

2. PARTICULARS OF THE PUBLIC OFFERING

This Prospectus is dated 10 February 2004.

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

The approval of the SC obtained vide its letter dated 25 July 2003, 7 August 2003, 3 October 2003 and 9 October 2003 shall not be taken to indicate that the SC recommends the Public Offering and that investors should rely on their own evaluation to assess the merits and risks of the Public Offering.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the MSEB has prescribed the Shares of the Company as a prescribed security, which are required to be deposited into the CDS. In consequence thereof, the Public Offering Shares offered through this Prospectus will be deposited directly with the MCD and any dealings in these Shares will be carried out in accordance with the aforesaid Act and the Rules of MCD.

Application will be made to the MSEB within three (3) market days of the issuance of this Prospectus for admission to the Official List and for the listing of and quotation for the issued and fully paid-up share capital of LDB on the Second Board of the MSEB. These Shares will be admitted to the Official List on the Second Board of the MSEB and official quotation will commence upon receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Acceptance of Applications for the Public Offering Shares will be conditional upon permission being granted by the MSEB to deal in and for the quotation of the entire enlarged issued and fully paid-up Shares on the Second Board of the MSEB. Accordingly, monies paid in respect of any Application accepted from the Public Offering will be returned in full without interest if the said permission for listing is not granted within six(6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC).

Pursuant to the SC Guidelines, at least 25% of the total number of shares for which listing is sought must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each. In the event that the above requirement is not met pursuant to the Public Offering, the Company may not be allowed to proceed with its listing on the Second Board of the MSEB. In the event thereof, monies paid in respect of all Applications will be returned if the said permission is not granted.

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

Persons submitting applications by way of Application Forms or by way of Electronic Share Applications must have a CDS Account. In the case of an Application by way of an Application Form, an applicant should state his CDS account number in the space provided in the Application Form. In a case of an Applicant by way of Electronic Share Application, only an applicant who has a CDS account can make an Electronic Share Application and the applicant shall furnish his CDS account number to the Participating Financial Institutions by keying his CDS account number if the instructions on the ATM screen at which he enters his Electronic Share Application requires him to do so. A corporation or institution cannot apply for the shares by way of Electronic Share Application.

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

2. PARTICULARS OF THE PUBLIC OFFERING (Cont'd)

The distribution of this Prospectus and the making of the Public Offering in certain other jurisdictions outside Malaysia may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Public Offering Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

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

2.1 SHARE CAPITAL

	Number of ordinary share of RM0.50 each	Share capital (RM)
AUTHORISED SHARE CAPITAL	500,000,000	250,000,000
ISSUED AND FULLY PAID-UP SHARE CAPITAL:	113,483,675	56,741,838
• New ordinary shares to be issued pursuant to Public Issue	5,000,000	2,500,000
ENLARGED SHARE CAPITAL	118,483,675	59,241,838
• Existing ordinary shares to be offered pursuant to the Offer For Sale	19,000,000	9,500,000
• Nominal value of LDB ICULS to be offered at 100% of the nominal value of RM1.00 each pursuant to the Placement of LDB ICULS	-	100,000
• New ordinary shares to be issued pursuant to the full conversion of the ICULS	18,000,000	9,000,000

The Issue/Offer Price is RM1.20 per ordinary share and RM1.00 per nominal amount of LDB ICULS in respect of the Placement of LDB ICULS are payable in full upon application, subject to the terms and conditions of this Prospectus.

There is only one class of shares in the Company, namely, ordinary shares of RM0.50 each, all of which rank *pari passu* with one another. The Public Offering Shares will rank *pari passu* in all respects with the other existing issued ordinary shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment thereof.

The new Shares to be issued on conversion of the LDB ICULS shall rank *pari passu* in all respects with Shares in issue at the time of conversion except that they shall not be entitled to any dividends, rights, allotments or other distributions, the entitlement date of which precedes the issue date of the new Shares.

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 the whole of any surplus in the event of the liquidation of the Company, in accordance with its Articles of Association.

2. PARTICULARS OF THE PUBLIC OFFERING (Cont'd)

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

The LDB ICULS are constituted by a Trust Deed dated 7 January 2004 made between the Company and AmTrustee Berhad as the Trustee for the LDB ICULS holders. Holders of the LDB ICULS shall be entitled to vote at the LDB ICULS holders' meeting from time to time, on application made to the Company by the Trustee or on behalf of LDB ICULS holders holding not less than one-tenth (1/10) of the LDB ICULS for the time being outstanding.

