

THE APPROVAL OF THE SECURITIES COMMISSION ("SC") SHALL NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE PUBLIC ISSUE OF 14,194,000 NEW ORDINARY SHARES OF RM1.00 EACH AT AN ISSUE PRICE OF RM1.20 PER ORDINARY SHARE IN CONJUNCTION WITH THE LISTING OF HARRISONS HOLDINGS (MALAYSIA) BERHAD ("HHM") ON THE MAIN BOARD OF KUALA LUMPUR STOCK EXCHANGE. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF ANY INVESTMENT.

THE KUALA LUMPUR STOCK EXCHANGE ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENTS MADE OR OPINIONS OR REPORTS EXPRESSED IN THIS PROSPECTUS. ADMISSION TO THE OFFICIAL LIST OF THE MAIN BOARD OF KUALA LUMPUR STOCK EXCHANGE IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF HHM OR ITS ORDINARY SHARES.

THE ISSUE PRICE OF RM1.20 PER ORDINARY SHARE WAS BASED ON VARIOUS FACTORS AND WAS ENTIRELY DETERMINED AND AGREED UPON BY HHM AND COMMERCE INTERNATIONAL MERCHANT BANKERS BERHAD AS THE ADVISER. INVESTORS SHOULD FORM THEIR OWN VIEWS ON THE VALUATION OF THE SECURITIES AND THE REASONABLENESS OF THE BASES USED.

DEFINITIONS

In this Prospectus, unless otherwise stated, the following abbreviations shall have the following meanings:-

ADA	-	Authorised Depository Agent
ADA Code	-	ADA (Broker) Code
ALE	-	Allied Link Express (East Malaysia) Sdn. Bhd. (250344-W), an associated company of HTSabah
Bonus Issue	-	Bonus issue of 33,806,000 new ordinary shares of RM1 .00 each in HHM credited as fully paid-up on the basis of approximately two point eight (2.8) new ordinary shares for every one (1) existing ordinary share held
Bumi Raya	-	Bumi Raya International Holding Co. Ltd. (358440)
CDS	-	Central Depository System
CIMB	-	Commerce International Merchant Bankers Berhad (184 17-M)
EFSP	-	Exim Freight Services (Penang) Sdn. Bhd. (357317-V) a wholly-owned subsidiary of HLogistics
EPS	-	Earnings per share
HCSB	-	Harrisons Ceramics Sdn. Bhd. (15423-H) (<i>formerly known as Kedah Pottery Sdn. Bhd.</i>), a wholly-owned subsidiary of HTP
HHM Group or the Group	-	HHM and its subsidiaries, namely HTSabah, HTSarawak, PNSB, PSSB, HTravel, HTP, WPM, HCSB, JWSB, KJPSB and PFMSB
HHM or the Company	-	Harrisons Holdings (Malaysia) Berhad (194675-H)
HLogistics	-	Harrisons Logistics Sdn. Bhd. <i>formerly known as Syarikat Dagang Bahanan Sdn. Bhd.</i> (16632-D), an associated company of HTP
HTP	-	Harrisons Trading (Peninsular) Sdn. Bhd. (3321-M) a wholly-owned subsidiary of HHM
HTP Group	-	HTP and its subsidiaries, namely WPM, HCSB, JWSB, KJPSB and PFMSB
HTravel	-	Harrisons Travel Sdn. Bhd. (202377-V) a subsidiary of HTSabah and an associated company of HTP
HTSabah	-	Harrisons Trading (Sabah) Sdn. Bhd. (22624-V), a wholly-owned subsidiary of HHM
HTSabah Group		HTSabah and its subsidiaries, namely HTSarawak and HTravel
HTSarawak	-	Harrisons Trading (Sarawak) Sdn. Bhd. (25691-M) a wholly-owned subsidiary of HTSabah
Issue Shares	-	14,194,000 new ordinary shares of RM1 .00 each in HHM which are the subject of the Public Issue
Jatiria	-	Jatiria Sdn. Bhd. (199037-X)
JWSB	-	J. Whyte (Malaysia) Sdn. Bhd. (3347-A), a wholly-owned subsidiary of HTP
KJPSB	-	Kumpulan Jaya Pemasaran Sdn. Bhd. (435 156-U) a wholly-owned subsidiary of HTP
KLSE	-	Kuala Lumpur Stock Exchange (30632-P)
MCD	-	Malaysian Central Depository Sdn. Bhd. (165570-W) a subsidiary of KLSE
MIDFCCS	-	MIDF Consultancy and Corporate Services Sendirian Berhad (11324-H)

DEFINITIONS (Cont'd)

MITI	Ministry of International Trade and Industry
NTA	Net tangible assets
PFMSB	- Perkhidmatan First Marketing Sdn. Bhd. (438632-M), a wholly-owned subsidiary of HTP
PKSB	Penyedian Kimia Sendirian Berhad (10779-D), an associated company of HTP
PNSB	- Premier Navigation Sdn. Bhd. (15970-P) a wholly-owned subsidiary of HHM
PSSB	- Paragon Shipping Sdn. Bhd. (46894-P), a wholly-owned subsidiary of HHM
Public Issue	Public issue of 14,194,000 new ordinary shares of RM1.00 each in HHM at RM1.20 per share to Bumiputera investors approved by MITI, eligible Directors and employees of the HHM Group and the Malaysian public
SC	Securities Commission
WPM	Weedone Products (Malaya) Sdn. Berhad (4473-X), a wholly-owned subsidiary of HTP
RM and sen	Ringgit Malaysia and sen respectively

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1. SUMMARY OF INFORMATION

The following information is derived from and should be read in conjunction with the full text of this Prospectus:-

1.1 History

HHM was incorporated in Malaysia under the Companies Act, 1965 on 9 March 1990 as a private limited company under the name of Jantoco Trading Sdn. Bhd. and it changed its name to Harrisons Holdings (Malaysia) Sdn. Bhd. on 3 September 1991. It was converted to a public company on 28 April 1992 and adopted its present name.

1.2 Business

The principal activities of HHM are the provision of management services and investment holding, while the principal activities of its subsidiaries and associated companies are as follows:-

Name	Principal Activities
HTSabah	Marketing, sales, warehousing and distribution of consumer, engineering, building and agricultural chemical products, operation of shipping and travel agencies, investment holding and the provision of management services
HTP	Marketing, sales, warehousing and distribution of building materials, industrial and agricultural chemical products and the operation of shipping agencies
PNSB	Shipping services
PSSB	Shipping services

Subsidiaries of HTSabah

HTSarawak	Marketing, sales, warehousing and distribution of consumer, engineering, building and agricultural chemical products, and the operation of shipping and travel agencies
HTravel	Travel agent

Subsidiaries of HTP

JWSB	Investment holding
HCSB	Manufacturing and marketing of ceramic sanitaryware
KJPSB	Marketing, sales, warehousing and distribution of consumer products
WPM	Dormant
PFMSB	Dormant

Associated company of HTSabah

ALE	Cargo transportation and freight forwarder
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Associated companies of HTP

PKSB	Dormant
HLogistics	Marketing, sales, warehousing and distribution of chemicals and building materials and shipping agents
HTravel	Travel agent

1. SUMMARY OF INFORMATION (Cont'd)

Subsidiary of HLogistics

EFSP Freight services

1.3 Risk Factors

Shareholders should consider the following (which may not be exhaustive) in addition to other information contained elsewhere in this Prospectus before applying for the Issue Shares:-

1.3.1 No prior market for HHM's shares

Prior to this Public Issue, there was no public market for HHM's shares. There can be no assurance that an active market for HHM's shares will develop upon its listing on the Main Board of KLSE or, if developed, that such market will be sustained.

1.3.2 Control by substantial shareholder

Following the Public Issue, the single largest shareholder of HHM will be Bumi Raya, which will own 13,742,000 ordinary shares of RM1 .00 each in HHM, representing 22.90% of the Company's enlarged issued and paid-up capital. There will be six (6) other substantial shareholders, apart from Bumi Raya, each having equity interest ranging from 7.56% to 8.27%. Because of the diversity of the shareholders, there is a possibility of a new controlling shareholder emerging by an acquisition of less than 33%, without the necessity of making a general offer.

1.3.3 Competition

The HHM Group faces competition from various quarters. Whilst the Group has grown significantly over the last 5 years, no assurance is given that it will be able to maintain its existing market share in the future. However, the Group's track record has shown its ability to retain major principals for a long period of time.

1.3.4 Dependence on key personnel

The Group believes that its continued success will depend, to a significant extent, upon the abilities and continuing efforts of its existing Directors and senior management.

1.3.5 Business risks

The Group is not insulated from the risks inherent in the various areas of its businesses. For example, the Group may be affected by a general downturn in the global and national economy and particularly the marketing, sales, warehousing and distribution, freight forwarding and shipping industries, political uncertainties, weather conditions, supply of labour, increases in the cost of labour, the entry of new players, changes in law and taxation affecting the industries, fluctuations in foreign exchange, loss of major principals, non-collectibility of debts, business and credit conditions and changes in consumers' tastes.

Although the Group seeks to limit these risks through, inter-alia, a large pool of principals and products, a large spread of customers and good business relationships, no assurance can be given that a change in any of these factors will not have a material adverse effect on the Group's business. As at 31 December 1998, the Group has approximately 115 principals, and distributes approximately 11,000 product items to more than 14,000 customers.

In addition, the Group represents its principals only in the capacity of a distributor. The principals therefore warrant the full performance of their products against qualitative defects and are expressly and in practice fully responsible for any such market returns.

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

1.3.6 Foreign exchange risk

HHM Group's transactions with its principals are primarily executed in RM. Foreign exchange risk is therefore minimal and any risk that arise is normally mitigated through hedging.

1.3.7 Forecasts

This Prospectus contains certain forecasts for the Group that are based on reasonable assumptions that are nevertheless subject to uncertainties and contingencies. Because of the subjective judgements and inherent uncertainties of forecasts and because events and circumstances frequently do not occur as expected, there can be no assurance that the forecasts contained herein will be realised and actual results may be materially different than those shown.

1.3.8 The Millennium Bug

There is a possibility that the computer systems in operation may be affected by the year 2000 problem i.e. the Millennium Bug. However, the Directors are of the opinion that the operation of the HHM Group will not be materially affected by the problem as the main computer systems which are critical to the HHM Group's business in East Malaysia including the accounting system, material resources planning system (purchasing and stock management system) and billing system, are believed to be year 2000 compliant.

In Peninsular Malaysia, where HHM's business is principally grouped under HTP, HTP's computer systems are currently being updated to be year 2000 compliant and this exercise is expected to be completed by end August 1999.

1.4 Future prospects and plans of the HHM Group

The Group plans to expand its existing business, as well as to diversify into businesses which has significant linkages with its existing customer base and/or its core competencies. It has already embarked on a programme to increase its storage space and product range, and to expand its agricultural and industrial chemical activities.

The HTP Group has also added to its earnings base by recently diversifying (in Peninsular Malaysia) into consumer goods, a sector where the HHM Group traditionally has especial strength in East Malaysia, and which holds even greater potential in the comparatively more populous Peninsular Malaysia market.

In shipping, the HHM Group is critically reviewing its venture (in 1997) into ship ownership (albeit that this was a relatively cautious attempt to diversify upstream as the Group owns only two (2) vessels) and intends to put greater emphasis on its traditionally strong and profitable shipping agency and freight forwarding businesses.

1. SUMMARY OF INFORMATION (Cont'd)

1.5 Financial Highlights

The following is a summary of the audited consolidated results of the HHM Group for the past five (5) financial years ended 31 December 1994 to 1998 and the two (2) months ended 28 February 1999:-

	-----Year ended 31 December-----					2 months ended 28.02. 1999
	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	RM'000
Turnover	402,843	445,606	473,776	543,487	497,230	70,396
Profit before depreciation and interest	15,274	20,775	22,336	25,088	25,301	2,055
Depreciation	(1,784)	(1,838)	(1,975)	(3,247)	(3,816)	(687)
Interest expense	(3,535)	(3,737)	(4,021)	(5,073)	(6,364)	(707)
Operating profit before exceptional items	9,955	15,200	16,340	16,768	15,121	661
Exceptional items - non recurring						(2,098)
Profit/(loss) before taxation	9,955	15,200	16,340	16,768	15,121	(1,437)
Taxation	(3,384)	(5,008)	(5,381)	(5,756)	(4,669)	(90)
Profit/(loss) after taxation	6,571	10,192	10,959	11,012	10,452	(1,527)
Extraordinary items	(342)					
Profit/(loss) after taxation and extraordinary items	6,229	10,192	10,959	11,012	10,452	(1,527)
No. of ordinary shares of RM1.00 each in issue ('000)	45,806	45,806	45,806	45,806	45,806	45,806
Net EPS (sen)	14.35	22.25	23.92	24.04	22.82	3.88*
Gross dividend rate (%)					21.00	

Notes:-

- (i) *The significant increase in profit before taxation for the financial year ended 31 December 1995 was due to an increase in turnover of existing products sold by the HTSabah Group, efficient cost control and the securing of new agencies such as Reckitt & Colman, Shieldtox, Gillette, Parker and Waterman, and Hextar*
- (ii) *The Increase in turnover and profit before taxation for the financial year ended 31 December 1996 was due mainly to the strong performance of HTSarawak's consumer products division.*
- (iii) *The Group's turnover for the year ended 31 December 1997 saw an increase of approximately 14.7% due mainly to growth of turnover of approximately 22.9% and 8.4% in the building materials division and consumer products division respectively. However, profit before taxation remained relatively unchanged compared to the previous year due to an increase in operating expenses mainly in the shipping division which commenced its cargo container shipping business later than planned*

1. SUMMARY OF INFORMATION (Cont'd)

- (iv) For the financial year ended 31 December 1998, turnover declined by 8.5% due mainly to the slowdown in the Malaysian economy. However, profit before taxation declined by 9.8% due to high operating and interest expenses. The decline has been mitigated by disposal of a landed property and dividend write-back resulting in gains of approximately RA44.9 million and RM1.1 million respectively.
- (v) Profit before taxation for the two months ended 28 February 1999 is relatively lower compared to the corresponding period in the previous year due mainly to the stock-out problem caused by a delay in shipment of goods by a major principal due to its Year 2000 compliance testing.
- (vi) The exceptional item for the two months ended 28 February 1999 is non-recurring in nature and relates to the write-down of the cost of a vessel belonging to a subsidiary to its net realisable value as the subsidiary intends to dispose of the vessel.
- (vii) The extraordinary items for the financial year ended 31 December 1994 were in respect of the following:-

	1994 RM'000
Provision for diminution in value of investment in an associated company	(43)
Provision for amount due from an associated company	(293)
Share of extraordinary losses of an associated company	(6)
	(342)

- (viii) The number of ordinary shares of RM1.00 each in issue has been adjusted for the Bonus Issue of 33,806,000 new ordinary shares of RM1.00 each.

