations and financials of the CBB Group, and such forward-looking statements also involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements of the CBB Group, or industry results, to be materially different from any future results, plans, performances and achievements, expressed or implied, by such prospective statements. Although the Group believes that the expectations reflected in such future statements are reasonable at this time, there can be no assurance that such prospective statements or expectations will indeed prove correct in the future.

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**6. RISK FACTORS (continued)**

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**6.19 Failure/Delay in Listing Exercise**

The Listing exercise is exposed to the risk that it may fail or be delayed should, inter-alia, the following events occur:-

- (a) force majeure events or events/circumstances which are beyond the control of the Company and/or Underwriters arising before the listing of the Company;
- (b) the Company and/or the Underwriters fail to honour their obligations under the underwriting agreement;
- (c) the Company is unable to meet the public spread requirements of the SC/KLSE, i.e. at least 25% of the total number of shares of the Company for which listing is sought must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each, upon completion of the Public Issue and at the point of listing;
- (d) the Company fails to meet a minimum Bumiputera equity content of 30% pursuant to the IPO; and
- (e) any or all of the identified investors fail for whatever reason to subscribe for their respective portions of the IPO Shares to be placed out to them.

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