2.2 OPENING AND CLOSING OF APPLICATION

The Application for the Public Offering will open at 10.00 a.m. on 10 February 2004 and will remain open until 5.00 p.m. on 17 February 2004 or for such further period or periods as the Directors and/or Promoters of LDB together with the Managing Underwriter in their absolute discretion may decide. Late applications will not be accepted.

Where the closing date of application is extended from the original closing date, the notice of such extension(s) will be advertised in a widely circulated newspaper not less than one(1) Market Day before the original closing date.

2.3 CRITICAL DATES OF THE PUBLIC OFFERING

Events	Tentative Date
Opening Date of the Public Offering	10 February 2004
Closing Date of the Public Offering *	17 February 2004
Tentative Balloting Date	19 February 2004
Tentative Listing Date	1 March 2004

Notes:-

- * *The Closing Date of the Public Offering may be extended for further period or periods as the Directors and/or Promoters together with the Managing Underwriter in their absolute discretion may decide.*

2.4 BASIS OF ARRIVING AT THE PUBLIC OFFERING PRICE

The Public Offering Price of RM1.20 per ordinary share was determined and agreed upon by the Company, the Offerors and AmMerchant Bank as Adviser and Managing Underwriter based on various factors including the following:-

- (i) LDB Group forecasts a consolidated profit forecast after taxation of approximately RM20.33 million for the financial year ending 31 December 2004. Based on the enlarged issue share capital of 118.484 million LDB Shares, the net EPS of the Group is RM0.17.

Therefore, the issue price of RM1.20 per LDB Share will represent a net PE multiple of approximately 7.0 times based on the said profit forecast;

2. PARTICULARS OF THE PUBLIC OFFERING (Cont'd)

- (ii) The proforma NTA value of the LDB as at 31 August 2003 after the Public Issue and Offer for Sale is approximately RM49.37 million or approximately RM0.42 per LDB Share based on the enlarged issued and paid-up share capital of LDB of 118.48 million Shares (prior to full conversion of the ICULS).

Therefore, the issue price of RM1.20 per LDB Share will represent a premium of RM0.78 or approximately 186% to the said proforma NTA per LDB Share;

The Directors and Promoters of the Group and AmMerchant Bank are of the opinion that the Public Offering Price is fair and reasonable after careful consideration of the abovementioned factors.

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

Investors should form their own views on the valuation of the securities and the reasonableness of the bases used.

2.5 DETAILS OF THE PUBLIC OFFERING**Public Issue**

The Public Issue of 5,000,000 new ordinary shares at an issue price of RM1.20 are payable in full upon application subject to the terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner: -

(i) Eligible Employees, Directors and/or Business Associates of the Group

5,000,000 Public Issue Shares will be reserved for the eligible employees and Directors of the Group as well as the business associates (which include the suppliers, sales agents and customers) of the Group.

The shares have been allocated to 79 eligible employees and Directors of the Group based on the following criteria as approved by the Company's Board of Directors: -

- (a) At least eighteen(18) years old;
 (b) Job position;
 (c) Length of service; and
 (d) Non- Malaysian citizens are not eligible.

Details of the Directors' pink form allocation are as follows: -

Name of Directors	Designation	Pink Form Allocation
Norazmi bin Mohamed Nurdin	Chairman/Managing Director	1,581,000
Datuk Mohd Hashim bin Hassan	Independent Non-Executive Director	50,000
Prof Dr. Hamzah Ismail	Independent Non-Executive Director	50,000
Dato' Nik Ismail bin Nik Yusoff	Independent Non-Executive Director	50,000
Dato' Noor Azman @ Noor Hizam bin Mohd Nurdin	Non-Independent Non-Executive Director	50,000

2. PARTICULARS OF THE PUBLIC OFFERING (Cont'd)

The shares allocated to the Business Associates of the Group are based on the length of relationship and the Associates' contribution to the Group.