* Net EPS for the two months ended 28 February 1999 is calculated based on the annualised profit for the two months ended 28 February 1999 and the number of ordinary shares in issue as at 28 February 1999. The annualised profit is calculated by firstly annualising the operating profit before exceptional items and then less exceptional item of approximately RM2,098,000 which is non-recurring in nature and taxation of RM90,000 which is in respect of prior years.

1.6 Principal statistics relating to the Public Issue

Share Capital

Authorised:-

1 00,000,000 ordinary shares of RM1.00 each	RM 1 00,000,000
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Issued and fully paid-up:-

45,806,000 ordinary shares of RM 1.00 each	RM45,806,000
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To be issued pursuant to the Public Issue	RM14,194,000
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	RM60,000,000
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Issue price per ordinary share	RM1.20
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Proforma Group NTA

Proforma Group NTA as at 28 February 1999 (after deducting estimated listing expenses of RM3,500,000)	RM102,023,000
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Proforma Group NTA per share (based on the enlarged share capital of 60,000,000 ordinary shares of RM1.00 each)	RM1.70
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1. SUMMARY OF INFORMATION (Cont'd)

Consolidated Profit Forecast

The consolidated profit forecast for the year ending 31 December 1999 is as follows:-

	Forecast 1999 RM'000
Consolidated profit after taxation and minority interest (RM'000)	14,571 [@]
Forecast net EPS (sen)	29.51*
Forecast net price-earnings multiple based on the issue price of RM1.20 per share (times)	4.07

Notes:-

[@] Profit earned in the **financial** year 1999 is tax-free.

* Based on weighted average number of shares of **49,383,666** ordinary shares of **RM1.00** each assuming completion of the listing exercise by 1 October 1999.

Dividend Forecast

HHM does not expect to pay any dividends for the year ending 31 December 1999.

2. CORPORATE INFORMATION

Directors

Name	Address	Occupation	Nationality
Pandjijono Adijanto @ Tan Hong Phang (Chairman)	5 1, Goodman Road Singapore 436636	Company Director	Indonesian
Chan Poh Kim (Group Managing Director)	33 , Jelutong Villa Off Lorong Jelutong Damansara Heights 50490 Kuala Lumpur	Company Director	Singaporean
Dr. Lim Soon Tham	12, Jalan Wajek Bukit Timah Singapore 588464	Company Director	Malaysian
Mariana Adijanto @ Tan Phwe Leng	33, Jelutong Villa Off Lorong Jelutong Damansara Heights 50490 Kuala Lumpur	Company Director	Singaporean
Mohamed Nizam bin Tun Abdul Razak	6, Jalan Eaton 50450 Kuala Lumpur	Company Director	Malaysian
Wong Yoke Kong	35, Jalan Rumpai Bukit Bandaraya 59000 Kuala Lumpur	Solicitor	Malaysian
Foo Chow Luh	3, Lorong SS23/2A Taman S.E.A. 47400 Petaling Jaya	Quantity Surveyor	Malaysian

Audit Committee

Name	Responsibility	Directorship
Wong Yoke Kong	Chairman of the Committee	Non-Executive and Independent Director
Foo Chow Luh	Member of the Committee	Non-Executive and Independent Director
Chan Poh Kim	Member of the Committee	Group Managing Director

Company Secretary

Low Kong Choon, ACIS, RA(M), CPA
(MAICSA Membership No. 0818548)
86, Jalan **SS21/44**
Damansara Utama
47400 Petaling **Jaya**
Selangor Darul Ehsan

Registered Office

Suite 17.03, Wisma Nusantara
Jalan Punchak
Off Jalan P. **Ramlee**
50250 Kuala Lumpur

Principal Bankers

Bank of Commerce (M) Berhad
6, Jalan Tun Perak
50050 Kuala Lumpur

2. CORPORATE INFORMATION (Cont'd)

<i>Principal Bankers (Cont'd)</i>	Bank Islam Malaysia Berhad Darul Takaful Jalan Sultan Ismail 50250 Kuala Lumpur
	RHB Bank Berhad Tower 2 & 3, RHB Centre Jalan Tun Razak 50400 Kuala Lumpur
	Southern Bank Berhad 111 & 113, Jalan Gasing 46000 Petaling Jaya Selangor Darul Ehsan
	Overseas Union Bank (Malaysia) Berhad OUR Building, Leboh Pasar Besar 50050 Kuala Lumpur
<i>Auditors and Reporting Accountants</i> :	Price Waterhouse Public Accountants 11 th Floor, Wisma Sime Darby Jalan Raja Laut 50350 Kuala Lumpur
<i>Registrar</i>	Sectrars Services Sdn. Bhd. 28-2, Jalan Tun Sambanthan 3 Brickfields 50470 Kuala Lumpur
<i>Issuing House</i>	MIDF Consultancy and Corporate Services Sendirian Berhad 12th Floor, Bangunan MIDF 195A, Jalan Tun Razak 50400 Kuala Lumpur
<i>Solicitors for the Company</i>	Lee, Perara & Tan Advocates & Solicitors 55, Jalan Thambapillai Off Jalan Tun Sambanthan Brickfields 50470 Kuala Lumpur
<i>Solicitors for the Adviser</i>	Jeff Leong, Poon & Wong A-1 1-3A, Level 11 Megan Phileo Avenue Jalan Yap Kwan Seng 50450 Kuala Lumpur
<i>Adviser</i>	Commerce International Merchant Bankers Berhad 10th Floor, Commerce Square Jalan Semantan, Damansara Heights 50490 Kuala Lumpur
<i>Managing Underwriter and Underwriter</i>	Hwang-DBS Securities Berhad Level 8, Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang
<i>Listing Sought</i>	Main Board of KLSE

3. INTRODUCTION

This Prospectus is dated 30 August 1999.

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

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991 and Section 39(1)(j) of the Companies Act, 1965, the KLSE has prescribed HHM as a CDS counter. In consequence thereof, the shares issued through this Prospectus will be deposited directly with MCD and any dealings in these shares will be carried out in accordance with the aforesaid Acts and the Rules of MCD.

Approval-in-principle from the KLSE was obtained on 26 August 1999 for admission to the Official List of the Main Board of KLSE and for permission to deal in and for quotation for the entire enlarged issued and fully paid-up ordinary shares of the Company, including the Issue Shares which are the subject of this Prospectus, on the Main Board of KLSE. These ordinary shares of the Company will be admitted to the Official List of the Main Board of KLSE and official quotation will commence after the receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Pursuant to the SC's Policies and Guidelines on Issue/Offer of Securities, the Company needs to have at least 25% of the enlarged issued and paid-up share capital in the hands of public shareholders and a minimum number of 1,000 public shareholders (including employees) holding not less than 1,000 shares upon completion of the Public Issue. Of the 1,000 public shareholders, at least 750 will not be employees. The Company is expected to achieve this at the point of listing. However, in the event that the above requirement is not met pursuant to this Public Issue, the Company may not be allowed to proceed with its listing plan.

Acceptance of applications will be conditional upon permission being granted by the KLSE to deal in or for quotation for all of the enlarged issued shares of the Company, including the Issue Shares. Accordingly, monies paid in respect of any application accepted will be returned if the said permission is not granted.

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

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

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

The distribution of this Prospectus and the sale of the Issue Shares are subject to Malaysian law and the Company takes no responsibility for the distribution of this Prospectus and the sale of the Issue Shares outside Malaysia. Persons into whose possession this Prospectus may come are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an offer to sell or invitation of an offer to buy any Issue Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

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

4. RISK FACTORS

Applicants for the Issue Shares should carefully consider the following (which may not be exhaustive) in addition to the other information contained in this Prospectus before applying for the Issue Shares:-

4.1 No prior market for HHM's shares

Prior to this Public Issue, there was no public market for HHM's shares. There can be no assurance that an active market for HHM's shares will develop upon its listing on the Main Board of KLSE or, if developed, that such market will be sustained. The issue price of RM1.20 per share for the Issue Shares has been determined after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and condition, its prospects and the prospects for the industry in which the Group operates, the management of the Group, the market prices for shares of companies engaged in businesses similar to that of the Group and the prevailing market conditions. The price at which HHM's shares will trade on the Main Board of KLSE upon or subsequent to its listing will be dependent upon market forces outside the control of the Company.

4.2 Control by substantial shareholder

Following the Public Issue, the single largest shareholder of HHM will be Bumi Raya, which will own 13,742,000 ordinary shares of RM1.00 each in HHM, representing 22.90% of the Company's enlarged issued and paid-up capital. There will be six (6) other substantial shareholders, apart from Bumi Raya, each having equity interest ranging from 7.56% to 8.27%. Because of the diversity of the shareholders, there is a possibility of a new controlling shareholder emerging by an acquisition of less than 33%, without the necessity of making a general offer.

4.3 Competition

The HHM Group faces competition from various quarters. Whilst the Group has grown significantly over the last 5 years, no assurance is given that it will be able to maintain its existing market share in the future. However, the Group's track record has shown its ability to retain major principals for a long period of time. For example, the Group has been an agent in East Malaysia for Nestle Malaysia Berhad (*previously known as Nutritional Products Sdn. Bhd. and before that as Nestle Products (Malaysia) Ltd.*) for 66 years and Guinness Anchor Berhad (*previously known as Malayan Breweries Marketing Sdn. Bhd. and before that as Malayan Breweries (Malaya) Sdn. Bhd.*) for 45 years.

The HHM Group's shipping operations including carrying cargo for its principals and providing shipping services to other companies. The Group is expected to face competition from both local and overseas carriers.

4.4 Dependence on key personnel

The Group believes that its continued success will depend, to a significant extent, upon the abilities and continuing efforts of its existing Directors and senior management. The loss of any of the key members of the Group's Directors and senior management could adversely affect the Group's continued ability to compete in the areas of business it is in. The Group's future success will depend upon its ability to attract and retain skilled personnel. It is the Group's practice to retain the services of these key Directors and senior management whenever possible and to also attract and retain experienced personnel. Furthermore, the Group has experienced a relatively low turnover rate in its senior management.

4. RISK FACTORS (*Cont'd*)

4.5 Business risks

The Group is not insulated from the risks inherent in the various areas of its businesses. For example, the Group may be affected by a general downturn in the global and national economy and particularly the marketing, sales, warehousing and distribution, freight forwarding and shipping industries, political uncertainties, weather conditions, supply of labour, increases in the cost of labour, the entry of new players, changes in law and taxation affecting the industries, fluctuations in foreign exchange, loss of major principals, non-collectibility of debts, business and credit conditions and changes in consumers' tastes.

Although the Group seeks to limit these risks through, inter-alia, a large pool of principals and products, a large spread of customers and good business relationships, no assurance can be given that a change in any of these factors will not have a material adverse effect on the Group's business. As at 31 December 1998, the Group has approximately 115 principals, and distributes approximately 11,000 product items to more than 14,000 customers.

In addition, the Group represents its principals only in the capacity of a distributor. The principals therefore warrant the full performance of their products against qualitative defects and are expressly and in practice fully responsible for any such market returns.

4.6 Foreign exchange risk

Most of HHM Group's transaction with its principals are in RM. Based on audited results for the financial year ended 31 December 1998, only RM19.1 million of the total turnover of RM497.23 million representing 3.84% of turnover is subject to foreign exchange risk. HHM Group has taken precautionary measures by hedging most of its foreign exchange exposure in order to mitigate losses in the event of adverse exchange rate movements.

4.7 Forecasts

This Prospectus contains certain forecasts for the Group that are based on reasonable assumptions that are nevertheless subject to uncertainties and contingencies. Because of the subjective judgements and inherent uncertainties of forecasts and because events and circumstances frequently do not occur as expected, there can be no assurance that the forecasts contained herein will be realised and actual results may be materially different than those shown. Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forecasts that are contained herein.

