

#### 4. INFORMATION ON THE VVB GROUP

##### 4.1 Background of the VVB Group

VVB was incorporated in Malaysia under the Act on 12 August 2002 as a public limited company. Pursuant to the Restructuring Scheme (details of which are set out in Section 5 of the Prospectus), VVB had on 22 August 2003 acquired the entire issued and paid-up share capital of Pencorp pursuant to the Share Swap.

Pencorp is presently listed on the Second Board of the KLSE. Nevertheless, the trading of Pencorp's Shares on the KLSE has been suspended since 21 October 2001. As part of the Restructuring Scheme, the listing status of Pencorp will be transferred to VVB and Pencorp will be delisted from the Second Board of the KLSE. VVB's control over the Pencorp Group pursuant to the Share Swap is intended to be temporary as Pencorp Group will subsequently be disposed of prior to Listing.

VVB is principally involved in investment holding and the provision of management services, while its subsidiaries are principally engaged in the manufacturing, trading, supply and laying of roofing tiles.

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

The present authorised share capital of VVB is RM500,000,000 comprising 500,000,000 Shares whilst its current issued and paid-up share capital is RM68,246,002 comprising 68,246,002 Shares.

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

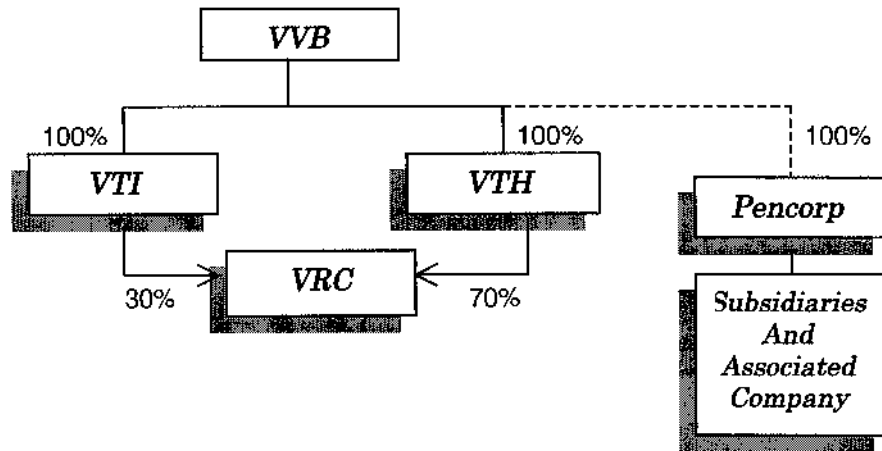
| Date of allotment | No. of Shares allotted | Par value<br>(RM) | Consideration  | Total issued and paid-up share capital<br>(RM) |
|-------------------|------------------------|-------------------|--|--|
| 12.08.2002        | 2                      | 1.00              | Cash   | 2  |
| 08.08.2003        | 60,000,000             | 1.00              | Settlement for the Acquisition Of Vintage Group                | 60,000,002                                     |
| 22.08.2003        | 450,000                | 1.00              | Part settlement for the Share Swap with Pencorp's shareholders | 60,450,002                                     |
| 22.08.2003        | 7,796,000              | 1.00              | Settlement for the Distribution to the Scheme Creditors        | 68,246,002                                     |

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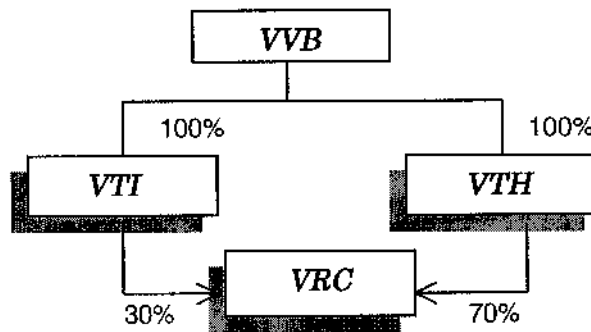
**4. INFORMATION ON THE VVB GROUP (Cont'd)**

**4.2 VVB Group Corporate Structure**

An overview of the VVB Group's current corporate structure is set out as below :-



It is the intention of VVB to hold Pencorp Group on a temporary basis and solely for the implementation of the Restructuring Scheme. As such, VVB will dispose of the entire issued and paid-up share capital of Pencorp for a nominal consideration of RM1.00 to unrelated third parties prior to the Listing resulting in the final corporate structure of the VVB Group to be as set out below. *(Note : Accordingly, the Pencorp Group is not part of the VVB Group for disclosure purposes in this Prospectus).*



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

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

| Subsidiary                                      | Date and place of Incorporation | % Equity held | Principal activities   |
|---|---------------------------------|---------------|--|
| VTI   | 7 December 1995<br>Malaysia     | 100           | Manufacturing and sale of concrete roof tiles.   |
| VTH   | 8 June 1998<br>Malaysia         | 100           | Investment holding.  |
| VRC   | 23 October 1999<br>Malaysia     | 100           | Supply and laying of roof tiles on a consignment basis.                                |
| <b><u>(Temporary subsidiaries of VVB) *</u></b> |                                 |               |  |
| Pencorp   | 24 January 1995<br>Malaysia     | 100           | Investment holding   |
| <b><u>Subsidiaries of Pencorp</u></b>           |                                 |               |  |
| Penas Management Sdn Bhd                        | 12 January 1990<br>Malaysia     | 100           | Construction of commercial and residential buildings and project management consulting |
| Penas Construction Sdn Bhd                      | 13 March 1990<br>Malaysia       | 100           | Construction of commercial and residential buildings                                   |
| Penas Engineering Sdn Bhd                       | 3 June 1992<br>Malaysia         | 100           | Plumbing and sanitary engineering works  |
| <b><u>Associated Company of Pencorp</u></b>     |                                 |               |  |
| Innovisco Sdn Bhd                               | 20 November 1992<br>Malaysia    | 35            | Construction works and a 'Class A' contractor  |

\* Will be disposed of prior to Listing

#### 4.3 History and Principal Activities of the VVB Group

The VVB Group commenced its business operations in January 1997 with the setting up of VTI's first production line of concrete roofing tiles in a rented factory in Nilai Industrial Estate, Negeri Sembilan with an initial production of only 800,000 sq ft of concrete roof tiles per month. In September 1998, the former Director and Chief Executive Officer of the VVB Group, the late Mr Ong Guan Hooi, being one of the founders of the VVB Group, undertook a management buy-out from the former Substantial Shareholders of VTI.

On 23 October 1999, VRC was set up to complement the manufacturing activities of VTI by providing the additional services of supplying and installing roofing tiles on a consignment basis. The services offered by VRC includes roofing installation, re-roofing and roofing consultation. As part of the Restructuring Scheme, VVB acquired the entire equity interests in VTI and VTH pursuant to the Acquisition Of Vintage Group.

Equipped with more than twenty six (26) years of experience in the concrete roofing tiles industry, the late Mr Ong Guan Hooi was instrumental in reorganising the VVB Group into the efficient organisation it is today. Presently, the day-to-day management of VVB Group is under the direction of Ong Thuan Ming and Teoh Chong Lim, the Executive Directors of VVB.

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

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As the VVB Group started its production immediately after the Asian financial crisis in 1997, most housing developers had been very sensitive to the pricing of concrete roof tiles but yet demanded high quality products and services. The Malaysian Government's efforts in pump-priming the economy by encouraging the construction of low and medium cost residential homes and schools, which use concrete roof tiles as standard roofing material, had resulted in the demand for roofing tiles to increase substantially, hence, almost doubling the production of the VVB Group from 800,000 sq ft to 1.5 million sq ft per month in 1998 in order to cater for the increased demand.