Offer For Sale

The Offer For Sale of 19,000,000 ordinary shares at an offer price of RM1.20 are payable in full upon application subject to the terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner: -

(i) Malaysian Public

5,000,000 Offer Shares will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions;

(ii) Placees

14,000,000 Offer Shares are reserved for private placement to identified investors; and

Placement of LDB ICULS

The placement of RM100,000 nominal value of 3-years 2% ICULS at 100% of the nominal value of RM1.00 each payable in full upon application subject to the terms and conditions as set out in this Prospectus.

In summary, the Public Offering Shares will be allocated and allotted in the following manner: -

	Public Issue Shares	Offer Shares	Total Public Offering Shares
Malaysian public	-	5,000,000	5,000,000
Eligible Employees, Directors and/or Business Associates of the Group	5,000,000	-	5,000,000
Placees	-	14,000,000	14,000,000
Total	5,000,000	19,000,000	24,000,000

All the Public Offering Shares available for application by the eligible employees, Directors and/or business associates of the Group are not underwritten. The Public Offering Shares available for application by the Malaysian public are fully underwritten. The Placement Agent has received irrevocable undertakings from the identified placees to take up the Public Offering Shares available for application under the private placement.

In the event of an under-subscription of the Public Offering Shares by the Malaysian public, the unsubscribed Public Offering Shares will be made available to identified placees via private placement and vice versa.

Any Public Offering Shares which are not taken up by eligible employees, Directors and/or the business associates of the Group will be made available for application by the Malaysian public and/or identified placees via private placement.

2. PARTICULARS OF THE PUBLIC OFFERING (Cont'd)

2.6 PURPOSES OF THE PUBLIC OFFERING

The purposes of the Public Offering are as follows: -

- (i) To provide the opportunity for the eligible employees and Directors of the Group and/or the business associates of the Group and the Malaysian investing public and institutions to participate in the equity and continuing growth of the Group;
- (ii) To enable the Group to gain recognition and certain stature through its listing status and further enhance its corporate image and assist the Group in expanding its customer base;
- (iii) To provide additional funds to meet the present and future working capital requirement of the Group;
- (iv) To enable the Group to gain access to the capital market to raise funds for future expansion, diversification, modernisation and continued growth of the Group; and
- (v) To facilitate the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the Second Board of the MSEC.

2.7 UTILISATION OF PROCEEDS

The Public Issue is expected to raise gross proceeds of approximately RM6,000,000 which shall accrue to the Company.

The Company intends to utilise the proceeds raised in the following manner: -

	Timeframe for utilisation	Amount (RM'000)
(i) Working capital	} Within 6 Months after Listing	4,000
(ii) Estimated listing expenses		2,000
Total proceeds		6,000

Notes: -

- * Total estimated expenses amounts to RM2.5 million of which RM0.5 million has already been advanced to the Special Administrators of HACB by LDCSB.

The Company will bear all expenses and fees incidental to the listing of and quotation for the entire issued and paid-up share capital of LDB on the Second Board of the MSEC, which include professional fees, authorities fees, brokerage fees, printing, advertising and other fees. The aggregate amount is estimated to be RM2.5 million.

The Offer for Sale will raise gross proceeds of RM22,800,000 of which approximately RM10.17 million will accrue to the SA and/or the creditors' agent and/or their nominees for the purposes of part settlement to the creditors' of HACB pursuant to a cash payment as set out in Section 5.2(vii) of this Prospectus. The remaining gross proceeds of approximately RM12.63 million shall accrue entirely to the Offeror and no part of the proceeds receivable by the Company. The Offeror shall bear all expenses such as placement fees, brokerage, stamp duty, registration and share transfer fees relating to the Offer Shares. All proceeds from the Placement of LDB ICULS shall accrue to the creditors of HACB since the LDB ICULS are intended for the benefit of the creditors of HACB pursuant to the transfer of LDB ICULS as set out in Section 5.2(vii) of this Prospectus.

2. PARTICULARS OF THE PUBLIC OFFERING (Cont'd)

There is no minimum subscription to be raised from the Public Offering.

(i) Working Capital

Of the total proceeds, RM4,000,000 will be used as general working capital for the Group including the payment of creditors, salaries, purchase of raw materials/stock and operating expenses.