4.8 The Millennium Bug

There is a possibility that the computer systems in operation may be affected by the year 2000 problem i.e. the Millennium Bug. However, the Directors are of the opinion that the operation of the HHM Group will not be materially affected by the problem as the main computer systems which are critical to the HHM Group's business in East Malaysia including the accounting system, material resources planning system (purchasing and stock management system) and billing system, are believed to be year 2000 compliant ("Y2K compliant")*. In addition, the Company's share registrar has been certified to be Y2K compliant. In Peninsular Malaysia, where HHM's business is principally grouped under HTP, HTP's computer systems are currently being updated to be year 2000 compliant and this exercise is expected to be completed by end August 1999.

HTP is a major trading company dealing mainly in building materials and chemicals with eleven (11) branches in Peninsular Malaysia. A major part of the building material business is directly supplied to customers by HTP's suppliers. Majority of the customers are hardware dealers and contractors. There will be a major impact on HTP's business if the critical computer systems are not Y2K compliant. The current plan is to ensure that the current applications and related hardware are modified to be for Y2K compliant.

If HTP is not Y2K compliant, there will be legal implications to HTP's customers and suppliers. These parties could be affected in terms of timely payments or deliveries. Dealings with third parties may be affected such as delay in payments to suppliers and delivery of goods to customers. HTP has set a policy for invoices or related documentation to be recognised as the year 2000 should it read just '00' to cater for current suppliers who are not Y2K compliant. This is unlikely to cause any problem to HTP's systems. There are currently no uncertainties with the systems at HTP being non Y2K compliant as HTP has an implementation plan to solve the year 2000 problem in all the applications installed.

Finsoft Systems Sdn Bhd ("Finsoft") has been engaged to consult HTP on the Y2K project. The consultants at Finsoft have been providing Information technology ("IT") consultancy to HTP and have a very good understanding of HTP's IT strategy and future requirements. Finsoft provides various consultancy services and specialises in financial and Y2K issues. They have already conducted a detailed study which was presented to the HTP management team and have already completed the detailed action plan for this project.

The estimated cost of the Y2K project for HTP is RM200,000, which will not have any significant impact on the results of HTP as it has already been allocated and there are no financial constraints to realise this expense.

The implementation stage commenced in June 1998 and is expected to be completed by end August 1999. The implementation phase involved the training of various end-users of HTP to handle the new changes made to the system. Training has been conducted on a classroom basis as well as hands on training. Notes on amended areas of the existing system have been provided to the user for reference. Once training is completed, the user data would be converted to the new format. The amended applications would then be introduced.

There have been two (2) committees formed for the Y2K project. The Steering Committee comprises the senior management team and is headed by the Managing Director of HTP, Mr. Yeoh Chin Hoe. The Steering Committee will sanction any additional expenditure and policy changes for the whole project. The Steering Committee meets monthly to review the status of the project. The Managing Director updates the Board of Directors on the status of the Y2K project. The Working Committee group meets fortnightly to discuss more specific issues on the project and will take action on any immediate tasks required to facilitate any changes for year 2000. The Working Committee also performs audit for the Y2K project. The Company did not employ new staff for the purpose of the Y2K project. Independent verification will be conducted upon completion of the Y2K project.

All the necessary plans are in place to complete the Y2K project by end August 1999. The implementation of the Y2K project is currently on schedule as planned. As a contingency plan, should any regression tests on any of the systems fail, HTP have sourced and planned for new products to be implemented quickly within a time frame of four months. All future purchases of hardware and software will be Y2K compliant.

* ***Year 2000 compliant***

The quality of the systems to provide all of the following functions

- (a) *handle date information before, during, and after 1 January 2000, including but not limited to accepting date input, providing date output, and performing calculations on dates or portions of dates;*
 - (b) *function accurately and without interruption before, during and after 1 January 2000 without any change in operations associated with the advent of the new century;*
 - (c) *respond to two-digit-year-date in a way that resolves the ambiguity as to the century in a disclosed, defined, and predetermined manner; and store and provide output of date information in ways that are unambiguous as to century.*
-

5. INDUSTRY OVERVIEW

The HHM Group is principally involved in marketing, sales, warehousing and distribution of consumer, engineering, building, industrial and agricultural chemical products, operation of shipping and travel agencies, and manufacturing and marketing of ceramic sanitaryware and shipping (cargo carriage) business. PSSB and PNSB purchased a container vessel each on 5 June 1996 and 2 May 1997 respectively for their shipping business.

The major industries which have an impact on the HHM Group are as follows:-

- (i) Consumer products industry;
- (ii) Building materials industry; and
- (iii) Shipping industry.

5.1 Overview of the Malaysian Economy

The full effect of the regional financial crisis on the Malaysian economy was felt in 1998 with real Gross Domestic Product (GDP) declining for the first time since 1985. The contraction was severe and unprecedented as GDP declined by 6.7% as compared to the 7.7% growth attained in **1997**. Instability in the international financial markets intensified in 1998, particularly in the early part of the year, which in turn spilled into the domestic markets. However since May 1998, the Government has implemented counter-cyclical measures to avoid a recession-deflation spiral.

(Source : Bank Negara Malaysia Annual Report 1998)

GDP for the first quarter of 1999 was still 1.3% lower than the first quarter of the previous year as the effects of the downturn had continued to be keenly felt in January 1999. Overall, the first quarter performance was a sharp improvement from the 10.3% contraction experienced in the fourth quarter of 1998.

(Malaysian Business Times, 24 June 1999)

The Malaysian economy is expected to stage a recovery in 1999 with GDP recording a positive growth of 1%. The positive outlook for the economy is based upon strong economic fundamentals prevailing in the economy as well as the positive efforts taken by the government in terms of its fiscal stimulus, accommodating monetary policy as well as the measures taken to recapitalise and restructure the ailing financial and corporate sector. The three main special purpose vehicles set up to nurse corporate Malaysia back to health include Pengurusan Danaharta Nasional Berhad which aims to purge the banking system of its non-performing loans, Danamodal Nasional Berhad which was set up to recapitalise cash-strapped banks and the Corporate Debt Restructuring Committee. In addition, the fixing of the Ringgit against the United States dollar and the selective exchange controls have provided a stable environment to facilitate sound business decisions.

(Source : Bank Negara Malaysia Annual Report 1998)

However, Malaysia's performance in 1999 will depend largely on the pace and efficiency in the implementation of the fiscal stimulus and monetary policy as well as the international economy and financial environment, particularly the performance of the regional economies.

5.2 The Consumer Products Industry

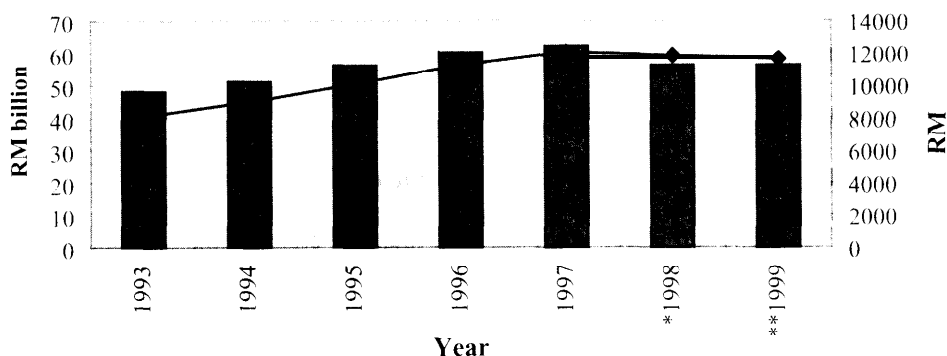
(i) *Industry growth and size*

The consumer products industry is made up of necessity and non-necessity goods and has grown in terms of product development and diversification. It is closely and positively related to the nation's per capita income and real private consumption per capita growth.

5. INDUSTRY OVERVIEW (Cont'd)

The nation's nominal per capita income and national per capita income which have been on a continual rise since 1993 saw a decline in 1998 and a moderation is predicted to perpetuate into 1999 as can be seen in the graph tabulated below :-

**National Private Consumption and
Nominal Per Capita Income**



■ National Private Consumption RM billion -Nominal Per Capita Income RM

* Estimate

** Forecast

(Source: Economic Report 1998/1999)

The population estimated at 20.69 million in 1995 has grown at an average annual rate of 2.7% during the period 1991 to 1995. By the year 2000, the population is projected to reach 23.26 million and this will give rise to a marked increase in the consumer base (Source: *Seventh Malaysia Plan, 1996 - 2000*). The high degree of urbanisation and improvement in infrastructure have led to a mushrooming of housing estates, which in turn, have increased the number of retail points of sale.

(ii) Industry life cycle

The performance of the consumer products industry, particularly the non-necessity consumer products sub-sector, is closely linked to the nation's economy. Positive growth of the nation's economy stimulates an increase in per capita income and private consumption, which in turn will increase the demand for consumer products of non-necessity nature. For necessity products or staple goods such as rice, flour and sugar, demand is not greatly affected by the nation's economic cycle unlike the demand for non-necessity products.

(iii) Government legislations, policies and incentives

An important ingredient in the successful sale and marketing of consumer products is pricing and the government basically does not interfere in the pricing of non-necessity products, nor does it offer any direct incentives relating to the distribution, sale and marketing of consumer products.

5. INDUSTRY OVERVIEW (*Cont'd*)

Two segments of the consumer sector were hit by higher duties in the 1999 Budget, namely the alcohol and tobacco sub-sectors. Worldsec Research Malaysia expects volume drop of 15% to 20% for beer companies and a contraction of 5% for tobacco companies due to a 20% hike in excise duty on malt liquor and a 39% increase in excise duty on tobacco respectively.

(Source : *Smart Investor*, 16-30 November 1998)

(iv) **Capital or labour intensive**

Large scale consumer distribution is relatively labour intensive. With the moderation in economic growth, the previously tight labour market is expected to loosen, and companies may expect to enjoy greater ease. choice and flexibility in the recruitment and deployment of manpower as well as improved productivity as the previously rising pressure on wages is relieved.

(v) **Dependency on other industries**

The consumer products industry as a whole is principally dependent upon the performance of the nation's economy, with factors such as GDP growth, per capita income and employment rates playing a key role in affecting the industry.

(vi) **Industry dynamics**

(a) **Nature of industry**

The industry as a whole is a competitive one. For example, in the marketing and distribution sub-sector, there are numerous small retailers and distributors as well as a few large established distribution companies marketing and distributing various products and brands. However, the Directors of HHM consider the level of competition for large established distribution companies oligopolistic in nature, with only a handful of major players such as Boustead Trading Sdn. Bhd., Harpers Trading (Malaysia) Sdn. Bhd., Sebor Marketing and Services Sdn. Bhd. and Diethelm Malaysia Sdn. Bhd. who can claim to have long tenure, extensive branch networks, impressive portfolio of agencies, substantial growth record and international affiliation, particularly in East Malaysia .

(b) **Ease of entry**

There are considerable barriers of entry into the large scale marketing and distribution sub-sector of the consumer products business. Barriers occur naturally and are also constructed by incumbent players. In East Malaysia, any company contemplating distribution of products must contend with the following naturally occurring barriers:-

- (i) Formidable geographical spread (land area almost twice that of Peninsular Malaysia);
 - (ii) Relatively small population base, scattered throughout the long coastline and deep interior. As at 199 1, the population of Sarawak and Sabah is approximately 1.7 million and 1.8 million respectively compared to Peninsular Malaysia of approximately 15 million people. (Source. *Yearbook of Statistics, 1998*); and
 - (iii) Relatively poor infrastructure.
-

5. INDUSTRY OVERVIEW (Cont'd)

Each of the above, by itself in any one market, would already make reaching the customer very cost ineffective. Occurring simultaneously in the same market, they constitute a formidable set of natural barriers to new entrants to the distribution industry.

Through its long years of operations, and because of the combined size of its diverse businesses, large marketing and distribution network, the HHM Group has constructed additional barriers to entry through a comprehensive sales, administration and warehousing network covering strategic locations, generated goodwill, developed management expertise and experience, enhanced financial standing, developed in-depth knowledge of local conditions and understanding of the requirements of particular multi-national principals.

(c) Summary of outlook and areas of growth

With the revival in consumer confidence, private consumption is projected to increase by 1.1 percent in 1999. Consumption spending is expected to increase following the Government's stimulus package, tax exemption for income earned in 1999 and lower cost of borrowings. In addition, the projected inflation of 4% (5.3% : 1998) will further promote demand for consumer products.

(Source : Bank Negara Malaysia Annual Report 1998)

5.3 The Building Materials Industry

(i) Industry growth and size

The building materials industry is closely related to the construction industry and thus moves in tandem with expansion and contraction in the construction industry.

In 1998, the construction sector experienced a contraction in output mainly due to lower aggregate demand. Value added of the sector declined by 24.5% in 1998, compared with a growth of 9.5% in 1997. The decline of the sector was generally broad based, affecting the residential, non-residential and civil engineering sub-sectors. However, sustained demand for medium and low-cost residential properties mitigated the contraction of the sector. *(Source : Bank Negara Malaysia Annual Report 1998)*

(ii) Industry Life Cycle

The performance of the building materials industry in Malaysia is greatly affected by the cyclical influence of the construction industry. The building material industry has been registering an impressive growth since the resurgence of the construction industry in 1988. Based on past performance of the construction industry, the length of a typical cycle is about 10 years, with peaks in 1973 - 1974 and 1983 - 1984 *(Source: Investors Digest, KLSE, January 1994)*. Despite the recent sudden economic slowdown, activity in the low and medium cost housing sector, as well as in a number of major government infrastructure projects is expected to continue at a significant level, thereby providing a continuing demand for related building materials.