The improved acceptance of the VVB Group as a producer of quality roofing tiles had also contributed to the increase in demand for VINTAGE concrete roof tiles, resulting in the increase in its production by 500,000 sq ft to 2 million sq ft per month during the third quarter of 1999.

Despite the increase of production to 2 million sq ft per month, VVB Group was unable to meet the market demand for concrete roof tiles, resulting in the increase in delivery time. In 2001, VTI purchased a roofing tile factory in Langkap, Perak whereby a new high-speed production facility was installed at the factory to meet the roofing tiles requirements of the northern region of Malaysia namely, Perak, Kedah and Penang. With the additional production line at the factory in Langkap, the VVB Group's total production capacity increased significantly to 5.5 million sq ft per month.

The VVB Group currently operates two (2) factories namely, Factory I in Nilai, Negeri Sembilan and Factory II in Langkap, Perak. Factory I is a new factory located on a piece of industrial land measuring approximately eight (8) acres, owned by VTI. The production facilities of Factory I was relocated from VTI's former rented factory in Nilai. The construction of Factory I and the relocation of the existing production line from the former factory was completed in the end of 1st quarter of 2003. The total cost of the said land, relocation and construction cost amounted to approximately RM8.19 million which was partially funded through VVB Group's existing term loan facility of RM6.5 million with the remaining financed via its internally generated funds. With the new factory, the VVB Group expects to enjoy a net rental savings of approximately RM200,000 per annum.

With the new Factory I, apart from savings on rental expense, the VVB Group expects also to enjoy the advantage of an improved manufacturing layout and facilities to cater for any future increase in production capacity. Further streamlining of the production facilities would also enable the VVB Group to raise the capacity of VTI's two (2) roof tile production lines by approximately another 2 million sq ft per month or 24 million sq ft per annum.

The concrete roof tiles are manufactured and sold by the VVB Group under the trademark "VINTAGE" tiles since 15 September 1997. The VINTAGE tiles are produced in accordance to the MS797 PT1.1982 as accorded by the SIRIM certificate of conformity. The MS797 PT1.1982 is the standard adopted by the Malaysian authority as the Malaysian equivalent for recognised international standards for concrete roofing tiles.

#### **4.4 Business Overview Of VVB Group**

Upon the Listing and after the Disposal Of Pencorp, the businesses of the VVB Group will only include that of the VVB Group, as follows :-

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

##### 4.4.1 Types of Products and/or Services

The VVB Group is principally involved in the manufacturing and sale of concrete roof tiles under the brand name "VINTAGE". The VINTAGE range of concrete roof tiles are produced to give protection from the tropical rain storm. Since its commencement of business, VVB Group has established the recognition for its range of quality products which have the attributes of economicality, practicality and reliability besides being competitively priced in comparison to clay, asbestos and metal roofing.

The features of the VINTAGE range of concrete roof tiles are designed to suit the local Malaysian climate and have a symmetrical design of the 'Hacienda' profile which provides perfect interlocking of fitting to minimise the danger of leakages while its unique rounded nose provides an aesthetic finish with excellent functional capabilities. The VINTAGE concrete roof tiles also adhere to the MS797 Pt.1:1982 standard adopted by SIRIM and hence, are incombustible, fire-resistant and highly impermeable with an absorption rate of less than nine percent as well as compacted to minimise fungus growth. The VINTAGE concrete roof tiles also come with an array of monotone and dual tone colours created to meet the trendy lifestyle demand. Imported pigmented colour coatings specially formulated to provide durable, lasting and stable colour finishes and resistant to harsh weather.

In addition to the manufacture of roofing tiles, the VVB Group also manufactures a wide range of accessory tiles to complement VINTAGE's concrete roof tiles. These comprise of the Standard Ridges for roof pitches and hips of 18-36 degrees, rounded Hip Starters which are versatile for most pitches, Steep Angle Ridges for roof pitches of 45-60 degrees, round Gable End Cover or Barge tiles which are interchangeable for right and left handed application, three-way and four-way Apexes to crown roofing designs.

##### 4.4.2 Production Capacities and Output and Location of Business

The VVB Group is one of the leading manufacturers of quality concrete roofing tiles in Malaysia with modern manufacturing facilities to cater to the needs of today's fast-track construction industry. Equipped with the latest Australian technology, and producing concrete roof tiles at the speed of 120 tiles per minute, its factories houses amongst the most modern and high-capacity manufacturing facilities in Asia.

The details of the production facilities and output of the factories owned by VVB Group are as follows :-

| Factory    | Location  | Approximate land area | Approximate built-up area | Optimum production capacity per annum | Actual production output for the year ended 31.12.2002 | Average no. of production shifts per day |
|------------|---|-----------------------|---------------------------|---------------------------------------|--|--|
| Factory I  | Lot 12021, Kawasan Perindustrian Nilai, FASA 1, 71800 Nilai, Negeri Sembilan                  | 348,741 sq ft         | 73,627 sq ft              | 42 million sq ft                      | 28 million sq ft                                       | Two, ten-hour shifts                     |
| Factory II | PT2539-PT2548, Langkap Light Industrial Park, Jalan Chui Chak, 36700 Langkap, Perak, Malaysia | 236,739 sq ft         | 97,721 sq ft              | 36 million sq ft                      | 18 million sq ft                                       | Two, eight-hour shifts                   |

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

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The logistic advantages of the two (2) factories in Nilai, Negeri Sembilan and Langkap, Perak enables the VVB Group to tap into the business potentials in the neighbouring areas by lowering transportation costs and hence reducing the delivery time to its customers. While Factory I caters for the housing projects in Selangor, Negeri Sembilan, Pahang, Malacca and Johore. Factory II facilitates the speedy transportation of roof tiles to the northern region of Malaysia such as Perak, Pulau Pinang, Kedah and Perlis.