(ii) Estimated Listing Expenses

The estimated listing expenses for the listing of and quotation for the entire share capital of LDB on the Second Board of the MSEC are as follows: -

Estimated listing expenses*	Amount (RM)
Fees to authorities	253,000
Professional fees #	1,111,000
Printing, advertising, brokerage fees and other miscellaneous expenses @	1,136,000
Total	2,500,000

Notes: -

Include fees for the Adviser, Reporting Accountants, Solicitors and other professional advisors.

@ Any unutilised amount shall be used for working capital purposes of the Group.

* RM0.5 million has been advanced to the Special Administrators of HACB by LDCSB.

2.8 FINANCIAL IMPACT FROM UTILISATION OF PROCEEDS

The utilisation of the Public Issue proceeds by the Group is expected to slightly lower the Group's financing cost as the Group's bank overdrafts and revolving credits will be reduced.

2.9 UNDERWRITING COMMISSION AND BROKERAGE

The Underwriters as mentioned in Section 1 of this Prospectus, have agreed to underwrite the 5,000,000 of the Offer Shares to be issued to the Malaysian public. Underwriting commission is payable by the Offeror in respect of the Offer For Sale at the rate of 2% of the total underwritten shares of 5,000,000 at the Issue/Offer Price of RM1.20 per share to the respective Underwriters.

Brokerage is payable by the Company in respect of the Public Issue and by the Offerors in respect of the Offer for Sale made available for application by the Malaysian public at the rate of 1.0% of the Public Offering Price of RM1.20 per share in respect of successful applications which bear the stamp of AmMerchant Bank, member companies of the MSEC, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

A placement fee is payable by the Offeror and creditors of HACB to the Placement Agent in relation to the placement of 14,000,000 Shares and RM100,000 nominal value of LDB ICULS.

2. PARTICULARS OF THE PUBLIC OFFERING (Cont'd)

2.10 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

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

The following are some of the Clauses of the Underwriting Agreement dated 9 January 2004 ("Agreement"), including escape clauses, which may allow the underwriters to withdraw from obligations under the agreement after the opening of the offer: -

Clause 5.1

The obligations of the Underwriters under this Agreement shall be conditional upon the fulfilment and/or satisfaction of the following:-

- (a) *the MSEB having agreed in principle to the listing of and quotation for (on terms satisfactory to the Underwriters) the entire issued and paid-up share capital of the Company on the Second Board of the MSEB.*
- (b) *the subscription for and the issuance of the Sale Shares pursuant to and in accordance with the provisions hereof and in the Prospectus not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any agency, legislative, executive or regulatory body or authority of Malaysia (including the MSEB);*
- (c) *the approval from the SC in respect of the Prospectus and registration of the Prospectus with the SC pursuant to the SC Act and subsequent lodgement of the Prospectus with the Companies Commission of Malaysia;*
- (d) *all other necessary approvals and consents required in relation to the Offer for Sale and the Sale Shares including but not limited to governmental approvals having been obtained and are in full force and effect;*
- (e) *the issue of the Sale Shares having been approved by the shareholders of the Company in an extraordinary general meeting;*
- (f) *there having been, on or prior to the Closing Date or the Extended Closing Date, as the case may be, no breach of any representation, warranty, covenant, undertaking or obligation of the Company in this Agreement or which is contained in any certificate, statement, or notice provided under or in connection with this Agreement or which proves to be incorrect in any material respect;*
- (g) *there having been, on or prior to the Closing Date or the Extended Closing Date, as the case may be, no material adverse change, or any development involving a prospective material adverse change, in the financial condition or business or operations of the Company or business or operations of the Company or in the prospects or future financial condition or business or operations of the Company (which in the reasonable opinion of the Underwriters, is or will be material in the context of the Offer for Sale and the sale of any Underwritten Shares) from that set forth in the Prospectus, nor the occurrence of any event nor the discovery of any fact rendering inaccurate, untrue or incorrect to such extent which is or will be material in any of the representations, warranties, covenants and undertakings and obligations of the Company herein contained;*
- (h) *the Underwriters having been satisfied that all necessary arrangements have been made by the Company to ensure payment of all expenses payable under this Agreement;*
- (i) *the delivery to the Managing Underwriter prior to the date of the registration of the Prospectus with the SC of:-*