(iii) Government legislations, policies and incentives

Currently, other than the ceiling price imposed by the Government on steel and cement, there are no restrictions on other building material products. The Government has revised the control price of cement upward since August 1995 and has capped the maximum price of cement at RM198 per tonne. *(Source: Malaysian Business, 1 December 1998)*

5. INDUSTRY OVERVIEW (*Cont'd*)

In May 1998, a RM2 billion fund for the Special Scheme for Low and Medium Cost Houses was established, of which RM1 billion was made available for bridging finance and another RM1 billion for end-financing. Measures were also introduced to stimulate foreign demand for high-end properties. (Source : *Bank Negara Malaysia Annual Report 1998*)

Furthermore, several incentives are being introduced to spur Malaysian manufacturers into exporting local building materials. Among the incentives are provision for double deduction of expenses incurred in the promotion of exports and the availability of trade finance under the export credit refinancing scheme. (Source : *Malaysian Business, 1 November 1998*)

(iv) Capital or labour intensive

Large scale building materials distribution is relatively labour intensive. With the moderation in economic growth, the previously tight labour market is expected to loosen, and companies may expect to enjoy greater ease, choice and flexibility in the recruitment and deployment of manpower as well as improved productivity as the previously rising pressure on wages is relieved.

(v) Dependency on other industries

The building materials industry as a whole is dependent upon the performance of the construction industry.

(vi) Industry dynamics

(a) Nature of industry

The industry as a whole is competitive in general with no exception to the marketing and distribution sub-sector. There are numerous small retailers as well as large and established distributors for various products or brand names. The degree of competitiveness among the large and established distributors, however, is less extensive compared to those in retailing and confined only to a few large established distribution companies that have well established distribution network, an impressive portfolio of agencies and ample trade goodwill particularly in East Malaysia, where the geographical nature of the states makes it unattractive for new entrants to the industry.

(b) Ease of entry

The barriers that a new entrant have to overcome in the marketing and distribution of building materials sub-sector, in particular into large scale marketing and distribution are the natural and created barriers which were explained in Section 5.2(vi)(b) of this Prospectus. The barriers mentioned above have made it unattractive or cost ineffective for a new entrant to go into the market to compete with an established company like HHM.

(c) Summary of outlook and areas of growth

The recovery of the building materials industry will depend on a recovery in the local construction industry as well as the effectiveness of efforts to promote the demand for local building materials overseas.

‘The construction sector will continue to experience a further consolidation of activities in 1999. Nevertheless, the decline in output is projected to moderate to 8%. The construction of residential units, especially low and medium cost units is expected to intensify following an increase in housing approvals as well

5. INDUSTRY OVERVIEW (*Cont'd*)

as the public sector expenditure under the fiscal stimulus programme. (Source : *Bank Negara Malaysia Annual Report 1998*)

However, the turnaround in the local construction sector is expected to be two years later due to the excesses in built-up during the prolonged construction boom. The glum outlook revealed by industry experts recently for **purpose-built** office blocks and shopping complexes spells an inventory adjustment period which may take at least 4 – 5 years to clear if based on the small economic growth projected for the medium term of 3% to 4%. The residential side provides some consolation as the massive switch to building of **low-to-medium** cost projects may help to fill the huge vacuum left by developers of high-end and high-rise projects. Still, the surplus capacity in commercial properties will keep construction starts at a low single-digit level from a high of 50% to 80% a year during the peak period in the early to mid-nineties.

(Source: *Dynaquest Report, 5 May 1999*)

5.4 The Shipping Industry

(i) *Industry growth and size*

Malaysia is the 19th largest trading nation in the world despite its small population size and relatively low level of per capita income.

(Source: *Dynaquest Report, 30 March 1999*)

In view of the country's economy which is export oriented, shipping is extremely important with over 95% of the country's trade seaborne. (Source: *The Star, 22 October 1998*). This applies also for trade between Peninsular and East Malaysia where the geographical linkage is by the South China Sea.

(ii) *Industry life cycle*

Economic development and shipping are irreversibly linked with one stimulating the other. A positive relationship between long term economic growth and trade appears to exist. Periods of high economic growth are usually accompanied by correspondingly high growth in seaborne trade, while a lack lustre performance of the economy will likely affect the shipping industry negatively.

(iii) *Government legislations, policies and incentives*

The Government's policy for the shipping industry is to encourage its development by increasing the size of the local fleet and reducing the country's dependence on foreign fleet.

In 1998, the Government continued its efforts to enhance port facilities and to promote Port Klang as a load centre and a regional hub. Several measures were undertaken to enhance cargo volume in order to attract main line operators to call at the port. Furthermore, incentive schemes in the form of rebates, volume discounts and waiver of certain port charges were instigated. Additional warehousing facilities and inland clearance depot were established. In an effort to enhance its competitiveness, the Government abolished the inter-terminal transfer fee for cargo at Port Klang, effective 30 November 1998.

(Source : *Bank Negara Malaysia Annual Report 1998*)

The 1999 Budget announced that in addition to freight income derived by resident companies from the business of transporting cargo or passengers on board Malaysian ships, rental income derived from voyage or time charter of a Malaysian ship owned by

5. INDUSTRY OVERVIEW *(Cont'd)*

the resident company will also enjoy tax exemption under Section 54A of the Income Tax Act 1967.

Furthermore, local companies (70% owned by Malaysians) which satisfy all the conditions to qualify as an international trading company will be given income tax exemption of 70% of its statutory income arising from increased export sales. This exemption is proposed for a five (5)-year period.

The tax exemptions are meant to encourage the growth and development of Malaysian-owned shipping companies as well as to encourage eligible local companies to be more active in international trading and to seek out new overseas markets for Malaysian products.

(Source: 1999 Tax & Business Information Budget News published by the Malaysian Institute of Accountants and Malaysian Institute of Taxation)

In order to encourage greater investment in the shipping industry, the Government has also set up a RM 1.10 billion shipping fund. This comprises a RM600 million portion which will be disbursed through Bank Industri Berhad in the Ship Financing Facility programme, and a RM500 million portion for the Shipping Venture Facility programme.

(iv) *Capital or labour intensive*

Shipping is a highly capital intensive industry. The process of contracting for a new vessel involves substantial capital outlay. New vessels prices from the late 1980s have risen to levels that current freight rates have difficulty in justifying. In many instances, such as in particularly poor freight markets, the selection of a second-hand vessel may prove more cost advantageous, since any difference in freight rates arising between new vessels and second-hand tonnage may not adequately compensate for the higher new vessels capital outlay.

(v) *Dependency on other industries*

Economic development and shipping are often closely linked. The shipping industry contributes to export growth which will usually result in high economic output growth for the exporting nation. In this case, shipping has a contributory role to play in promoting trade and creating output. Furthermore, rises in output, whether domestic or international, in most cases require a corresponding rise in the level of imported raw and semi-manufactured production inputs, particularly in cases where the country is not yet self-sufficient, which provides further derived demand for shipping services. Since the shipping industry is segmented according to cargo types, the shipping industry is also dependent on the supply and demand factors governing cargo in each sector.

(vi) *Industry Dynamics*

(a) *Nature of industry and key players*

The nature of the industry depends on the particular market segment serviced by the carrier. In general, the bulk shipping sector can be regarded as freely competitive since freight rates are determined by free market forces of supply and demand, and the nature of the shipping service provided is near homogenous. On the other hand, operators in the liner sector face a more oligopolistic sector, as this sector is characterised by “conferences”, which are agreements entered between groups of shipowners servicing a particular trade route to provide scheduled services between fixed ports usually for rates of freight laid down by the conferences, and the profits and costs are shared out according to a pre-determined formula.

5. INDUSTRY OVERVIEW (*Cont'd*)

In terms of tonnage, 80% of the local market is controlled by Malaysian International Shipping Corporation (MISC), after its recent acquisition of Perbadanan Nasional Shipping Line (*Source: The Star, 22 October 1998*). The remaining market share is apportioned among the smaller industry players.

(b) Ease of entry

The main barrier to entry in shipping is the high capital outlays involved in acquiring ships. Thus, it is of crucial importance and a source of competitive advantage that a shipping company has access to cheap sources of capital, such as the Ship Financing Facility provided by the Malaysian Government and from the Malaysian capital market for a public listed company.

Apart from capital, which is a general barrier to entry, there are specific barriers to entry depending on the commodity segment being served. In segments such as Liquefied Petroleum Gas and Liquefied Natural Gas trades, barriers to entry include high technical expertise involved, long payback periods and connections with the gas producers and purchasers, which are usually large utility companies.

On the other hand, the tanker market is very competitive and have few barriers to entry apart from the capital costs. Thus, barriers to entry in the shipping industry depend on the particular unique requirements of different commodities and the ability of the carrier to meet those needs.

(c) Summary of outlook and areas of growth

In the short term, local shipping companies are expected to record poor performance as the continuing low trade volumes and low freight rates severely affect profit margin. The arrival of new ships which were ordered in time of plenty several years ago further aggravated the problem.

However, in view of its importance, the industry receives a large amount of Government attention who aims to rectify the current high deficit in freight payments and the loss of a significant portion of post handling charges to foreigners. Apart from the fiscal incentives mentioned in Section 5.4(iii), the Government is also actively encouraging the construction of high class port facilities and more feeder services.

Unfortunately, Malaysia still lacks the financial resources, infrastructure and efficiency to emerge as a renown maritime nation. Furthermore, with the existence of Singapore and Hong Kong which have developed into major transshipment hubs, it is not justifiable to set up, say, Port Klang, as an additional hub for the region.

Thus, the development of Malaysian owned liner services is expected to be gradual but better opportunities might be present in the chartering business.

(Source: Dynuquest Report, 30 March 1999)

6. FUTURE PROSPECTS AND PLANS OF THE HHM GROUP

6.1 Future Prospects

With the expected recovery of the Malaysian economy, the HHM Group is optimistic that the Group will continue to achieve good and sustainable growth in its core businesses, in part due to:-

- (a) the relatively wide and diversified range of mass market (i.e. non-luxury, well accepted, frequently used or consumed) brands/products which the Group carries;
- (b) the strong financial standing of a large number of principals (including a significant number of Malaysian based multi-national principals) who will continue to provide strong marketing support for their products and brands;
- (c) the Group's established, efficient and wide distribution network which ensures that the Group's products are made widely and competitively available;
- (d) the Group's relatively large and diversified customer base;
- (e) the Group's income being derived from a good spread of activities covering fast moving consumer goods, building materials (comprising a large range of products for medium to low cost housing), industrial and agricultural chemicals, manufacturing (ceramic sanitary ware for medium to low cost housing), shipping and travel; and
- (f) the Group's income being derived from both Peninsular and East Malaysia, with branches throughout the country so that there is no over-dependence on any one state or town.

In view of the above, the Directors of HHM are of the opinion that the Group's prospects are good.

6.2 Future Plans

The HHM Group with its human resources, financial and marketing skills, and market information supported by an extensive and comprehensive network plans to grow as follows:-

6.2.1 Expansion of Business

The HHM Group has embarked on an expansion programme since 1 January 1997 to upgrade and also to increase storage space of a number of its existing warehouses in anticipation of further growth of the business as follows:-

Location of Branch	Approximate storage area as at 01.01.1997 (sq. ft.)	Approximate additional storage area (sq. ft.)	Approximate storage area as at 30.06.1999 (sq. ft.)
Butterworth	2,700	1,950	4,650
Ipoh	3,200	3,800	7,000
Seremban	2,079	3,921	6,000
Meiaka	1,540	1,540	3,080
Johor Bahru	2,163	1,120	3,283
Kuantan	4,000	3,200	7,200
Kota Kinabalu	52,400	6,000	58,400
Kudat	3,360	4,640	8,000
Beaufort	5,700	2,300	8,000
Tawau	34,000	3,000	37,000

6. FUTURE PROSPECTS AND PLANS OF THE HHM GROUP (Cont'd)

With the increase in storage space as mentioned above, HTSabah and HTSarawak plan to acquire more agencies, including some under a "stockist" arrangement whereby both companies will provide its principals with warehousing, invoicing, delivery and electronic data processing services. This will maximise utilisation of resources.

In Peninsular Malaysia, there are plans to expand the Group's agricultural and industrial chemicals activities as demand for these products is expected to increase in line with the expansion in both the agricultural and industrial industries. Furthermore, the Group has procured numerous agencies from local as well as international principals since January 1999. In addition, beginning April 1999, HTP has been appointed as the sole distributor in Peninsular Malaysia to distribute the whole range of agricultural chemicals for Hextar Chemicals Sdn. Bhd.

As for industrial chemicals, negotiations are being held to procure agencies from Taiwan and China, HTP is confident that there are good business prospects for the agricultural and industrial chemicals sector in the future.

6.2.2 Diversification

HHM acquired two (2) coastal vessels, MV Julia and MV Clarissa, on 5 June 1996 and 2 May 1997 respectively, for the purpose of diversification into shipping services. MV Julia is a 5,637 metric tonne container vessel with a capacity of 294 Twenty Foot Equivalent Containers Units ("TEUS") and MV Clarissa is a 5,935 metric tonne container vessel with a capacity of 242 TEUS. However, in view of the decrease in average freight rates and weak load factor, HHM has decided to venture into time and voyage charter in mid 1998 in order to minimise losses for the Group.