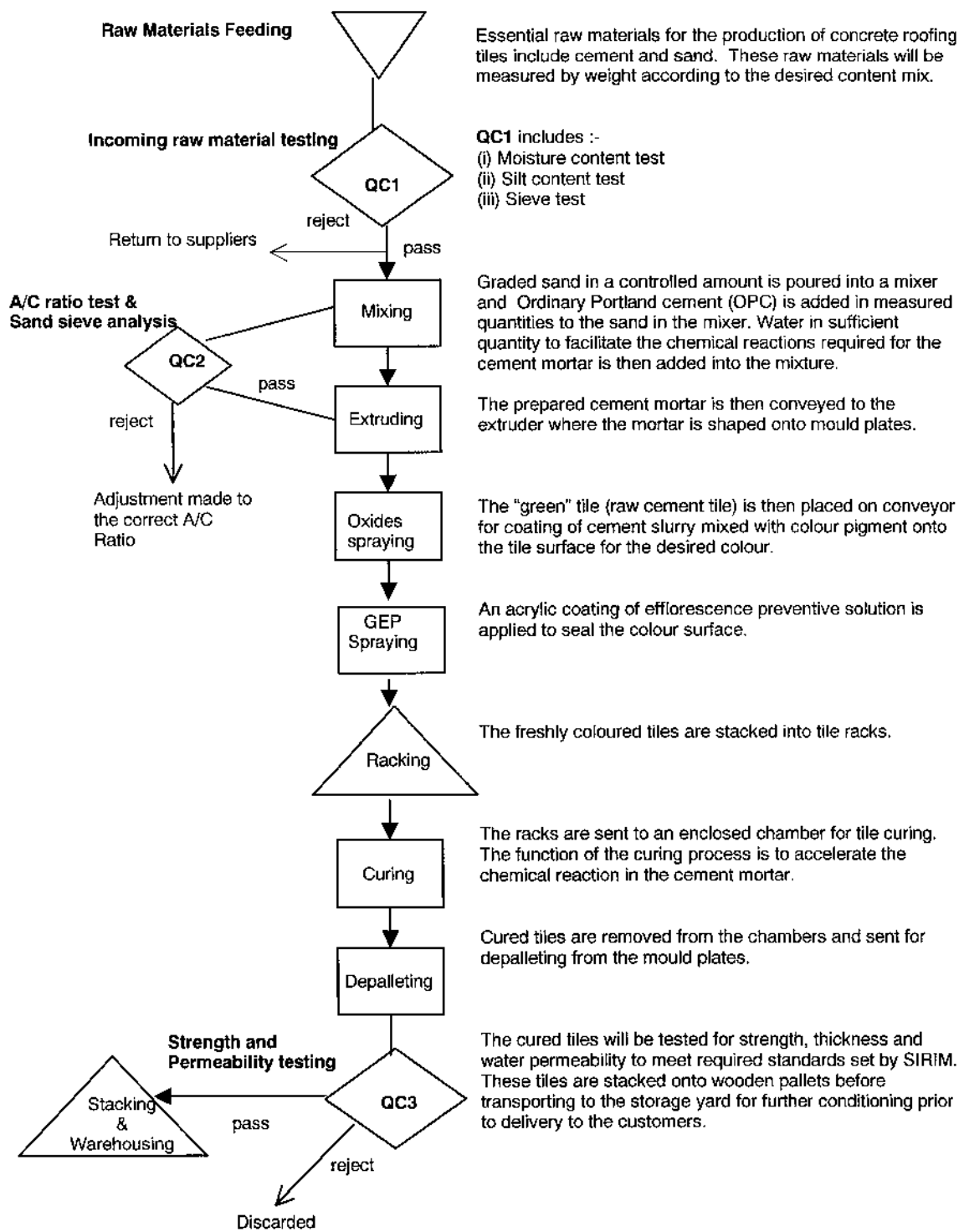
##### **4.4.3 Technology Used**

The VVB Group uses the Australian technology in the manufacturing and production of concrete roof tiles. Equipped with this technology, the production process of the concrete roof tiles are automated and hence, enabling an output at the speed of 120 concrete roof tiles per minute to be achieved.

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

4.4.4 Concrete Roofing Tiles Manufacturing Process



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

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**4.4.5 Market Coverage, Position and Market Share**

The management of VVB Group is of the opinion that VVB Group is the second largest concrete roofing tiles manufacturer next to the industry leader, Lafarge Roofing Systems Sdn Bhd, which is a foreign-owned company. The VINTAGE range of concrete roofing tiles is currently enjoying approximately 20% of the nation's concrete roofing tile market. Presently, approximately 70% of the VVB Group's products are being supplied for the use of roofing projects located in Selangor, Pulau Pinang, Perak, Negeri Sembilan and Melaka while the remaining 30% are scattered in Kedah, Pahang, Kelantan, Trengganu, and the Johore region in Malaysia.

**4.4.6 Principal Markets**

VVB Group's products are mainly marketed and sold via two (2) distinct channels namely, the project market (i.e. through distributors) and the retail market (i.e. through appointment of stockist and hardware stores). The distributors will, in turn, market and promote these products through their own dealers or directly to developers, contractors, retailers and other end-users. The VVB Group's product end-users comprise that of government agencies/bodies, developers and contractors. Approximately 90% of the VINTAGE concrete roof tiles are catered for the project market, namely the residential, purpose-built and government buildings such as schools, residential quarters, hospitals, universities and colleges while the remaining 10% are sold in the retail market, namely the housing renovation contractors.

As at 31 December 2002, the sales of concrete roof tiles in the Malaysian market account for approximately 95% of the VVB Group's turnover. At present, the sales and marketing department of VVB Group has a staff strength of approximately 15 personnels to service its existing distributors and dealers. The team is highly service oriented to meet the needs of every customer. With VVB Group's proximity to its major customers, it has earned itself the reputation being prompt in delivery as the VVB Group requires shorter lead time to fulfil its customers' orders, consistent quality and competitive pricing of its products, hence the team is able to successfully secure and maintain customer loyalty for VVB Group. Presently, approximately 70% of the VVB Group's products are being supplied for the use of roofing projects located in Selangor, Pulau Pinang, Perak, Negeri Sembilan and Melaka while the remaining 30% are scattered in Kedah, Pahang, Kelantan, Trengganu, and the Johore region in Malaysia.

The VVB Group has been distributing its VINTAGE concrete roof tiles since 1997. Since its inception, the VVB Group has successfully marketed its concrete roof tiles to some of the most prestigious housing and commercial projects in Malaysia which include amongst others, the Cyberjaya Lodge and Resort, Islamic College Phase 1 Bangi and Proton City. The growth in VVB Group's business can be attributed to its ability to tap into its Directors and senior managements' experience in the area of production and marketing of the VINTAGE concrete roof tiles through the development of value-added partnerships with developers, contractors and the government agencies, through market research, on going dealings with projects consultants, government publications as well as referrals from its distributors / contractors and peers within the industry.



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

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**4.4.7 Types, Sources and Availability of Raw Materials**

The basic raw materials used for the manufacture of concrete roofing tiles comprise of Portland cement, sand, colour pigment and acrylic coating material. While both the Portland cement and sand are readily available locally, the VVB Group imports German colour pigment and acrylic coating materials overseas. VVB Group's main criteria in choosing raw materials are quality, price and availability.

Since the principal raw materials used by VVB Group are readily available in the local or overseas market, the management of VVB Group is of the opinion that VVB Group is not likely to experience any shortage in its raw material supply in the near future. Presently, VVB Group purchases its raw materials as and when required.

**4.4.8 Modes of Marketing, Distributions and Sales**

VVB Group's products are mainly marketed and sold via two (2) distinct channels namely, the project market (i.e. through distributors) and the retail market (i.e. through appointment of stockist and hardware stores). The distributors will, in turn, market and promote these products through their own dealers or directly to developers, contractors, retailers and other end-users. The VVB Group's product end-users comprise that of government agencies/bodies, developers and contractors. Approximately 90% of the VINTAGE concrete roof tiles are catered for the project market, namely the residential, purpose-built and government buildings such as schools, residential quarters, hospitals, universities and colleges while the remaining 10% are sold in the retail market, namely the housing renovation contractors.

**4.4.9 Achievements and Awards of VVB Group**

VINTAGE tiles are produced in accordance to the MS797 PT1.1982 and are accorded the SIRIM certificate of conformity. The MS797 PT1.1982 is the standard adopted by the Malaysian authority as the Malaysian equivalent for recognised international standards for concrete roofing tiles.

**4.5 Quality Control Procedures**

VVB Group is involved in a competitive industry of which quality plays a crucial determinant of the strength/reputation of the VVB Group as well as the VINTAGE brand name. The VVB Group strives to ensure that all the roof tiles manufactured are of high standards. This is evidenced by the VINTAGE range of concrete roof tiles which fulfil the Malaysian standard requirements, certified by SIRIM Standard MS 797 Part 1:1982 which sets out certain quality controls procedures to be adhered to, such as :-

- i) Transverse Breaking Strength Test;
- ii) Water Absorption Test;
- iii) Permeability Test; and
- iv) Fitting and Interlocking Capability Test.

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

In addition to the abovementioned tests required by the SIRIM standards, the VVB Group has, also in place, daily quality control procedures infused through out the stages of manufacturing process i.e. from the choice of raw materials purchasing stage up to the final inspection stage of end-product which include, *inter-alia*, raw material incoming tests such as moisture content test for sand and concrete mix, sieve test, silt content test, A/C Ratio test for the concrete mix and dimension tests to check the thickness and shape of the concrete roof tiles. The stringent quality control procedures are to ensure that VVB Group's products meets the required standards in terms of functionality, reliability and finishing.