2. PARTICULARS OF THE PUBLIC OFFERING (Cont'd)

- (i) a copy certified as a true copy by an authorised officer of the Company of all the resolutions of the directors of the Company approving this Agreement, the Prospectus, and authorising the execution of this Agreement and the issuance of the Prospectus; and
- (ii) a certificate, in the form or substantially in the form contained in the **Second Schedule**, dated the date of the Prospectus signed by the duly authorised officers of the Company stating to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in Clause 3.1 (f);
- (j) the delivery to the Managing Underwriter on the Closing Date of such confirmation in the form contained in the **Third Schedule** dated at the Closing Date from the board of directors of the Company as the Underwriter may reasonably require to ascertain to the best of their knowledge and belief, having made all reasonable enquiries there is no material change of condition or circumstances subsequent to the date of this Agreement that would or may have an adverse on the performance or financial position of the Group; and
- (k) the Managing Underwriter having been satisfied that the Company has complied and that the Offer for Sale is in compliance with the policies, guidelines and requirements of the MSEB and/or SC and all revisions, amendments and/or supplements thereto.

Clause 5.2

In the event any of the conditions set forth in Clause 5.1 are not satisfied within two (2) months from the date of this Agreement, the Underwriters shall, be entitled to forthwith terminate this Agreement by notice in writing given to the Company and thereafter, save for Clauses 10 and 15, this Agreement shall become null and void and of no further force and effect and none of the parties shall have a claim against the other.

Clause 12.1

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

- (a) in the event that the approval of the MSEB for the admission of the Company to the official list of the MSEB or for the listing of and quotation for the entire issued and paid-up share capital of the Company on the MSEB is withdrawn or procured but subject to the conditions not acceptable to the Underwriters;
- (b) there is any breach by the Company of any of the representations, warranties or undertakings contained in **Clauses 3 and 4**, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice given to the Company; or
- (c) there is failure on the part of the Company to perform any of its obligations herein contained; or
- (d) there is withholding of information of a material nature from the Underwriters which is required to be disclosed pursuant to this Agreement which, in the reasonable opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the Offer for Sale, or the distribution or sale of the Sale Shares; or
- (e) there shall have occurred, or happened any material and adverse change in the business or financial condition of the Group; or

2. PARTICULARS OF THE PUBLIC OFFERING (Cont'd)

- (f) *there shall have occurred, or happened any of the following circumstances: -*
- (i) *any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or*
 - (ii) *any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriters (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);*

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

Clause 12.2

*Upon any such notice(s) being given pursuant to **Clause 12.1**, the Underwriters shall be released and discharged from their obligations hereunder whereupon this Agreement shall be of no further force or effect and no party shall be under any liability to any other in respect of this Agreement, save and except that the Company shall remain liable in respect of its obligations and liabilities under **Clauses 3, 4, 10 and 15** for the payment of costs and expenses already incurred prior to or in connection with such termination and under **Clause 3.1(p)** for the payment of any taxes, duties or levies, and for any antecedent breach.*

3. RISK FACTORS

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

(a) Dependency on Kumpulan Lebar Daun

LDCSB, upon incorporation, had, with several companies, namely Lebar Daun Properties Sdn Bhd, Lebar Daun Development Sdn Bhd and Basco Sdn Bhd ("Basco") formed a corporate alliance under the name of Kumpulan Lebar Daun. The aforementioned companies are held by a common shareholder, Dato' Noor Azman @ Noor Hizam. Kumpulan Lebar Daun had expanded rapidly since 1988 and is currently involved in construction and property development. LDCSB, during its earlier days, was the in-house contractor for most of Kumpulan Lebar Daun's projects.

Kumpulan Lebar Daun has established itself as one of the major players in the property development industry with a reputation for developing affordable and quality properties. In addition to location and pricing of properties offered, the track record and reputation of a property developer plays an important role in ensuring the successful launching and take up rate of new property development projects.

LDB Group secures substantial projects from Kumpulan Lebar Daun. Any future projects secured or property development projects launched by Kumpulan Lebar Daun will in turn benefit LDB Group. The strong relationship with Kumpulan Lebar Daun is such that there is no assurance that any effect on Kumpulan Lebar Daun's operations will not have a material effect on LDB Group.