Through KJPSB, the HHM Group has made inroads into the consumer goods sales, warehousing and distribution business in Peninsular Malaysia. Whilst this has been a segment where the HHM Group is especially strong in East Malaysia, the Peninsular Malaysia market offers even greater opportunities for growth given its much larger population. The establishment of KJPSB also means that the HHM Group now has consumer goods operations pan-Malaysian, and this opens numerous additional avenues for acquiring new distribution rights (principals), the development of own brands, and venturing into manufacturing. KJPSB acquired the sole distributorship in Peninsular Malaysia of the "Zaitun" range of toiletries and household products in November 1998 and in June 1999, it started its distribution of "Gillette" range of products to selected outlets within Selangor Darul Ehsan, Wilayah Persekutuan Kuala Lumpur and Negeri Sembilan Darul Khusus. HTP also procured the distributorship of "Delicia" range of jams, peanut butter and kaya spread in April 1999.

With the growing emphasis on the agricultural sector, particularly food production in Malaysia, the Group is studying to venture upstream into production of specific categories of agricultural chemicals which are expected to grow in demand in line with the public and private sectors' future agricultural development. The intended ventures upstream will also target other export markets.

In East Malaysia, the HHM Group operates a network of six (6) fully computerised ticketing and sales travel offices, each located in a major town. The Group, which has an in-bound tour license, plans to enhance its travel network and infrastructure (including accommodation and transport services) in view of becoming a substantial player in the tourism industry in Malaysia.

Whilst the HHM Group is aggressive in seeking business opportunities, it is always careful that it must be able to bring to bear one or more of its core competencies on any new venture to maximise the probability of success.

7. SHARE CAPITAL

	RM
<i>Authorised:-</i>	
100,000,000 ordinary shares of RM1.00 each	<u>1 00,000,000</u>
<i>Issued and fully paid-up:-</i>	
45,806,000 ordinary shares of RM 1 .00 each	45,806,000
<i>To be issued and fully paid-up pursuant to the Public Issue:-</i>	
14,194,000 new ordinary shares of RM1 .00 each	<u>14,194,000</u>
	<u>60,000,000</u>

The price of RM 1.20 for each Issue Share is payable in full on application.

There is only one class of shares in HHM, namely ordinary shares of RM1 .00 each. The Issue Shares will rank *pari passu* in all respects with the existing issued and fully paid-up ordinary shares of RM 1 .00 each of HHM including voting rights and dividends and distribution that may be declared subsequent to the date of this Prospectus.

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

At any general meeting of HHM, each shareholder shall be entitled to vote in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney to a shareholder shall have one vote and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held. A proxy may but need not be a member of the Company.

8. PARTICULARS OF THE PUBLIC ISSUE

8.1 Details of the Public Issue

The Public Issue is an invitation by the Company to Bumiputera investors approved by MITI, eligible Directors and employees of the HHM Group and the Malaysian public to apply for the Issue Shares at a price of RM1.20 per share, payable in full on application upon the terms and conditions of this Prospectus and upon acceptance shall be allocated in the following **manner**:-

(a) Approved Bumiputera Investors

6,034,000 new ordinary shares of RM1 .00 each to be reserved for Bumiputera investors approved by MITI.

(b) Eligible Directors and Employees

2,305,000 new ordinary shares of RM1 .00 each to be reserved for eligible Directors and employees of the HHM Group.

(c) Malaysian Public

5,855,000 new ordinary shares of RM1.00 each to be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside **STRICTLY** for Bumiputera individuals, companies, co-operatives, societies and institutions.

8.2 Opening and Closing of Application Lists

The Application Lists will open at 10.00 a.m. on 13 September 1999 and will remain open until 8.00 p.m. on the same day or for such further period or periods as the Directors of HHM in their absolute discretion may decide.

8.3 Purposes of the Public Issue

The purposes of the Public Issue are as follows:-

- (a) To enable the Company to enhance Bumiputera equity participation in the Company so as to comply with the aspirations of the National Development Policy;
- (b) To enable the Company to gain access to the capital market to raise funds for future expansion and continued growth of the HHM Group;
- (c) To provide an opportunity for the eligible Directors and employees of the HHM Group and Malaysian public to participate in the continuing growth of the Group by way of equity participation; and
- (d) To obtain listing of and quotation for the entire enlarged issued and paid-up ordinary share capital of HHM on the Main Board of KLSE.

8. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

8.4 Utilisation of Proceeds

The gross proceeds of RM17,032,800 from the Public Issue accruing to the Company will be utilised in the following manner:-

	RM'000
Repayment of bank borrowings	8,500
Repayment of financing for the acquisition of two (2) coastal vessels	5,033
Payment for the estimated listing expenses	3,500
	<hr/>
	17,033
	<hr/>

HHM has acquired two (2) coastal vessels, each on 5 June 1996 and 2 May 1997, for a purchase consideration of approximately RM8.61 million and RM9.89 million respectively. The aforementioned acquisitions were financed by borrowings. Details on the vessels are disclosed in Section 11.9 and Section 11.11 of this Prospectus. However, HHM plans to dispose one of its vessels by the end of 1999 due to high repair and lay-up cost and thereafter source for another vessel. No vendor nor method of financing has been identified at this stage.

The repayment of bank borrowings totalling approximately RM 13.5 million is estimated to result in gross interest savings of approximately RM0.6 million for the year ending 31 December 1999.

All expenses incidental to the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the Main Board of KLSE estimated at RM3.5 million shall be borne by the Company including brokerage and underwriting commission relating to the Issue Shares.

8.5 Brokerage and Underwriting Commission

Brokerage relating to the Issue Shares will be paid by the Company at the rate of 1.0% of the issue price of RM1.20 per share in respect of successful applications bearing the stamp of CIMB, a member company of the KLSE, a member of the Association of Banks in Malaysia, a member of the Association of Merchant Banks in Malaysia or MIDFCCS.

The Managing Underwriter and Underwriter mentioned herein has agreed to underwrite 8,160,000 of the Issue Shares which are available for application by issuance to the Malaysian public and eligible Directors and employees of the HHM Group pursuant to the Public Issue. Underwriting commission is payable by the Company at the rate of 2.0% of the issue price of RM1.20 per share for the 8,160,000 ordinary shares which are being underwritten. In addition, the Company has agreed to pay a handling and arrangement fee to the Managing Underwriter and Underwriter at the rate of 2.0% of the issue price of RM1.20 per share for the 8,160,000 ordinary shares which are being underwritten.

The 6,034,000 Issue Shares in respect of Section 8.1(a) above need not be and are not underwritten.

In the event that any of the 2,305,000 of the Issue Shares under Section 8.1 (b) above are not taken up by the eligible Directors and employees of the HHM Group, such shares will be made available for application by the Malaysian public.

9. MORATORIUM ON SHARES

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

On completion of the Public Issue, Bumi Raya, Jatiria, Datuk Mohamed Nazri bin Abdul Aziz, Chan Fatt Chor @ Chan Sun Meng and Noah Foundation will collectively hold 32,065,000 ordinary shares of RM1.00 each in HHM, representing 53.45% equity interest therein. The shareholders of HHM who are subjected to the moratorium are as follows:-

Shareholders	HHM ordinary shares held after the Public Issue		HHM ordinary shares under moratorium	
	No. of ordinary shares '000	% of enlarged share capital	No. of ordinary shares '000	% of enlarged share capital
Bumi Raya	13,742	22.90	12,017	20.03
Jatiria	4,626	7.71	4,044	6.74
Datuk Mohamed Nazri bin Abdul Aziz	4,581	7.64	4,004	6.67
Chan Fatt Chor @ Chan Sun Meng	4,535	7.56	3,965	6.61
Noah Foundation	4,581	7.64	2,970	4.95
	32,065	53.45	27,000	45.00

The restriction, which is fully accepted by the aforesaid shareholders, is specifically endorsed on the share certificates representing the respective shareholdings of the aforesaid shareholders which are under moratorium to ensure that the company's registrar do not register any transfer not in compliance with the restriction imposed by the SC and KLSE.

The remarks to be endorsed on these share certificates are as follows:-

"The shares comprised herein are not capable of being sold, transferred or assigned from the date hereof up to and including [DATE1]. Accordingly, the shares comprised herein will not constitute good delivery pursuant to the Rules of the Exchange before [DATE2]. No share certificate or certificates will be issued to replace this certificate unless the same shall be endorsed with this restriction."

[DATE1] denotes the last day on which the said shares cannot be sold, transferred or assigned. [DATE2] denotes the first day on which the said shares can be sold, transferred or assigned.

10. INFORMATION ON THE HHM GROUP

10.1 History

HHM was incorporated in Malaysia under the Companies Act, 1965 on 9 March 1990 as a private limited company under the name of Jantoco Trading Sdn. Bhd. and assumed the name of Harrison Holdings (Malaysia) Sdn. Bhd. on 3 September 1991. It was converted into a public limited company on 28 April 1992 and adopted its present name.

In 1990, senior managers of the HHM Group, together with Noah Foundation and Bumi Raya formed Jantoco Trading Sdn. Bhd. to acquire the entire issued and paid-up share capitals of all the companies of the current HHM Group except ALE from Harrison and Crosfield Plc. (a public company then listed on the London Stock Exchange). Previously Harrison and Crosfield Plc. was well known in Malaysia particularly for the plantations it operated under Harrison Malaysia Plantations Berhad, now known as Golden Hope Plantations Berhad. ALE was acquired on 1 April 1993. The oldest company in the Group, HTSabah, came into being on 25 March 1918, bearing the name Harrison & Crosfield (Borneo) Ltd., itself the result of the purchase by the then Harrison & Crosfield of "Darby and Company", a trading company founded in 1893 in Sandakan, Sabah (then known as British North Borneo).

On 25 March 1999, the Group celebrated its 81st anniversary.

10.2 Flotation Exercise

In conjunction with and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up ordinary shares of HHM on the Main Board of KLSE, HHM undertook a bonus issue of 33,806,000 new ordinary shares of RM1.00 each credited as fully paid-up and is now undertaking a public issue of 14,194,000 new ordinary shares of RM1.00 each at an issue price of RM1.20 per share. The flotation exercise was approved by the SC and FIC on 12 September 1997 and 1 October 1996 respectively. Subsequently, SC has, on 6 March 1998, 14 September 1998, 1 April 1999 and 23 August 1999, granted extension of time for the completion of the flotation exercise. Further, the SC has on 18 June 1998 and 29 June 1999 approved the revisions to the price of the issue shares, utilisation of proceeds from the Public Issue and profit forecast and projections of the HHM Group.

10.2.1 Bonus Issue

On 24 June 1998, HHM undertook a bonus issue of 33,806,000 new ordinary shares of RM1.00 each credited as fully paid-up on the basis of approximately two point eight (2.8) new ordinary shares for every one (1) existing ordinary share held by capitalising RM25,100,000 and RM8,706,000 from its capital reserve and retained earnings respectively as at 31 December 1997. Upon completion of the Bonus Issue, the enlarged issued and fully paid-up share capital of HHM increased from 12,000,000 ordinary shares of RM1.00 each to 45,806,000 ordinary shares of RM1.00 each.

10.2.2 Public Issue

HHM is now making a public issue of 14,194,000 new ordinary shares of RM1.00 each at an issue price of RM1.20 per new ordinary share to Bumiputera investors approved by MITI, eligible Directors and employees of the HHM Group and the Malaysian public, which is the subject of this Prospectus.

Upon completion of the Public Issue, the enlarged issued and paid-up share capital of HHM will further increase from 45,806,000 ordinary shares of RM1.00 each to 60,000,000 ordinary shares of RM1.00 each.

10.2.3 Listing and Quotation

Listing of and quotation for the 60,000,000 ordinary shares of RM1.00 each, representing the enlarged issued and paid-up share capital of HHM will be on the Main Board of KLSE.

10.3 Business

10.3.1 The HHM Group

The Directors of the HHM Group believe that the Group is one of the oldest, largest and better established sales, marketing, warehousing and distribution companies in Malaysia, particularly in East Malaysia, where the Group has been in business for more than 80 years and has developed a good distribution network that the Directors of HHM Group believe to rank amongst the best in the country.

The Group also has a major presence in the shipping agency business in East Malaysia where it represents a large number of major international shipping lines. In East Malaysia, the Group is also one of the few companies to maintain a network of fully computerised travel ticketing and sales offices.

The Group's income is currently derived mainly from the marketing, sales, warehousing and distribution of consumer, building and engineering products, agricultural and industrial chemicals, the manufacturing and marketing of ceramic sanitaryware, and the operation of shipping and travel agencies. These are conducted through its two groups of subsidiaries. the HTSabah Group and the HTP Group as follows:-

- (a) In East Malaysia, the HTSabah Group is involved in the marketing, sales, warehousing and distribution of fast moving consumer goods, building materials, engineering products and agricultural chemicals, operation of freight forwarding, operation of shipping and travel agencies in both Sabah and Sarawak; and
- (b) In Peninsular Malaysia, the HTP Group is involved in the marketing, sales, warehousing and distribution of consumer products, building materials, industrial and agricultural chemicals, manufacturing and marketing of ceramic sanitaryware and the operation of shipping agencies.