VVB Group currently employs a team of ten (10) skilled quality-control inspectors.

#### 4.6 Research and Development

The success of a business is very much dependent on its ability to innovate and to maintain a competitive edge over its competitors. In view of this, and in a move to develop its manufacturing process to an extent where efficiencies are maximised, costs are being strictly controlled and kept at a minimum level, and quality enhanced. VVB Group is committed to ensure that its products are of high standard and quality and meets the SIRIM standards as well as its customers' requirements.

VVB Group has an in-house R&D centre and a working laboratory well-equipped with a full range of equipment. The R&D department's policy and directions include that of the following :-

- i) Improvement in the production process for the manufacture of concrete roof tiles, materials and production technologies;
- ii) Improvement in the features of products; and
- iii) Development of new innovative products.

The contribution recorded by the R&D department as of to date amongst others are as follows :-

- i) Reduction in wastage as well as rejection rate; and
- ii) Reduction in delivery lead-time.

The R&D expenditure incurred by the VVB Group for the last three (3) financial years are as follows :-

| Financial Year ended<br>31 December | Amount    | Percentage of turnover |
|-------------------------------------|-----------|------------------------|
| 2000                                | RM155,000 | 1.4%                   |
| 2001                                | RM210,000 | 1.3%                   |
| 2002                                | RM350,000 | 1.2%                   |

The production lines installed in both the VTI's factories uses modern and updated technologies from Australia. The entire plant is computerised and fully automated, requiring only a small number of key technical staff to operate the machines. The high technology used in turn, further improves the plant's efficiency and cost effectiveness. Daily electrical maintenance of machinery, conditioning and alignment of sensor plates are carried out to ensure that any unscheduled stoppage/disruption in production activities is minimised. At present, VVB's research team is led by two (2) qualified engineers and supported by other technical staff.

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

##### 4.7 Employees

The day-to-day management of VVB Group is led by Ong Thuan Ming and Teoh Chong Lim, the Executive Directors with advisory guidance given by Dato' Lim Sin Khong, the Chairman. They managed the daily operations of the VVB Group together with the support from other senior management of VVB Group namely the General Manager of Sales Division, General Manager of Operations, Sales Manager, and Administration and Human Resource Manager. The senior management of VVB Group is in turn assisted by various experienced and qualified personnel in their respective fields consisting of production, engineering, quality control, research and development, accounts, human resources, purchasing and marketing. Staff turnover rate is usually low. The majority of the senior personnel has been with VVB Group for at least three (3) years and play an important contributory role to the progress and development of the Group. With the team of management staff, the VVB Group is therefore not overly dependent on any one of the key personnel.

To keep abreast with the modernisation of technology and demand for quality products, the Directors and senior management attend trade fairs and seminars relevant to the tiles industry so as to be aware of the latest machinery available as well as the latest developments and progress within the industry. The production engineers are also sent overseas for training on the operation of the latest model of machinery, familiarisation of the production processes and machinery usage. Department heads and related operators are also required to attend in-house training, discussion and meeting to ensure the efficient usage of machinery and minimal wastage of materials. Hence, VVB's key operation staff and technicians are equipped with the necessary training to ensure that production processes are smooth and efficient.

As at 23 September 2003, the VVB Group has a total of 160 employees which include 38 contract workers. The management of VVB Group is of the opinion that its dedicated and efficient employees are instrumental to its success. The management of VVB Group enjoys a good working relationship with the employees. The employees do not belong to any organised union.

The VVB Group's employees structure are generally segregated into five (5) categories as follows:-

| Category of Employee   | Total numbers | Average no. of years of service (year) |
|--|---------------|--|
| 1. Managerial and Professional   | 14            | 4                                      |
| 2. Technical and supervisory   | 18            | 3                                      |
| 3. Clerical staff and sales executive<br>(including officers, sales co-ordinators, administrative assistant, clerks, typist and designers) | 27            | 3                                      |
| 4. Skilled and unskilled factory workers   | 99            | 2                                      |
| 5. General workers (including drivers and office boys)   | 2             | 2                                      |
| <b>Total</b>   | <b>160</b>    |  |

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

##### 4.8 Approval, Major Licences and Permits Obtained

Approvals, major licences and permits under the possession of the VVB are held by VTI and are set out as follows :-

| Authority                       | Licence No./<br>Registration No./<br>Serial No. | Date of<br>Issue | Expiry Date  | Type of<br>license                  | Equity<br>conditions |
|---------------------------------|---|------------------|--------------|-------------------------------------|----------------------|
| MIDA                            | Licence<br>No.A013591/Serial<br>No.A021496      | 30.7.2003        | -            | Manufacturing<br>Licence            | None                 |
| MIDA                            | Licence<br>No.A013660/Serial<br>No.A020817      | 28.10.2002       | -            | Manufacturing<br>Licence            | None                 |
| Majlis<br>Perbandaran<br>Nilai  | I0801631-170                                    | 23.6.2003        | 31.12.2003   | Business<br>Licence                 | None                 |
| Majlis<br>Daerah<br>Hilir Perak | L0005649-6                                      | 02.01.2003       | 31.12.2003   | Business<br>Licence                 | None                 |
| Sirim QAS<br>Sdn Bhd            | Licence<br>No.PV001902/Serial<br>No8618         | 1) 28.7.2003     | 1) 15.8.2004 | Product<br>Certification<br>Licence | None                 |
|                                 | Licence<br>No.PV001901/Serial<br>No.SN1006      | 2) 14.7.2003     | 2) 13.7.2004 |                                     |                      |

##### 4.9 Brand Names and Trade Marks

The concrete roof tiles are manufactured and sold by the VVB Group under the brand name "VINTAGE". The details of the "VINTAGE" trade mark are as follows :-

| Name of trade<br>mark | Company | Application<br>No. | Date of filling      | Description of goods  |
|-----------------------|---------|--------------------|----------------------|---|
| VINTAGE               | VTI     | 97/13145           | 15 September<br>1997 | Building materials (non-<br>metallic), tiles and roofing<br>tiles (non-metallic)/Class 19 |

##### 4.10 Information on Subsidiary Companies

###### 4.10.1 VTH (463650-X)

###### (i) History

VTH was incorporated in Malaysia as a private limited company under the Act on 8 June 1998 under the name First Agile Industries Sdn Bhd. On 20 July 2000, it changed its name to VTH.

VTH is principally an investment holding company and has been dormant since its incorporation until it started investing in its subsidiary company, namely VRC on 29 December 1999.

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

(ii) Share Capital

VTH's present authorised share capital is RM100,000 comprising 100,000 Shares whilst its issued and paid-up share capital is RM100,000 comprising 100,000 Shares.

Details of the changes in the issued and paid-up share capital of VTH since its date of incorporation are as follows:-

| Date of allotment | No. of Shares | Par value | Consideration (RM) | Total issued and paid-up share capital (RM) |
|-------------------|---------------|-----------|--------------------|---|
| 08.06.1998        | 2             | 1.00      | Cash               | 2   |
| 13.01.2000        | 99,998        | 1.00      | Cash               | 100,000                                     |

(iii) Audited Financial Records

The audited financial data for VTH since its incorporation up to the financial year ended 31 December 2002 and the five (5) months ended 31 May 2003 are detailed in the Accountants' Report in Section 11 of this Prospectus.

iv) Substantial Shareholder

VTH is a wholly-owned subsidiary of VVB.

v) Subsidiaries and Associated Companies

| Name of company                        | Date/Place of incorporation | Issued and paid-up share capital RM | Effective equity interest % | Principal activities                                    |
|--|-----------------------------|-------------------------------------|-----------------------------|---|
| Vintage Roofing & Construction Sdn Bhd | 23.10.1999<br>Malaysia      | 100,000                             | 70.0                        | Supply and laying of roof tiles on a consignment basis. |

VTH does not have any associated companies. VRC, in turn does not have any subsidiary or associated companies.