Notwithstanding this, LDCSB is also aggressively bidding for external projects from the Government and quasi-government agencies to reduce its dependence on Kumpulan Lebar Daun. The move by LDCSB has been effective in securing external projects, which is evident by its order-book of RM461.8 million from external parties as at 31 December 2003.

(b) Related Party Transactions ("RPT")

LDB Group has engaged in some transactions with certain major shareholders and directors of LDB Group and parties in which such shareholders and directors have an interest. Please refer to Section 8.1 of this Prospectus for detailed disclosure of the RPT entered into by LDB Group with related parties. Nevertheless the Company has set up a Tender Committee on 15 March 2003 to ensure that tenders received and made with its affiliated companies are undertaken on an arm's length basis and on normal commercial terms consistent with LDB's usual business practices and policies. Details on the Tender Committee is as set out in Section 8.2 of this Prospectus.

The Companies Act, 1965 and other relevant regulations provide certain protection to shareholders, including, but not limited to mandatory shareholder approvals for director-related transactions and the abstinence from voting by shareholders who have an interest in the transaction. The directors believe that such transactions were contracted in the ordinary course of business, in the best interests of the Company and on an arm's length basis.

(c) Control by Substantial Shareholders

Upon completion of the Restructuring Scheme, the Company would have as a substantial shareholder, Dato' Noor Azman @ Noor Hizam Bin Mohd Nurdin who holds 84,999,989 shares (excluding his pink form entitlement) representing 71.7% of the enlarged issued and paid-up share capital of the Company. As a result, it is likely that the said substantial shareholder will be able to effectively control the business direction and the outcome of certain matters of the Company by virtue of his shareholdings and/or directorship in the Company, unless he is required to abstain from voting by law and/or by the relevant authorities.

3. RISK FACTORS (Cont'd)

(d) Dependency on Key Management

As in other businesses, the Group believes that its continued success will depend significantly on the abilities and continued efforts of its existing Directors, senior management and skilled personnel. The loss of any key member of the senior management team could adversely affect the Group's ability to compete in the industry. However, with a secure working environment and an attractive remuneration scheme, LDB Group's management team has expanded and strengthened over the years.

Every effort has been made to groom the younger members of the senior management to gradually take-over from the senior members to ensure smooth transition in the management team should changes occur. Hence, LDB Group's future success and continued ability to compete in the construction sector will also depend upon its ability to attract new and retain existing skilled personnel.

(e) Business Risks

The prospects of the construction and property development industries depend very much on the growth prospects of the economy. As such, LDB Group is subject to certain inherent business risks, among others, changes in the general economic, political, business and credit conditions and the government's policies affecting these conditions; shortages of labour and raw materials; increases in the cost of labour and raw materials; rapid changes in technology and deferment of projects.

Although LDB Group seeks to limit these risks through, inter-alia, having appropriate contractual terms for projects undertaken, a diversified range of suppliers and customers and prudent management policies, no assurance can be given that any change to these factors would not have any material adverse impact on LDB Group's business and profitability.

The company's focus on intra-group projects and government and quasi-government projects where payments tend to be regular and credit risks are low can mitigate to some extent, the impact of an economic downturn.

(f) Competition from New Entrants

LDB operates in a competitive industry with a large number of players. However, the construction sector is by nature fragmented with several sub-sectors. The level of competition varies from one sub-sector to another. The relatively more competitive sectors are the markets for the construction of low and medium-cost housing where there are many small and large players competing amongst one another.

In theory, barriers of entry into the construction industry are low. However, in reality every construction company needs substantial financial resources and backing and have strong knowledge and project management skills. With its strong financial base and experienced and knowledgeable personnel, the Board of LDB believes that LDB has the necessary attributes and capabilities to further excel in the construction sector in the future. However, no assurance can be given that the Group will be able to compete effectively with current and new entrants into the construction industry in the future.

(g) Competition from Other Contractors

The construction industry is very competitive with the existence of a very large number of construction firms. The key listed players include Dialog Group Berhad, TSR Capital Berhad, DKLS Industries Berhad, PBL Engineering Berhad, Ahmad Zaki Resources Berhad and others. The success of a market player in this sector is largely dependent on the possession of the requisite experience, technical expertise, equipments and strong financial standing to carry out a construction project.