As at 31 December 1998, the Group has approximately 115 principals, and distributes approximately 11,000 product items to more than 14,000 customers.

The Group's manufacturing activities of ceramic sanitaryware under the brand name "KP" is located in Lot 5626, Mukim of Gurun, District of Kuala Muda, Kedah Darul Aman, occupying approximately 7,478.80 square metres. The factory is capable of producing a maximum of about 12,000 wares a month. The breakdown of its production output capacity for the past five (5) financial years ended 31 December 1998 is as follows:-

Year ended 31 December	1994	1995	1996	1997	1998
Production Units (pieces)	93,973	109,938	100,420 [*]	116,749	114,675 ^{**}

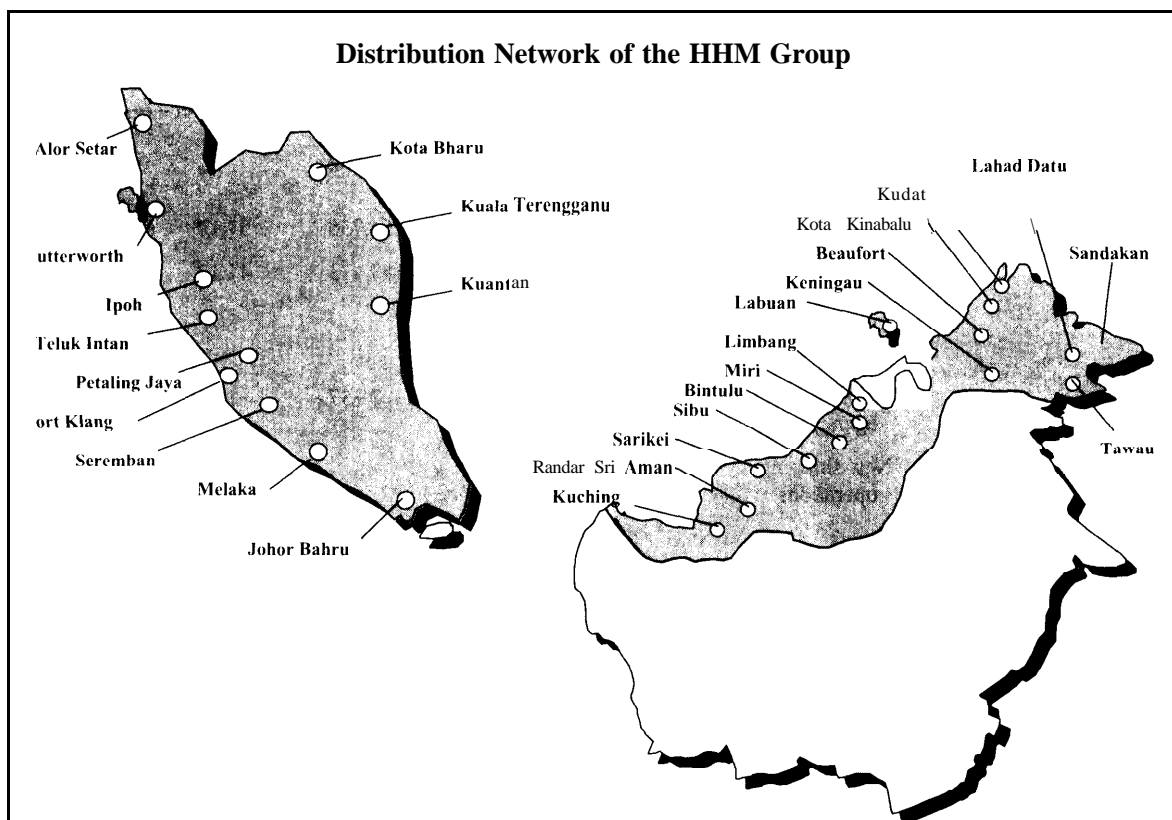
Notes:-

^{*} The drop in production units between 1995 and 1996 was due to labour shortage experienced by HCSB as workers left to new factories nearby.

^{**} The drop in production units between 1997 and 1998 was due to a decline in demand due to the contraction in the construction sector as a result of the economic slowdown.

There are thirty production lines for the manufacturing of sanitaryware (sitting pan, squatting pan, wash basin and soap holder) The factory produces an average of 420 pieces of sanitaryware daily and only one (1) shift is run daily. All products are manufactured for the local market in medium and low cost housing sectors. HTP is the sole distributor of HCSB. All products are approved by SIRIM Berhad (formerly known as Standards and Industrial Research Institute of Malaysia).

The HTSabah Group and the HTP Group together operate a total network of 27 branches strategically located throughout Malaysia (12 in Peninsular Malaysia, 7 in Sabah, 7 in Sarawak and 1 in Wilayah Persekutuan Labuan) as shown below:-



The Group employs approximately 860 staff and enjoys relatively low staff turnover in a relatively labour intensive industry where an experienced and approachable management is important to ensure continued profitability. This has been achieved through a decentralised organisational structure with each branch being a profit centre.

Highly regarded by its business partners-principals as well as in the trade, the HHM Group has represented major multi-national companies for considerable lengths of time. For example, Nestle Malaysia Berhad and its predecessor has been represented by the Group for 66 years, Guinness Anchor Berhad and its predecessor for 45 years, Malex Manufacturing Sdn. Bhd. and its predecessor for 38 years and Maersk Singapore Pte. Ltd. for 24 years. Indeed, many principals today regard the HHM Group as an integral part of their sales and marketing operations and rely on the HHM Group to provide the local market intelligence and research which are vital to their continuing success in the markets where they have entrusted the HHM Group with special distribution rights, (Source: Research Pacific (M) Sdn. Bhd.'s Research Report, 19 April 1996)

The HHM Group has also demonstrated its ability and interest to diversify into higher value added activities. The acquisition of HCSB in 1985 has brought the Group into the manufacture of ceramic sanitaryware. The establishment of KJPSB in November 1998 brought the Group into consumer goods sales, warehousing and distribution in Peninsular Malaysia, thereby not only widening the activity and earnings base of HTP (and therefore also the HHM Group) but also opening up new avenues for growth for the whole Group in terms of product sourcing, logistics, and competitiveness.

10. INFORMATION ON THE HHM GROUP (Cont'd)

The Group's turnover and profit before taxation for the past five (5) financial years ended 31 December 1998 and the two (2) months ended 28 February 1999 are as follows:-

Turnover by Division for the past five (5) financial years ended 31 December 1998 and the two (2) months ended 28 February 1999:-

	Year ended 31 December					
	1994 RM'000	%	1995 RM'000	%	1996 RM000	%
Consumer products	214,959	53.36	254,755	57.17	274,657	57.97
Building materials, engineering products and chemical products	181,249	44.99	183,473	41.17	190,476	40.20
Shipping and travel agency	6,587	1.64	7,357	1.65	8,138	1.72
New shipping operations					498	0.11
Others	48	0.01	21	0.01	7	*
	402,843	100.00	445,606	100.00	473,776	100.00

	Year ended 31 December				2 months ended 28.02.1999	
	1997 RM'000	%	1998 RM'000	%	RM'000	%
Consumer products	297,646	54.76	285,215	57.36	42,553	60.45
Building materials, engineering products and chemical products	234,058	43.07	198,306	39.88	26,146	37.14
Shipping and travel agency	8,527	1.57	7,108	1.43	1,012	1.44
New shipping operations	3,256	0.60	6,578	1.32	685	0.97
Others			23	0.01		
	543,487	100.00	497,230	100.00	70,396	100.00

Note:-

* *Insignificant.*

10. INFORMATION ON THE HHM GROUP (Cont'd)

Profit Before Taxation by Division for the past five (5) financial years ended 31 December 1998 and the two (2) months ended 28 February 1999:-

	----- Year ended 31 December -----					
	1994 RM'000	%	1995 RM'000	%	1996 RM'000	%
Consumer products	5,922	43.90	8,462	44.68	9,300	45.68
Building materials, engineering products and chemical products	3,999	29.64	6,004	31.71	6,333	31.10
Shipping and travel agency	2,540	18.83	3,334	17.61	3,729	18.31
New shipping operations					(133)	(0.65)
Others	1,029	7.63	1,137	6.00	1,132	5.56
Profit before taxation and interest	13,490	100.00	18,937	100.00	20,361	100.00
Interest expense	(3,535)		(3,737)		(4,021)	
	9,955		15,200		16,340	

	----- Year ended 31 December -----				2 months ended 28.02.1999	
	1997 RM'000	%	1998 RM'000	%	RM'000	%
Consumer products	10,521	48.17	9,566	44.53	914	N/A
Building materials, engineering products and chemical products	8,688	39.78	6,424	29.90	358	N/A
Shipping and travel agency	3,888	17.80	2,274	10.58	339	N/A
New shipping operations	(2,650)	(12.13)	(4,337)	(20.19)	(462)	N/A
Others	1,394	6.38	7,558 ⁺	35.18	(1,879)*	N/A
Profit/(loss) before taxation and interest	21,841	100.00	21,485	100.00	(730)	N/A
Interest expense	(5,073)		(6,364)		(707)	
	16,768		15,121		(1,437)	

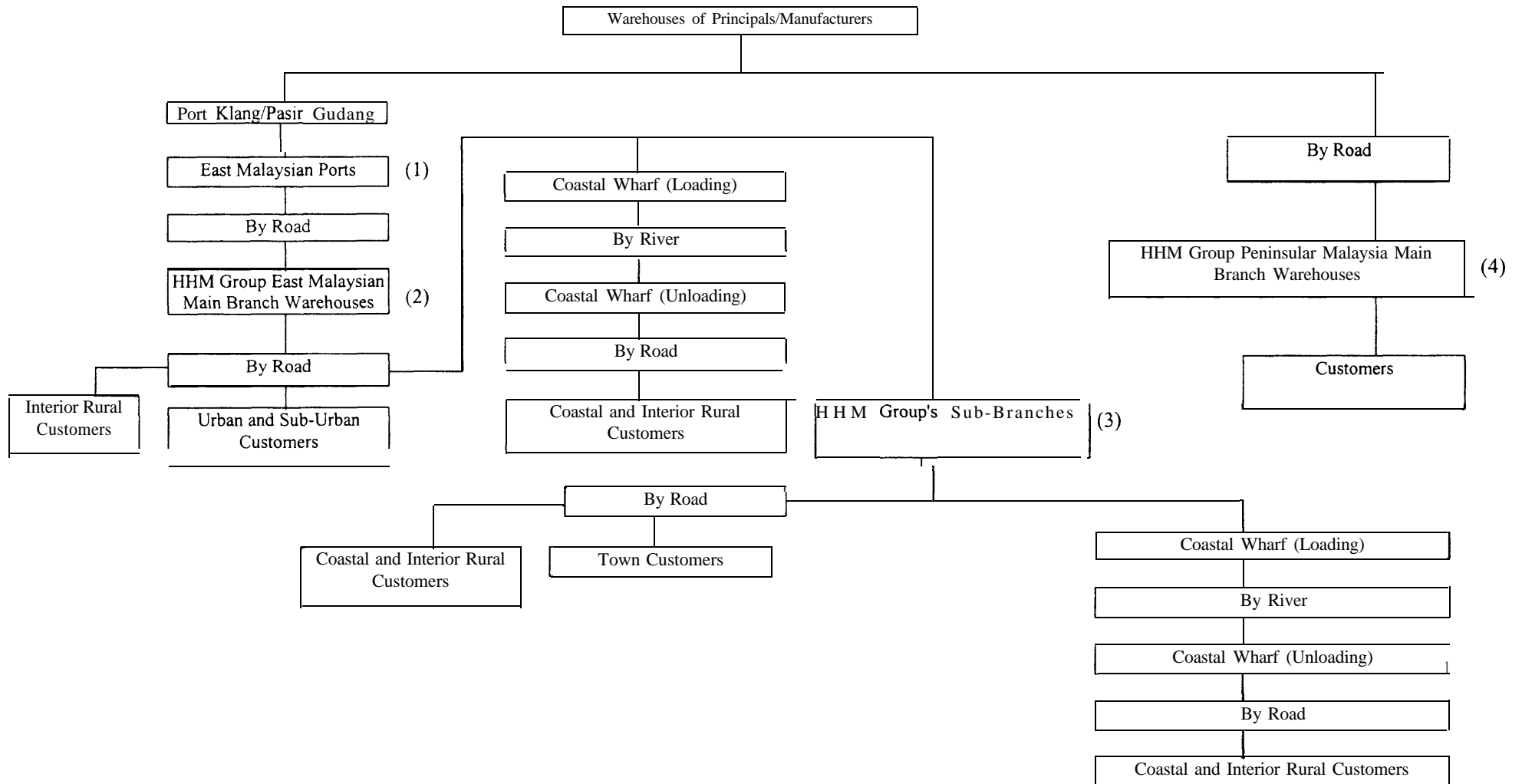
Note:-

+ Includes gain on disposal of a landed property of approximately RM4.9 million and dividend write-back of RM1.1 million.

* Includes a write-down of the cost of a vessel belonging to a subsidiary to its net realisable value as the subsidiary intends to dispose of the vessel.

N/A Not applicable.

Diagram of Flow of Goods From Manufacturers to Customers and HHM Group's Role in the Distribution Chain



Explanatory Notes:-**(1), (2), (3)****East Malaysia**

Products are mostly manufactured in Peninsular Malaysia by HHM Group's principals who ship (against orders from HHM Group) through Port Klang and Pasir Gudang to the main East Malaysian ports (Kuching, Sibul, Bintulu, Miri, Kota Kinabalu, Labuan, Tawau, Sandakan and Lahad Datu) where HHM Group takes delivery into their warehouses located in these towns.