#### 4.10.2 VTI (369769-K)

(i) History

VTI was incorporated in Malaysia under the Act on 7 December 1995 under the name Joyful Venture Sdn Bhd. On 5 March 1996, it changed its name to VTI.

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

VTI is principally engaged in the manufacturing and sales of concrete roofing tiles. VTI commenced its business operations in the year 1997 with the setting up of VTI's first (1<sup>st</sup>) production line of concrete roofing tiles in a rented factory in Nilai, Negeri Sembilan. The concrete roofing tiles manufactured and sold by VTI are under the brand name "VINTAGE". VTI currently operates two (2) factories namely, Factory I and Factory II located in Nilai, Negeri Sembilan and Langkap, Perak respectively. The Factory I was newly completed in the 1st quarter of 2003 with its production facilities being the relocated from the former rented factory in Nilai. The VTI's products are mainly marketed and sold via its local distributors. As at 31 December 2002, the sales of concrete roof tiles in Malaysian market account for the entire VTI's revenue. The basic raw materials used for the manufacture of concrete roofing tiles comprise of Portland cement, sand, colour pigment and acrylic coating material. While both the Portland cement and sand are readily available locally, VTI imports German colour pigment and acrylic coating materials overseas.

VTI is committed to ensure that its products are of high standard and quality and meets the SIRIM standards as well as customers' requirements. Hence, in order to achieve that, the company operates an in-house R&D centre to complement its business i.e. in the area of improvement of production process, facilities, technologies and product features, quality and new innovation. At present, VTI's R&D team is led by two (2) qualified engineers and supported by two (2) technical staffs. For the financial year ended 31 December 2002, VTI had incurred approximately RM305,000 for the operations of the R&D centre.

(ii) Share Capital

The present authorised share capital of VTI is RM25,000,000 comprising 25,000,000 Shares of which RM15,000,000 comprising 15,000,000 Shares have been issued and fully paid-up.

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

| Date of allotment | No. of Shares allotted | Par value<br>(RM) | Consideration | Total issued and paid-up share capital<br>(RM) |
|-------------------|------------------------|-------------------|---------------|--|
| 07.12.1995        | 2                      | 1.00              | Cash          | 2  |
| 25.03.1996        | 1,499,998              | 1.00              | Cash          | 1,500,000                                      |
| 27.06.1996        | 1,000,000              | 1.00              | Cash          | 2,500,000                                      |
| 22.06.1998        | 1,980,000              | 1.00              | Cash          | 4,480,000                                      |
| 01.07.1998        | 255,000                | 1.00              | Cash          | 4,735,000                                      |
| 20.08.1998        | 45,000                 | 1.00              | Cash          | 4,780,000                                      |
| 15.06.2000        | 120,000                | 1.00              | Cash          | 4,900,000                                      |
| 08.10.2001        | 2,100,000              | 1.00              | Cash          | 7,000,000                                      |
| 28.08.2002        | 8,000,000              | 1.00              | Cash          | 15,000,000                                     |

(iii) Audited Financial Records

The audited financial data for VTI for the past five (5) years ended 31 December 2002 and the five (5) months ended 31 May 2003 are detailed in the Accountants' Report in Section 11 of this Prospectus.

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

iv) Substantial Shareholder

VTI is a wholly-owned subsidiary of VVB.

v) Subsidiaries and Associated Companies

VTI does not have any subsidiary. The associated company of VTI is VRC in which VTI has a 30% equity interest.

#### 4.10.3 VRC (497226-P)

(i) History

VRC was incorporated in Malaysia under the Act on 23 October 1999 under the name of Sytomatic Sdn Bhd. On 11 February 2000, it changed its name to VRC.

VRC began its business operations in the year 2000 and is principally engaged in the supply and laying of roof tiles on a consignment basis. The services rendered by VRC includes roofing installation, re-roofing and roofing consultation. The customers of VRC are domestic based and mostly are housing contractors/developers and contractors for housing renovation works. In addition, VRC also complements the business of VTI as VRC serves as the contracting arm for VTI to provide a total roofing package (i.e. selling and laying of roof tiles) for some of VTI's customers. The source of VRC's roof tiles supplies is mainly from VTI.

(ii) Share Capital

VRC's present authorised share capital is RM100,000 comprising 100,000 Shares whilst its issued and paid-up share capital is RM100,000 comprising 100,000 Shares.

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

| <u>Date of allotment</u> | <u>No. of Shares</u> | <u>Par value (RM)</u> | <u>Consideration</u> | <u>Total issued and paid-up share capital (RM)</u> |
|--------------------------|----------------------|-----------------------|----------------------|--|
| 23.10.1999               | 2                    | 1.00                  | Cash                 | 2  |
| 31.01.2000               | 99,998               | 1.00                  | Cash                 | 100,000  |

(iii) Audited Financial Records

The audited financial data for VRC since its incorporation on 23 October 1999 up to the financial period/years ended 31 May 2003 are detailed in the Accountants' Report in Section 11 of this Prospectus.

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

##### (iv) Substantial Shareholders

The Substantial Shareholders of VRC as at the date of this Prospectus are as follows:-

| Substantial Shareholders | Shareholding  |      |               |       |
|--------------------------|---------------|------|---------------|-------|
|                          | Direct        |      | Indirect      |       |
|                          | No. of Shares | %    | No. of Shares | %     |
| VTH                      | 70,000        | 70.0 | -             | -     |
| VTI                      | 30,000        | 30.0 | -             | -     |
| VVB                      | -             | -    | 100,000*      | 100.0 |

\* Deemed interested by virtue of VTH and VTI being the wholly owned subsidiaries of VVB.

##### (v) Subsidiaries and Associated Companies

As at the date of this Prospectus, VRC has no subsidiary or associated companies.

#### 4.11 Industry Overview

##### 4.11.1 *The Malaysian Roofing Tiles Industry Overview And Outlook*

The supply of roofing tiles by the VVB Group are mainly made for residential properties and buildings. Approximately 70% of VVB Group's roofing projects are located in Selangor, Pulau Pinang, Perak, Negeri Sembilan and Melaka while the remaining 30% are scattered in Kedah, Pahang, Kelantan, Terengganu and the Johore region in Malaysia. An overview of the property market's performance in Selangor, Perak and Pulau Pinang, being the three primary locations for the VVB Group's roofing projects are summarised below.

Concrete roofing, being the most cost effective roofing material, coupled with its aesthetic appeal, shape and range of colour choices, enjoy strong acceptance by builders, developers, Government bodies and renovation work contractors as the standard for roofing material. Its strength lies in the industry's capacity to cater to the huge demand of mass housing projects. The concrete tiles' aesthetic appeal and performance as a protection against the effects of the weather conditions, far exceed similar roofing products such as metal and asbestos roof sheets as well as clay roof tiles. Due to these attributes of the concrete roof tiles, they enjoy approximately 80%-90% of the total market share for the supply of roofing materials used for pitched roofs. Furthermore, concrete is also the most cost-effective material even when compared to asbestos roofing, metal sheets and clay roof tiles.

According to the 2002 Bank Negara Malaysia Annual Report, real GDP growth in the Malaysian economy has the potential to be sustained in the region of 4.5% in 2003, mainly domestically driven and supported by a modest growth in external demand. Against this backdrop, demand for concrete roof tiles is expected to record a similar increase for the current year. In the domestic market, the increase in demand for concrete roof tiles is likely to be derived from the completion of residential and school projects, while the demand from the commercial properties is likely to remain flat for the year as developers are discouraged from embarking on new construction works for office space due to high holding costs as a result of the excess supply and weak demand for office space.