3. RISK FACTORS (Cont'd)

LDB continues to take pro-active measures which include constantly reviewing its development concepts and marketing strategies in response to the ever-changing market conditions and to position itself to meet the needs of the target market. LDB also practices economies of scale and adopts the latest construction technology and methods to improve its performance.

(h) Suppliers'/Sub-Contractors' Contracts

LDB Group does not have any long-term contracts with either of its suppliers or sub-contractors. Although LDB Group seeks to limit this risk by establishing a pool of suppliers and a large sub-contractor base, there is no assurance that LDB Group will be able to maintain continuous supplies or services from its suppliers and sub-contractors in the future. The Group mitigates this risk by limiting the amount of outsourced sub-contracting work and relying on direct labour instead.

(i) Supply and Cost of Building Materials

LDB does not foresee any difficulty in the procurement of the building materials in view that it sources its supplies from a large base of suppliers. There is also no over-dependence on any single supplier. However, there can be no assurance that any change to these factors will not have any material adverse impact on LDB's business.

(j) Delay in Completion

LDB Group has continuously endeavoured to complete projects awarded within the time scheduled. However, since construction projects are dependent on many external factors including, among others, obtaining the relevant regulatory approvals, sourcing of materials on a timely basis and at cost competitive prices, securing credit and the satisfactory performance of the various sub-contractors, no assurance can be given that these factors will not lead to delays in the completion of projects. Payment of liquidated damages for late completion is normally stipulated in construction projects. Any delay in the completion of a project which may result in cost overruns and claims for liquidated damages for late completion may adversely affect the Company's future cashflow position and profitability.

(k) Defects Liability

Common in construction contracts is the stipulation of a defects liability period, usually for eighteen(18) months from the official handing over of the completed structures. This is to allow for the contractor to be liable for this period of time for any repair work, reconstruction or rectification of any fault or defects, which may surface or be identified only during such periods. However, there is no assurance that any disputes arising during this defects liability period will not have a material impact on the Group's financial performance.

(l) Rapid Technological Change

To a certain extent, the Group is subject to the risks related to rapid technological change. The Group seeks to minimise these risks by actively and continuously pursuing technological innovation and adopting industry best practices. For example, the Group has recently adopted "zero stable panel system" in constructing more than 260 units of double storey homes in Bukit Bandaraya, Shah Alam. This prefabrication system not only strives for zero defect concept; it increases the quality of the house and reduces the construction process time and reduces the dependency on labour requirements to 80:20 in term ratio of machine to labour. The Group always strive to continuously improve on its construction technique and method. The Company is endeavouring to achieve ISO 9002 certification by SIRIM within the next two(2) to three(3) years.

(m) Dependency on Foreign Labour

As set out in Section 4.2.10 of this Prospectus, as at 31 December 2003, the Group has a total of 740 employees, out of which 661 are foreign workers. The foreign workers account for approximately 89.3% of the total employees of LDB Group and they are mainly general construction workers from Indonesia, India, Nepal and Thailand. These workers have valid working permits i.e. all foreign workers are employed legally.

3. RISK FACTORS (Cont'd)

Todate, the management of LDB Group has not experienced any shortage in supply of labour for its operations and neither has the LDB Group had any interruptions in its operations during the past twelve(12) months. In addition, the Group continuously strives to automate its operations wherever possible, for example through the adoption of the "zero stable panel system", thus reducing its reliance on human labour.

(n) Profit Estimate and Forecast

The profit estimate and forecast of the Company are based on assumptions, which the Directors believe to be reasonable. However, these assumptions are subject to uncertainties and contingencies. In view of the subjective judgements and inherent uncertainties underlying the estimate and forecast and because events and circumstances may not occur as expected, there can be no assurance that the profit estimate and forecast contained herein will be realised and actual results may be materially different from those stated herein. Investors are deemed to have read and understood the assumptions and uncertainties underlying the estimate and forecast contained herein.

Notwithstanding the above, Dato' Noor Azman @ Noor Hizam Bin Mohd Nurdin, being the substantial shareholder of LDB, had on 7 January 2004 granted a profit guarantee to LDB that the annual audited consolidated after tax profit of the LDB Group shall not be less than RM14.5 million for each of the financial years ending 31 December 2004 and 2005.