From the warehouses in the main towns, some goods are transferred (mainly by road) to the smaller rural towns of Bandar Sri Aman, Sarikei (also by river), Limbang (also by river), Keningau, Beaufort and Kudat where the HHM Group also have branches.

At the ports, processes the Group undertakes include customs clearance and classification, transportation, and insurance claims (where necessary).

At all warehouses, functions include stock control and rotation, order picking, and delivery against sales invoices from the Group sales offices.

Sales invoices are generated by the administration department from orders secured by salesmen who cover the market on fixed itineraries and report to a management structure comprising branch and head office executives who are responsible for daily sales, planning and control, setting strategies and liaison with principals etc.

Administration includes order processing, electronic data processing, generating sales reports and statistics, credit control, invoicing, collection, payment and finance which are operated in a highly computerised environment.

(4)**Peninsular Malaysia**

In Peninsular Malaysia, the distribution chain is shorter and goods are transported by road to HHM Group's warehouses (located at Johor Bahru, Melaka, Seremban, Port Klang, Petaling Jaya, Teluk Intan, Ipoh, Butterworth, Alor Setar, Kota Bahru, Kuala Terengganu and Kuantan) or directly from principals' warehouses to HHM Group's customers where size and nature of orders justify such direct deliveries.

Functions and processes performed by HHM Group's warehouses, sales and administration offices in Peninsular Malaysia are essentially similar to those described above for HHM Group in East Malaysia.

10.3.2 The HTSabah Group

The HTSabah Group can be divided into two geographical sub-sectors i.e. HTSabah itself in Sabah and HTSarawak in Sarawak.

The HTSabah Group commenced its business in Sabah on 25 March 1918 under the name of Harrisons & Crosfield (Borneo) Ltd., and has developed over a period of 81 years into a highly reputed and established organisation dedicated to providing marketing, warehousing, distribution and various support services to a large number of multi-national companies, as well as a number of local companies, a number of whom are considered market leaders in their respective product categories.

The HTSabah Group derives its major source of income from providing a range of customised and professional services through contractual distribution arrangements with a large number of principals engaged in the production and marketing of:-

- (a) a wide range of tangible products such as fast moving consumer goods, agricultural chemicals, and building and engineering products. In most cases, the HTSabah Group acts as a sole distributor and enjoys exclusive rights to distribute for its principals; and
- (b) a wide range of intangible products comprising services relating to transportation of people and goods. The HTSabah Group acts as an exclusive agent to domestic as well as international shipping companies, and as ticketing and tour agent to the general public for domestic and international airlines.

The HTSabah Group organises its business around five (5) divisions:-

- (i) Distribution and marketing of fast moving consumer goods;
- (ii) Distribution and marketing of building materials and engineering products;
- (iii) Distribution and marketing of agricultural and industrial chemicals;
- (iv) Travel agency; and
- (v) Freight forwarding and shipping agencies.

In business divisions (i), (ii) and (iii), the HTSabah Group was granted distribution rights to Sabah, Sarawak and Wilayah Persekutuan Labuan in return for providing its principals the penetration and presence of their products and services through the deployment by the HTSabah Group of frequently customised, physical, financial and human resources relating to professional management, sales, administration, finance and accounting, inventory control, warehousing and delivery, trade credit, information technology, marketing support and market intelligence.

Operating from a total of 15 branches, 7 in Sabah, 7 in Sarawak and 1 in Wilayah Persekutuan Labuan, with head-offices respectively of Sabah and Sarawak in Kota Kinabalu and Kuching respectively, the HTSabah Group currently employs approximately 630 staff and offers one of the most comprehensive distribution and service networks in East Malaysia with branches even in relatively remote rural areas such as Limbang and Keningau.

As shown in the map on the distribution network of the HHM Group in Section 10.3.1 of this Prospectus, the HTSabah Group has a very comprehensive network covering most parts of Sabah and Sarawak.

In the sometimes still considered 'frontier' states of Sabah and Sarawak where a relatively small population is widely spread over a vast expanse of land in comparison to Peninsular Malaysia, it is difficult to provide a high level of penetration and service to principals, particularly consumer goods principals, without such a comprehensive network. The density of population as at 1991 in Sarawak is 14 people per square kilometre and in Sabah is 25 people per square kilometre as compared to 112 people per square kilometre in Peninsular Malaysia (Source.. *Yearbook of Statistics, 1998*). The extensive geographical reach of the HTSabah Group has enabled the consumers even in the remote parts of Sabah and Sarawak to enjoy a wider range of goods and services at competitive prices.

The head-office and all branches in Sabah are linked on-line by the Digital Alpha Server 4 **100** while those in Sarawak are linked by a DEC 5500 computer system. The HTSabah Group runs its own salesforce, warehouses and transportation, which are supported by a highly computerised administration. The larger warehouses are racked and mechanised with air-conditioning storage facilities for heat sensitive products such as chocolates and photographic films. As at the 30 June 1999, the HTSabah Group operated a total warehousing area of about 180,000 square feet and a total fleet of over fifty (50) delivery vehicles in Sabah, and a total warehousing area of about 112,000 square feet and a total fleet of over twenty (20) delivery vehicles in Sarawak. The larger warehouses in Kota Kinabalu, Tawau, Sandakan, Kuching and Miri are equipped with racks and high reach fork lifts (normally referred to as reach trucks) which facilitate maximum utilisation of warehousing space as well as speedy loading and unloading of goods.

The HTSabah Group also has a major presence in the freight forwarding and shipping agency industry in East Malaysia, where it represents a number of major international lines. The HTSabah Group is also one of the few companies in East Malaysia to maintain a network of six (6) fully computerised travel ticketing and sales offices.

For the shipping agency business, the HTSabah Group acts as an agent to major international ocean carriers, crude oil tankers and also coastal vessels, and provides forwarding and consolidated cargo services.

10.3.3 The HTP Group

The HTP Group's main activities include marketing, sales, warehousing and distribution of consumer products, various building material products, industrial and agricultural chemicals. Building material products are the biggest income contributor to the HTP Group. Building material products contributed approximately 90.0% of the HTP Group's turnover for the financial year ended 31 December 1998 and are made up of various products such as cement, steel bars, roofing sheets, door locks, pipes, fittings, bricks and pavers. HTP is the principal distributor for Malex Manufacturing Sdn. Bhd., Pemasaran Simen Negara Sdn. Bhd. and Malaywata Steel Sdn. Bhd..

The HTP Group also distributes a wide variety of agricultural and industrial chemicals including **Kenso** and **Hextar**, amongst others. HTP is the sole agent for Borax International Limited in Malaysia. Among the principals that the HTP Group represents for industrial chemical products are Lord Corporation of the United States of America, Borax International Ltd. of the United Kingdom and APS Chemicals Limited of Australia.

The HTP Group (through KJPSB) also distributes a range of consumer goods. KJPSB is currently the sole national distributor for the "Zaitun" range of toiletries and household products and it also distributes the "Gillette" range of products to selected outlets within Selangor Darul Ehsan, Wilayah Persekutuan Kuala Lumpur and Negeri Sembilan Darul Khusus.

HTP also distributes the "Delicia" range of jams, peanut butter and **kaya** spread in Peninsular Malaysia.

The HTP Group has a staff force of approximately 230 staff and a comprehensive network, with its head office in Petaling Jaya, Selangor Darul Ehsan and twelve (12) branches throughout Peninsular Malaysia as illustrated in the map on the distribution network of the HHM Group in Section 10.3.1 of this Prospectus. All the locations have modern warehouse facilities such as computerised systems and forklifts to ensure the efficient distribution of goods to its customers.

Beside the core business mentioned above, the HTP Group is also involved in the manufacture of ceramic sanitaryware through its wholly-owned subsidiary, HCSB.

10.3.4 Principals and Products

As at 31 December 1998, the Group represents approximately 115 principals, distributing approximately 11,000 product items. The HHM Group has certain geographical exclusive rights to distribute some of the products in Sabah, Sarawak and/or Peninsular Malaysia. HHM Group has agency and distribution agreements or arrangements which are contractual and typically with no expiry dates but subject to termination by either the HHM Group or the principal serving each other from one to six months' notice. The range of main products and services handled by the HHM Group in Sabah, Sarawak and/or Peninsular Malaysia, are categorised into four (4) divisions, the major principals and the year the HHM Group acted as agents are as follows:-

(a) **Consumer Products Division (Sabah, Sarawak and Wilayah Persekutuan of Labuan only, except where indicated)**

Principal	Major Products	Acted since
Nestle Malaysia Berhad *	"Milkmaid" sweetened fullcream condensed milk and beverage creamer, "Teapot" filled sweetened condensed milk, "Ideal" evaporated milk, "Nespray" cream powdered milk, "Everyday" full cream milk powder, "Nestle" low-fat milk, "Lactogen" infant formula, "Nan" infant formula, "Neslac" milk powder, "Nestle" cereals, "Nescafe Classic", "Nescafe Gold Blend", "Milo" malt beverage, "Milo" tetrapacks, "Bonus" soya bean milk, "Nestle" breakfast cereals, "Nestle" confectioneries including chocolates ("Kit Kat", "Smarties", "Crunch", "Milo", "After Eight", "Milky Bar" and "Quality Street") and sugars ("Polo" mints, "Fox", "Frutips", "Allens" and "Kool" sweets), petcare range consisting of "Friskies" cat and "Alpo" dog food	1933 for Sabah and Wilayah Persekutuan Labuan only
	"Maggi" range consisting of "2 Minute Noodles", "Mi-Goreng", "Mec in My Mug", "Bihun", sauces (chilli, tomato, oyster/soya), seasoning and dehydrated products such as soups, "Cook-it-Right", chicken stocks, porridges and rice mixes, "Carnation" condensed milk, "Klim" powdered milk, "Coffeemate" non-dairy creamer, "Nestle" confectioneries including chocolates ("Kit Kat", "Smarties", "Crunch", "Milo", "After Eight", "Milky Bar" and "Quality Street") and sugars ("Polo" mints, "Fox", "Kool", "Frutips" and "Allens" sweets), petcare range consisting of "Friskies" cat and "Alpo" dog food	1936 for Sarawak oniy
Guinness Anchor Marketing Sdn. Bhd.*	"Tiger" beer and "Tiger" draught, "Anchor" beer, "Anchor" draught, "Anchor Ice" beer and "Anchor Special" beer	1954 for Sabah only
	"Tiger" beer, "Heineken" beer and "Lion" stout	1985 for Sarawak only
	"Anchor" beer, "Anchor" draught, "Anchor Ice" beer, "Anchor Special" beer, "Tiger" beer, "Tiger" draught and "Heineken" beer	1954 for Wilayah Persekutuan Labuan only

10. INFORMATION ON THE HHM GROUP (Cont'd)

Principal	Major Products	Acted since
J.C. Food and Snack (Malaysia) Sdn. Bhd.	“Wise” snacks foods	1986
Kumpulan Barkath Sdn. Bhd.	“Sunquick” and “Sarina” cordials	1988
Ngan Yin Groundnuts Factory Sdn. Bhd.	“Hand” brand range of groundnuts (in shell), peanuts, cashew nuts and green peas	1990
Allied Domecq Sdn. Bhd.	“Courvoisier” Cognac, “Ballantine”, “Canadian Club” and “Old Smuggler” whiskies, “Beefeater” and “Westminister” gins, “Borzoi” and “Gorlovka” vodka, “Lemon Hart” and “White Heart” rum, “Suaza Gold” tequila, “Harvey” sherry, “Kahlua”, “Tia Maria” and “Hiram Walker” liqueurs, “J Moreau”, “J Calvet”, “Cranswick”, “Barramundi”, “Sterzi” and “Clos Du Bois” wines, “Black Tower”, “Pink Lady”, “Babycham” and “Asti” sparkling wines and “Cockbum’s Special Reserve” port	1990
Heineken (Far East) Pte. Ltd., Singapore	“Heineken” beer	1991 for Wilayah Persekutuan Labuan only
Grand Brands (Malaysia) Sdn. Bhd.	“Yang Cheng” herbal beverages and essence of chicken	1993
Kodak (Malaysia) Sdn. Bhd.*	“Kodak” films-colour as well as black and white for amateur, professional and industrial use, paper for mini-labs enlargement and for the publishing industry, paper development chemicals, film development chemicals, micro-films, colour slide films, colour transparencies for advertisement use, cameras and video cassettes	1990
Ho Yan Hor Sdn. Bhd.	“Ho Yan Hor” herbal tea, medicated oil, “Chewette C” vitamin tablets and “Unitee” tea	1992
Charoen Pokphand Intertrade (Malaysia) Sdn. Bhd.	“Double Mermaid” canned sardines	1996
Oleander Enterprise Sdn. Bhd.	“Borneo” mineral and drinking water and “Baby Borneo” carbonated drink	1994 for Sabah and Wilayah Persekutuan Labuan only
	“Baby Borneo” carbonated drink	1999 for Sarawak