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

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Overall, the increase in the demand for concrete roof tiles from the residential properties segment will spur the growth in the demand for concrete roof tiles. In terms of quantity, the management of VVB Group expects the demand in concrete roof tiles to increase by approximately 10% (management estimation) for the domestic market. The price of concrete roof tiles has been experiencing a gradual increase since 2001 from RM0.70 per sq ft to RM0.80 per sq ft by end of 2002. Owing to these higher prices, the total industry sales (in terms of value) for the local domestic market is expected to increase by more than 10% from that of the previous year.

In terms of the industry's operating profit margins, a moderate increase is expected, on the back of the rising prices for concrete roof tiles. Over the medium term, moderate growth is expected for the concrete roof tiles industry where the bulk of the growth for the demand of concrete roof tiles is still expected to derive from the residential properties sub-sector due to the commercial properties (office space and shopping complexes) expected to be still in excess supply until year 2004.

Another positive trend for the industry is that the Malaysian Government has changed the specification for roofing materials for their schools and other government projects from asbestos roofing sheets to concrete roof tiles, resulting in most concrete roof tile manufacturers running at almost full capacity, hence sustaining the industry operating profit level. The management of the VVB Group do not expect the concrete roof tile industry to be affected by the trade liberalisation of the AFTA due to the nature of the concrete roof tiles whereby transportation cost forms a major component of the overall product cost, hence reducing any further threats from importation.

*(Source : Management of VVB Group)*

**4.11.2 Performance Of The Roof Tiles Industry**

The roof tiles industry is very much complimented by the growth of the country's economy, the construction and the property development economy. As such, the future prospects of the industry are intrinsically linked to the success and development of the following:-

- (a) Malaysian economy; and
- (b) Sectoral performance in Malaysia

After experiencing sluggish growth in 2001, the Malaysian economy rebounded strongly in 2002. Higher growth in 2002 bolstered optimism for a stronger economic performance in 2003 in anticipation of an improved world economic outlook. The prospect for a global economic recovery was, however, affected by recent geopolitical developments, in particular the war in Iraq, sporadic incidences of militancy and outbreak of the SARS. During the second quarter, consumer and business sentiments in regional economies were particularly affected by the anxiety of a probable prolonged and widespread SARS epidemic that curtailed transport and tourism-related activities besides trade and investment flows.

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

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Against this adverse global environment and concerns of further weakening of the already sluggish global economy, the Government has put in place a package of broad-based pro-growth measures in May 2003. The Package of New Strategies, apart from providing immediate relief for the SARS-affected sectors, was to address structural and organisational issues towards sustaining economic growth in the medium and longer term. The strategic measures introduced boosted confidence necessary to stimulate domestic consumption and investment. In addition, the short war in Iraq and the quick containment of SARS provided the much-needed relief for the economy to ride over the difficult times and remain on track to a firmer growth trajectory.

*(Source : Economic Report 2003/2004)*

**4.11.3 The Segments/Sectors of the Industry****(i) Manufacturing Sector**

Malaysia's manufacturing sector is all geared up for better times ahead, as output strengthened further starting February this year, on the back of higher growth of domestic-oriented industries and better performance of export-oriented industries. Domestic-oriented industries recorded double digit growth, spurred by higher consumption in food and beverages, and continuing demand for products of construction-related industries, particularly non-metallic minerals such as cement and concrete as well as higher growth of fabricated metal products in the second quarter of 2003.

Overall, output of the manufacturing sector expanded by 7.8% in the first six months (January- June 2002: 1.4%). The better-than-anticipated growth was the result of higher production of 7.9% in the second quarter 2003 (second quarter 2002: 6.5%). Total value of finished products and goods-in-process was about 53% or less than one month stock of the RM27,694.8 million sales made in June. The lean stocks, together with broad-based growth in both domestic as well as external demand, is expected to improve capacity utilisation of the sector to more than 80% this year.

Construction-related industries recorded a firmer growth of 13.2% (January-June 2002: 5.5%). These industries also continued to benefit from the ongoing implementation of the Malaysian Government's Package of New Strategies ("Package") and other efforts to stimulate residential housing and public infrastructure projects particularly with external demand anticipated to grow by more than 14% this year, and the positive effect of the implementation of large socio-economic infrastructure projects, such as the hospital cum apartment of Lembaga Tabung Haji in Kuala Lumpur, Petronas Hospital, Kajang Sungai Ramal Ring Road and the new Johore-Singapore bridge.

*(Source: Economic Report 2003/2004)*

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


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**(ii) Construction Sector**

Underpinned by continued demand in selected segments of the property market and higher expected budgetary allocation for public infrastructure projects, value added in the construction sector is envisaged to grow by 2.5% in 2003. The sustained performance is partly on account of renewed interest in residential housing, in particular affordable houses, and supported by incentives given under the Package and lower interest rates. Construction of residential properties remains active despite slower demand for housing as the Iraq war and SARS affected consumer confidence during the first five months of 2003. Housing starts in the residential sector grew by 4.6% during the first half of 2003. Of the 69,941 units of housing starts during the period, 47.5% were terrace houses while condominium, apartments and flats constituted 20.2%.

Construction has been a key sector in the Government efforts to stimulate domestic economic activities and in enhancing growth. As the economy continues to rely on the domestic sector, the contribution of construction sector to GDP growth will have to be further enhanced. The Government, under the Package, introduced several measures and incentives as well as cash payment to first home owners under the Home Ownership for the People (HOPE) project to stimulate the property and construction sector as well as to provide affordable housing to the lower income group.

*(Source: Economic Report 2003/2004)*

**(iii) Overview Of The Property Market**

The property market was active and stable following the better performance in the Malaysian economy. Measures in the Budget 2002, which included higher disposable income from pay increases to public sector employees and tax cuts benefited, in particular the residential property sector. Low interest rates, attractive loan packages and incentives by developers encouraged more purchasers to buy houses.

By end-September 2002, total outstanding loans extended by banks was RM449,688.4 million or a 4.1% increase on a year-on-year basis as the multiplier effect of the stimulus packages by the government filter through. Loans to the broad property sector continued to grow by 6.6% (10,714.6 million) to RM171,978.4 million with an increased 38.2% share of total outstanding loans. Purchase of residential properties formed the bulk of these loans. Total loans for residential properties increased considerably from RM82,192.3 million at end-September 2001 to RM96,652.0 million. Loans extended to this sub-sector have also enlarged its share of loans to the broad property sector to 56.2% (end-September: 51.0%). The stamp duty waiver on residential properties played an instrumental role in encouraging more purchases of houses that translated into a substantial increase in these loans. There was also an increase in these loans, although on a smaller scale, extended to the shop sub-sector as loans rose 3.2% to RM12,352.7 million.

Conversely, loans approved for the purchase of industrial buildings and factories contracted by 9.6% to RM4,267.1 million as at end-September on a year-on-year basis, reflecting the weak demand for industrial properties. Similarly for the commercial complex sub-sector, which experienced a decline of 6.8% in loans to RM3,679.7 million, indicating a quiet market for this sub-sector.

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

In the construction industry, loans totalling RM1,785.0 million given out for the construction of industrial buildings and factories showed a decline of 15.8% by end-September year-on-year in tandem with the decrease in loans for purchases. A similar pattern was observed for loans to the commercial complexes sub-sector, which recorded a decrease of 11.0% in loans to RM4,730 million.