(o) Forward Looking Statements

This Prospectus contains forward looking statements, which are other than statements of historical fact. Although the Company believes that the expectations reflected in such statements are reasonable at this juncture, there can be no assurance that such expectations will prove to be correct. Any differences in the expectation of the Company from its actual performance may result in the Company's financial and business performance and plans to be materially different from those anticipated.

(p) Fluctuations in Interest Rates

LDB is able to meet its financial obligations through a combination of internally generated funds and external project financing. LDB presently enjoys good credit standing with its bankers and has adequate credit facilities. Nevertheless, there is no assurance that interest rates will remain at current low levels or any increase in interest rates will not affect the Group's profitability in the future.

(q) Regulatory Framework

The Government regulation and control in the property development and construction industries are principally to achieve the aspirations of the New Economic Policy of equitable distribution of income and the ownership of homes by the population in general through provision of affordable housing in the form of low and medium low cost housing. In addition, the property development and construction industries also falls within the jurisdiction of several regulatory agencies such as PKK, Ministry of Entrepreneurial Development, CIDB as well as various statutory acts and regulations, including the Occupational Safety and Health Act 1994, Environmental Quality Act 1974, Strata Titles Act 1985 and the requirements of Jabatan Bomba and local municipal councils. These regulations, acts and requirements are to protect individual consumers as well as to set the minimum standard for the property development and construction industries.

LDB always ensures that it strictly complies with all the rules and regulations under which it operates and will continue its strict compliance with all the rules and regulations in the future. However, no assurance can be given that any future changes to the present regulations or introduction of new regulations will not have a material impact on LDB's business.

3. RISK FACTORS (Cont'd)**(r) Financial Covenants**

Pursuant to credit facility agreements entered into by LDSCB with banks or financiers, it is bound by certain positive and negative covenants, which may limit LDB's operating and financial flexibility. The aforesaid covenants are of a nature, which are commonly contained in credit facility agreements in Malaysia. Any act by LDSCB falling within the ambit or scope of such covenants will require the consent of the relevant bank/financier. Breach of such covenants may give rise to a right by the bank/financier to terminate the relevant credit facility and/or enforce any security granted in relation to that credit facility. The Board of Directors is aware of such covenants and shall take all precautions necessary to prevent any such breach.

(s) No Prior Market for LDB's Shares

Prior to this Public Offering, there has been no public market for LDB Shares. There can be no assurance that an active market for LDB's shares will develop and continue to develop upon or subsequent to its listing on the Second Board of the MSEB or, if developed, that such a market will be sustained. The Issue/Offer Price of RM1.20 for the Public Issue and Offer Shares has been determined after taking into consideration a number of factors, including but not limited to, the Company's financial and operating history and condition, its prospects and the prospects of the industry in which the Company operates, the management of the Company, the market prices for shares of companies engaged in business similar to that of the Company and the prevailing market conditions at the time the application for listing of LDB was submitted to the SC. There can be no assurance that the Issue/Offer Price will correspond to the price at which LDB's shares will trade on the Second Board of the MSEB upon or subsequent to its listing;

(t) Failure/Delay In The Listing

LDB is in the process of implementing the Share Swap. Any unexpected delay in the completion of the Restructuring Scheme of HACB may delay the listing date of LDB.

In addition, the success of the listing exercise is also exposed to the risk that it may fail or be delayed should any of the following event occurs:

- (i) The eligible directors, employees as well as business associates of the Group fail to subscribe the Public Offering Shares allocated to them;
- (ii) The underwriters of the Public Offering fail to honour their obligations under the underwriting agreements;
- (iii) The placees under the private placement fail to subscribe the Public Offering Shares allocated to them;
- (iv) LDB is unable to meet the public spread requirements i.e. at least 25% of the issued and paid-up capital of LDB must be held by a minimum of 1,000 public shareholders holding no less than 100 ordinary shares in LDB each; and
- (v) LDB is unable to meet the spread requirement, i.e. at least 100 LDB ICULS holders holding not less than one hundred (100) LDB ICULS each for the LDB ICULS to be listed.

Although the Directors and the vendors of LDSCB will endeavour to ensure compliance by LDB of the various listing requirements including, inter-alia, the public spread requirement imposed by the SC and the MSEB, for the successful listing of LDB, no assurance can be given that the abovementioned factors will not cause a delay or abortion of the Listing.