In disposing of properties held under non-performing loans, Pengurusan Danaharta Nasional held its Sixth and Seventh tenders that closed on 2 May and 13 November 2002 respectively. In the sixth tender, a total of 266 properties with a combined indicative value of RM725.29 million were offered for sale. The number of properties sold was 142 and represented 53.0% of total properties tendered out. The combined consideration of properties sold was RM327.23 million or 12.0% higher than the total indicative value of these properties. The seventh tender offered 178 properties with an aggregate indicative value of RM623.5 million and included 82 newly foreclosed properties. Successful bids were received for 65 properties or 37.0% of total properties offered for sale. The combined consideration of RM144.28 million was about the same as the total indicative value of RM144.01 million of these properties. Sales of newly foreclosed properties were more encouraging with 58.5% (48 properties) taken up. The combined consideration of RM101.4 million was 6.7% more than the indicative value. Successful bids were higher than indicative values in the residential and development land sectors, almost the same for the agricultural sector and the commercial sector but lower for the industrial sector.

*(Source : Property Market Report—Year 2002 published by Valuation and Property Services Department, Ministry of Finance, Malaysia)*

#### **(iv) Residential Property**

Though the residential sector remains the main sector driving the property market, transactions in the residential sector reduced by 7.9% in volume and 4.8% in value compared to last year. A total of 162,269 transactions worth RM21,136.74 million was recorded this year. This does not indicate the actual situation in the residential market as it has not included the Real Estate And Housing Developers Association (REHDA)'s estimate of 85,747 transactions under the stamp duty waiver. The estimated figure, at more than half of total residential transactions, obviously reflected a more active market for residential properties.

The waiver was for residential properties offered by developers. Sales and purchase agreements has to be signed during the first six months of this year in order to qualify for the waiver. Residential properties covered by the waiver were not only for completed units with certificate of fitness/certificate or practical completion issued but also included units under construction or units yet to be constructed.

Apart from the stamp duty waiver, factors that kept the residential market stable was the economic recovery in the economy, the increase in salary for government employees, intense competition amongst banks for a bigger share of housing loans as well as incentives provided by developers.

The latest estimate provided by REHDA in October 2002 showed a total of 184,711 units offered for sale by developers with regard to properties under the waiver. These units comprised 12,064 completed units (7.0%), 103,032 units (56.0%) launched in 2001 and 69,615 units (36.0%) in 2002. Sales of 46.4% were achieved. The high number of unsold units may likely translate to more overhang next year. Overhang units are defined as units unsold nine months after being launched.

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

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In terms of state, the highest number of units offered for sale by developers was in Selangor, which accounted for 45.7% of the total number of units followed by Johor (17.1%), Penang (6.9%) and Kuala Lumpur including Putra Jaya (6.5%), Perak (5.6%) and Kedah/Perlis (5.7%). The highest number of sales took place in Selangor with 38,252 houses sold, representing 44.6% of national units sold, followed by Johor with 11,553 units (13.5%), Kuala Lumpur including Putra Jaya with 7,594 (8.9%), Perak with 6,212 (7.2%) and Kedah/Perlis with 5,682 (6.6%).

The waiver was implemented with the objective of mopping up the residential overhang. However it is not clear yet whether this has been achieved as data on overhang for the last quarter of this year is not yet available. Overhang units in respect of the properties under the waiver will only start to surface by the first quarter of next year. However residential overhang units have increased by 11,442 units from 40,977 units in December 2001 or 22.9% of total residential overhang to 52,419 units (24.8%) in June 2002. But by end-September, it has reduced by 2,265 units to 50,154 units. The built-up in overhang for the first six months of this year by 11,442 to 52,419 units is nearly twice the increase of 5,774 in the previous period. To some extent, it suggested that the waiver has drawn some demand from the existing overhang.

The extension of the stamp duty waiver for low cost units from 1 July this year will not affect the market for these units as the government has exempted such units from stamp duty since 1996.

*(Source : Property Market Report-Year 2002 published by Valuation and Property Services Department, Ministry of Finance, Malaysia)*

**(v) Prospects Of The Property Market For 2003**

Outlook for 2003 remains favourable despite greater uncertainties in the global environment. The US-Iraq war, depending on its duration and intensity, could further delay the global economic recovery process. This would subsequently affect regional economies including Malaysia. However, some positive developments such as increase intra regional trade as reflected in the January 2003 trade figures suggest that output and exports continue to expand in the months ahead, albeit moderately. Favourable financial conditions as well as positive wealth effects from higher commodities prices support further expansion in consumer spending. Private investment is also expected to grow stronger, particularly in new niche area of services including tourism, transport, education and health. The Government is also expected to announce series of policy package aimed at further stimulating economic activities.

The residential sector, the main sector driving the property market, is expected to remain active in the year ahead although slower activity may be seen in the earlier months. A drop in the volume of transactions, noted in the final quarter of this year compared in creases year-on-year since 1999 suggested that the waiver has lured away some demand that would otherwise have taken place in the latter half of the year.

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

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Activity in the early part of the year may see lower demand, and after effect of the stamp duty waiver and also as more signals emerge that indicated the likelihood of war breaking out in Iraq. The latter part of the year will depend on how long the war will take and if it does not take place. Otherwise low interest rates, competition among banks for a bigger share of housing loans as well as incentives by developers will continue to support activity. The strong demand for affordable houses of RM150,000 and below, accounting for 74.7% of the volume of transactions, should continue in the following year. Sales performance of new launches at 54.6% was less than encouraging, portending to a glut in unsold properties. Some capital gains can be expected in some good locations such as mature neighbourhoods with limited supply, areas with good accessibility and localities with adequate amenities.

*(Source : Property Market Report–Year 2002 published by Valuation and Property Services Department, Ministry of Finance, Malaysia)*

**4.11.4 Prospects Of The Malaysian Economy For 2004**

The economic outlook for 2004 is envisaged to be favourable. Real GDP growth is expected to gain momentum and register a higher rate of 5.5%-6% in 2004. Growth is expected to emanate from higher exports on account of continuing improvement in world economic prospects while domestic demand will continue to be driven by pro-growth fiscal and monetary measures. Whilst all sectors are forecast to register higher growth, services and manufacturing will continue to lead GDP growth, contributing 3.1 and 2.2 percentage points, respectively. Given the better prospects of world economic growth and international trade in 2004, with firm recovery taking place in several major industrialised countries and regional economies, the Malaysian economy is projected to strengthen and be reinforced by more vigorous domestic economic activities.

In this regard, domestic demand (excluding change in stocks) in real terms is likely to increase at a fairly strong rate of 4.7% (2003: 5%), generated largely by the private sector resuming its role as the engine of growth and supported by pro-growth fiscal and monetary measures. External developments and strengthening domestic economy point to stronger growth in the manufacturing sector. Efforts to promote domestic consumption as well as advancements into higher value-added products will further boost growth of domestic-oriented industries.

Taking cognisance of the on-going development processes, the overall value added of the manufacturing sector is expected to register a stronger growth of 7.2%. The construction sector will continue to be supported by the property sub-sector, driven by measures and incentives introduced under the Package to stimulate construction and sales of residential properties, in particular affordable houses. On-going public and privatized infrastructure projects as well as off-shore fabrication works in the oil and gas industry will further boost the growth of the sector. The construction sector is, therefore, projected to register a slightly stronger growth of 2.6%.

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

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Growth is expected to be broad-based with all sectors in the economy registering higher output with services and manufacturing continuing to spearhead growth. Growth is also expected to emanate from the domestic sector as well as pick-up in the external sector, following improved world prospects. Following the introduction and implementation of comprehensive measures to enhance the vibrancy of the economy and the medium and long-term competitiveness of the private sector, the private sector is envisaged to drive economic growth with private expenditure expected to be robust at 7.5% and further acceleration in private investment of 9.9%.

The strengthened macroeconomic fundamentals and a more broadly balanced economic structure with emerging new sources of growth will provide the foundation for sustained higher growth. Alongside pragmatic macroeconomic management and the pro-growth measures in place to support private sector initiatives, Budget 2004 will further enhance competitiveness and reinforce the resilience of the economy against likely destabilising external factors and garner higher economic growth for the country. The Malaysian economy is, therefore, targeted to achieve a stronger GDP growth of 5.5%-6% for 2004.

*(Source: Economic Report 2003/2004)*

**4.12 Players and Competition**

The management of VVB Group is of the opinion that VVB Group is the second largest concrete roofing tiles manufacturer next to the industry leader, Lafarge Roofing Systems Sdn Bhd, which is a foreign-owned company. The VINTAGE range of concrete roofing tiles is currently enjoying approximately 20% of the nation's concrete roofing tile market.

The VINTAGE range of concrete roofing tiles are comparable with the better ones in the market and provide the full range of accessory tile fittings and finishing materials to complement its roofing tiles.

The Directors believe that with its proven track records, its reputation for high quality concrete roof tiles coupled with experience marketing force in the industry who are well verse in providing professional and valuable advice to roofing requirements, the VVB Group will continue to be successful in its existing and future ventures.

**4.13 Laws and Regulations**

The growth in the manufacturing industry such as the one that VVB Group is involved in, moves in tandem with the growth in the property development and construction industry. Therefore, the government legislations and policies adopted and incentives granted on either the manufacturing or property development and construction industries would have effect the growth level of VVB Group in the future. The legislations, policies and incentives formulated and adopted by the Government are principally in the broad sense to achieve the aspirations of the New Economic Policy.

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

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The Government does, from time to time, adopt new legislations, policies and incentives that may effect businesses in Malaysia, such as taxation, stamp duties, currency exchange controls, licensing regulations and subsidies. The Government in the latest move to ensure the Malaysian economic fundamentals remain strong in the medium and long term, announced on 21 May 2003 the new pro-strategic growth measures amounting to RM7.3 billion. The economic stimulus package aims at generating economic activities by mobilising domestic sources of growth as well as reducing dependence on the external sector.

The salient features of the stimulus economic package involves the Government continuing to pump-prime the economy by undertaking various development projects, with priority given to infrastructure and construction-related project which have multiplier effects on the economy.

**4.14 Substitute Products**

There are several substitutes for concrete roof tiles in the roof tiles market, namely clay, asbestos and metal roofing. Notwithstanding this, concrete roofing, being the most cost effective roofing material, coupled with its aesthetic appeal, shape and range of colour choices, enjoy strong acceptance by builders, developers, Government bodies and renovation work contractors as the standard for roofing material. Its strength lies in the industry's capacity to cater to the huge demand of mass housing projects. The concrete tiles' aesthetic appeal and performance as a protection against the effects of the weather conditions, far exceed the metal and asbestos roof sheets as well as clay roof tiles.

Due to these attributes of the concrete roof tiles, the management of VVB is of the opinion that the VVB Group enjoys approximately 80%-90% of the total market share for the supply of roofing materials used for pitched roofs. Furthermore, concrete is also the most cost-effective material even when compared to the aforementioned substitute products.

Since its commencement of business, VVB Group has established the recognition for its range of quality products which have the attributes of economicality, practicality and reliability besides being competitively priced in comparison to the clay, asbestos and metal roofing.

**4.15 Reliance on and Vulnerability to Imports**

Even though the VVB Group's current revenue is generated from within Malaysia and the purchases are mainly sourced locally, the Group would still require to import some of its raw material supplies and production machineries parts from overseas. The currency controls introduced in 1998 and the pegging of the Ringgit against the US Dollar, has to certain extent, stabilised the risks to the fluctuations of foreign exchange. Further, the VVB Group may use hedging techniques to minimise this risk, should the need arises.

**4.16 Interruptions in Business for the Past Twelve (12) Months**

There have been no major interruptions to the business of the VVB Group for the past twelve (12) months preceding the date of this Prospectus.



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

##### 4.17 Major Customers

The Group is not overly dependent on any single customer. VVB Group's sales are mostly project-based and its products are principally distributed through the following distributors:-

| Buyers                                     | % to the Group's total sales for the financial year ended 31 December 2002 | Length of relationship (Years) |
|--|--|--------------------------------|
| 1) CMCM Perniagaan Sdn Bhd                 | 3.9%   | 5                              |
| 2) Budimax Sdn Bhd                         | 3.7%   | 4                              |
| 3) Ipmuda Berhad                           | 3.7%   | 5                              |
| 4) Chuan Huat Industrial Marketing Sdn Bhd | 3.3%   | 5                              |
| 5) Active View Trading Sdn Bhd             | 3.2%   | 3                              |
| 6) Selaju Enterprise                       | 3.2%   | 5                              |
| 7) Bakajaya Sdn Bhd                        | 2.7%   | 5                              |
| 8) Zutamas Sdn Bhd                         | 2.6%   | 3                              |
| 9) Concrete Agency Sdn Bhd                 | 2.5%   | 3                              |
| 10) Ann Joo Trading Sdn Bhd                | 1.4%   | 5                              |

##### 4.18 Major Suppliers

VVB has an extensive list of suppliers and hence does not depend on any single supplier for its purchases. Tabulated below the list of its major suppliers:-

| Suppliers                                    | % to the Group's cost of sales for the financial year ended 31 December 2002 | Length of relationship (Years) |
|--|--|--------------------------------|
| 1) Ipmuda Berhad                             | 12.5%  | 5                              |
| 2) CMCM Perniagaan Sdn Bhd                   | 8.6%   | 5                              |
| 3) Pengangkutan Semenanjung Sdn Bhd          | 8.4%   | 5                              |
| 4) Simfoni Dunia Sdn Bhd                     | 7.9%   | 5                              |
| 5) Connell Bros. Company Limited             | 6.9%   | 2                              |
| 6) Bakajaya Sdn Bhd                          | 3.6%   | 5                              |
| 7) Bayderm Trading Sdn Bhd                   | 3.4%   | 5                              |
| 8) Jaguh Bina Sdn Bhd                        | 3.4%   | 5                              |
| 9) Fook Chong Bros Engineering Works Sdn Bhd | 2.7%   | 5                              |
| 10) BP Malaysia Sdn Bhd                      | 2.4%   | 5                              |

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

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**4.19 Future Plans and Strategies and Prospects**

The VVB Group intends to focus in the production of high quality concrete roof tiles and will continuously improve its efficiency and production capacity. In order to sustain its profitability and enhance its competitive position in the industry, the VVB Group aims to capture wider marketing network throughout Malaysia to increase its market share and continue to develop new products and widen acceptances of these products by placing emphasis on the R&D activities in improving the production process and developing new product designs to meet the changing customer taste.

Presently, the VVB Group is operating at approximately 65% of its optimum production capacity of approximately 7.5 million sq ft per month. The VVB Group also has plans to either construct or purchase a third (3<sup>rd</sup>) factory in a strategic location in the west of Malaysia upon completion of its Listing and subject to the prevailing market condition. The factory is expected to expand its production capacity and enhance its capability to service its customers. In order to increase its product range, higher value-added product lines are constantly being evaluated. New profiles and tile finishes will help the VVB Group to penetrate the up-market residential buildings such as bungalows as well as club houses and commercial buildings besides increasing the VVB Group's profitability.

In addition, the VVB Group also plans to market its products more aggressively in Kelantan, Pahang, Johore, Negeri Sembilan, Perak and Kedah by establishing additional manufacturing outlets in strategic locations. These will enhance VVB Group's capability to provide better service to its customers and to be more competitive at each region as transport costs form a major part of the Group's overall cost.

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