10. INFORMATION ON THE HHM GROUP (Cont'd)

Principal	Major Products	Acted since
Reckitt & Colman (Overseas) Ltd.*	"Shieldtox" and "Mortein" insecticides such as coils, aerosols, mats and vaporisers, "Dettol" medicated soaps, anti-septic liquid, shower foam and liquid brand soaps, "Lysol" disinfectants, "Harpic" toilet care products, "Mr Brasso" floor, glass cleaners and polishes, "Haze" air freshners, "Woolite" fabric cleaner, "Robin" fabric whitener and stain remover "Steradent" dental care, "Senokot" laxative for constipation and "Bonjela" gel for mouth ulcer	1994
Gillette (Malaysia) Sdn. Bhd.*	"Gillette" shaving blades, razors, cartridges, shaving foams, aftershave, "Oral-B" toothbrushes and toothpastes, "Dr. West's" toothbrushes, "Papermate" ball pens, pencils, refills, highlighters, erasers, correction pens, "Parker" and "Waterman" fountain and ball pens and "Braun" electrical appliances such as shavers, coffee makers, food processors, hair dryers, iron, epilator, toasters, toothbrushes and "Duracell" alkaline batteries	1994 1999 for selected outlets in Peninsular Malaysia
Sen Lee Trading Sdn. Bhd.	"Y Love" sanitary napkins	1995
Drypers Marketing (M) Sdn. Bhd.	"Wee Wee" disposable baby diapers	1998
Zaitun Marketing Sdn. Bhd.	"Zaitun" shampoo, conditioner & hair care products, adult and baby toiletries, talcum, skin lotions, cream soaps, toothpaste, household and laundry detergents and cosmetics	1998 for whole of Malaysia
JDH Pharmaceutical Sdn. Bhd.	"Breacol" cough mixtures and lozenges, "Actal" antacid, "Vykmin" vitamins	1999
Cambert (M) Sdn. Bhd.	"Kordels" vitamins & herbal nutritional supplements, "St Ive's" hair and skin care products, "VO5" hair treatment products	1998 for Sabah and Wilayah Persekutuan Labuan only
Own Brands	"April" cotton buds, facial cotton rolls, zigzag, balls and pads "Sea Fresh" canned sardines	1997 1998
Pacific Impact Sdn. Bhd.	"Delicia" peanut butter, fruit jams and kaya spread	1999 for whole of Malaysia
Cottrich Marketing Sdn. Bhd.	"Cotmate" facial cotton pads, buds, rolls and balls	1997

10. INFORMATION ON THE HHM GROUP (Cont'd)

(b) Building Material And Engineering Products Division (for Peninsular Malaysia only, except were indicated)

Principal	Major Products	Acted since
Cement and Steel		
Southern Wire Industries (Malaysia) Sdn. Bhd.	Logging wire ropes and industrial wire-ropes	1972 for Sabah and Sarawak only
Pemasaran Simen Negara Sdn. Bhd.*	"Blue Lion" brand ordinary portland and masonry cement	1978
Kedah Cement Marketing Sdn. Bhd.*	"Horse" brand ordinary portland and masonry cement	1990
Pahang Cement Marketing Sdn. Bhd.	"Orang Kuat" portland and masonry cement	1997
Malayawata Steel Bhd.*	Mild steel & high tensile deformed bars	1989
Malaysia Steel Works (KL) Sdn. Bhd.	Mild steel & high tensile deformed bars	1992
Dah Yung Steel (M) Sdn. Bhd.	Mild steel & high tensile deformed bars	1993
Maju Alat Ganti Sdn. Bhd.	Mild steel & high tensile deformed bars	1990
Yontai Hardware Sdn. Bhd.	Mild steel & high tensile deformed bars	1990
C H Steel Wire Products Sdn. Bhd.	Mild steel & high tensile deformed bars	1991
NCK Wire Products Sdn. Bhd.	Steel fabric for the reinforcement of concrete - British Reinforced Concrete/wire mesh	1995
Roof and Ceiling Finishes		
Malex Manufacturing Sdn. Bhd.*	Fibre cement corrugated roofing, and plain and decorative ceiling sheets	1961
Batu Arang Bricks & Tiles Bhd.	Clay roofing tiles	1992
Lama Tile Works (Seremban) Sdn. Bhd.	Concrete roofing tiles	1978
Malaysian Roofing Industries Sdn. Bhd.	Metal roofing system	1985
Monier Roofing Sdn. Bhd.	Concrete roofing tiles	1986

10. **INFORMATION ON THE HHM GROUP (Cont'd)**

Principal	Major Products	Acted since
Rolform Sdn. Bhd.	Metal roofing system	1991
Petaling Timur Sdn. Bhd.	Aluminium insulation foil	1992
Butterworth Brickworks Sdn. Bhd.	Concrete roofing tiles	1978
Pelangi Concrete Industries Sdn. Bhd.	Concrete roofing tiles	1994
Daiman Roof Tiles Sdn. Bhd.	Concrete roofing tiles	1994
Lama Tile (Timur) Sdn. Bhd.	Concrete roofing tiles	1993
Ajiya Berhad	Metal roofing system	1994
PGF Marketing (M) Sdn. Bhd.	Glass fibre insulation	1995
Bukit Barisan Sdn. Bhd.	Glass Reinforced Gypsum ("GRG") ceiling tiles	1996 including Sabah and Sarawak only
Golden Clay Industries Sdn. Bhd.	Clay/ceramic roofing tiles	1995
Dynaspec Co., Malaysia.	Aluminium insulation foil, "Parsec" products	1996
Doors, Windows and Accessories, and Ironmongery		
Karlihan Industries Sdn. Bhd.	Metal window louvres	1981
Ajiya Berhad	Metal door and window frames	1995
Lama Metal Products Sdn. Bhd.	Metal door frames	1995
Buildtrend BSC (M) Sdn. Bhd.	Cylindrical and tubular doorlocks and handle sets	1993
Astino Marketing Sdn. Bhd.	Unplasticised polyvinyl chloride doors	1995
Syarikat Metal Industries of Malaysia Sdn. Bhd.	"Crown" cylindrical and mortice door locks	1985
Plumbing and Sanitation		
Harrisons Ceramics Sdn. Bhd.	Vitreous china sanitaryware	1981

10. INFORMATION ON THE HHM GROUP (Cont'd)

Principal	Major Products	Acted since
Polyolefins Pipe Bhd.	High density polyethylene pipes and fittings	1989
Malaysian Olefins Sdn. Bhd.	Low Linear Density Polyethylene ("LDPE") water storage tanks	1987
George Kent (M) Bhd.	Brass taps and ferrules	1985
Pakai Industries Sdn. Bhd.	Thermoplastic flushing cisterns	1990
Sunway Keramo Sdn. Bhd.	Vitrified clay pipes and fittings	1996
Ban Lee Aik Enterprise	Fibreglass reinforced polyester water storage tanks	1992
Rohas-Euco Industries Bhd.	Pressed steel panel water tanks	1994
Potaglas Tank Sdn. Bhd.	GRG panel water tanks	1994
Alam Timur Industries Sdn. Bhd.	Pressed steel panel water tanks	1995
Anchor Link Sdn. Bhd.	Glassfibre reinforced polyester panel water tanks	1995
Bell Plastics Sdn. Bhd.	Thermoplastic flushing cisterns	1996
Malaysian Galvanised Iron Pipes Sdn. Bhd.	Galvanised iron and black pipes, and hollow sections	1996
Resintech Plastics (M) Sdn. Bhd.	Polyethylene septic tanks	1996
Wall and Floor Finishes and Bricks		
Prestige Ceramics Sdn. Bhd.	Ceramic wall tiles	1987
Tajo Marketing Sdn. Bhd.	Clay facing bricks and pavers	1984
United Mosaic Agencies Sdn. Bhd.	Mosaic tiles	1990
Claybricks & Tiles Sdn. Bhd.	Clay facing bricks and pavers	1992
Hiap Lee Brickmakers Sdn. Bhd.	Clay facing bricks and pavers	1987
Kangkar Raya Batu Bata Sdn. Bhd.	Clay facing and common bricks	1996

10. **INFORMATION ON THE HHM GROUP (Cont'd)**

Principal	Major Products	Acted since
W.H. Marketing (M) Sdn. Bhd.	Ceramic wall and floor tiles, and homogeneous floor tiles	1994
Sun-Block Sdn. Bhd.	Concrete pavers	1994
Serendah Bricks Sdn. Bhd.	Clay common bricks	1995
Precast Concrete		
Hume Concrete Marketing Sdn. Bhd.	Concrete piles, beams, pipes, culverts, drains, retaining wall etc.	1995
Others		
NTN Bearings (Singapore) Pte. Ltd.	"NTN" and "Bower" bearings for logging tractors and trucks, automobiles, plywood and sawmilling machineries, and various industrial applications. The range includes micro-bearings, tapered roller bearings, spherical roller bearings, row bearings, needle bearings, clutch release bearings and pillow block units	1972 for Sabah and Sarawak only
Evode Export Limited, England	"Evode" flashband butiminous compound and vertilast mastic jointing compound	1973 for Sabah and Sarawak only
Tong Meng Co. (M) Sdn. Bhd.	Kitchen sinks	1980
Malaysian Olefins Sdn. Bhd.	LDPE dust bins	1987
Metalco Industries (M) Sdn. Bhd.	Kitchen sinks	1991
Interplex Trading Sdn. Bhd.	Wheelbarrows	1994
Perusahaan Besi Baga (M) Sdn. Bhd.	Common iron wire nails	1989
Sengchun Trading Industry	Weather seal bituminous tape	1992
GP Autobat Sdn. Bhd.	"GP" and "Autobat" automative batteries	1991 for Sabah only
Solar Mate Sdn. Bhd.	"Solar Mate" water heaters	1992
Federal Paints Factory Sdn. Bhd.	"Mitro Super Emulsion" project quality emulsion paints, "Glo 10" enamel paint, "Fcdelux" gloss paint, "Acryshield" acrylic based paint, "Federal" transparent wood varnish, "Federal" wall sealer, "Fedemas 73" undercoat, "Kepala" undercoat, "Federal" red and black oxide metal primer, "Federal" zinc chromate metal primer, "Federal" road marking paints and "Federal" vinyl floor paint	1994 for Sabah and Sarawak only

Principal	Major Products	Acted since
Castrol (Malaysia) Sdn. Bhd.	"Castrol" engine oils, clutch and brake fluids, transmission oils, hydraulic oils, motorcycle oils, greases, coolant and battery water	1995 for Sarawak only
Tenco Berhad	Solvent and water based adhesives for various industrial applications sold under "Durobond 820", "Durofoam 200", "Durospray 663", "Durovac 22 12", "Durovac 22 18", "Durovac 1047", "Durovac 8047", "Durovac 5046", "Durofilla" dry powder filling compound and "KAP" aerosol paints	1996 for Sabah and Sarawak only

(c) Chemical and Agriculture Products Division (for Peninsular Malaysia only, except where indicated)

Principal	Major Products	Acted since
CCM Fertilizers (M) Sdn. Bhd.	"CCM Cock Head" brand fertilizers and Christmas Island Rock Phosphate	1966 for Sabah only
CCM Chemicals (M) Sdn. Bhd.	Chlorine, caustic soda, hydrochloric acid, nitric acid	1966 for Sabah only
CCMB Agrochemicals Sdn. Bhd.	"Gramoxone" weedkiller "Touchdown" weedkiller "Furadan" insecticide "Karate" insecticide "Matikus" rat killer	1985 for Sabah only
Syarikat Jun Chong Sdn. Bhd.	"Cross Mark" knapsack sprayer "PB-16", "PB-20" plastic sprayer	1965 for Sabah only
Elementis Chromium, United Kingdom ("U.K.")	Chromic acid and sodium dichromate	1970
Lord Corporation, Chemical Products Division, United States of America ("U.S.A.")	"Chemlok" rubber to metal bonding adhesive and Chemglaze Polyurethane floor coating	1970
APS Chemicals Limited, Australia	Paint driers, food chemicals, R70 dry chlorinator, PVC stabilisers, tyre bonding agent	1994
Dow AgroSciences (Malaysia) Sdn. Bhd.	"Garlon", "Tordon", and "Starane" herbicides, "Dursban" and "Lorsban" insecticides	1984 for Sabah and Sarawak
Agma PLC, U.K.	"Solcon 740" complete aqueous detergent concentrate of detergent salts, degradable organic detergents and emulsifiers specially formulated water based fast acting heavy duty maintenance cleaner for the oil and gas industry "Solcon 137" solvent degreaser "Synergen" anti-corrosion surface coatings for the engineering, automotive and oilfield industries, "Oil-Spill Dispersant ("OSI") Superconcentrated" blend of emulsifiers designed for rapid response to combat oil-spillage and effective dispersal of oil-spills	1983 for Sabah and Sarawak only

10. INFORMATION ON THE HHM GROUP (Cont'd)

Principal	Major Products	Acted since
AgrEvo H.S. (Malaysia) Sdn. Bhd.	"Basta" weedkiller "Decis" insecticide "Thiodan" insecticide "Crymax" insecticide "Complezal" compound fertilizer	1988 for Sabah only
Kens0 Corporation (M) Sdn. Bhd.	"Harquat", "Crosquat", "Check-Thru" and "Paramine" - a paraquat based contact herbicides	1985
Tomen Corporation, Tokyo	"Orthene" and "Monitor 600" contact and systemic insecticides	1985
Vitapro (M) Sdn. Bhd.	"Hargro" foliar fertilizers, "Kokei Pearl" and "Kokei Nugget" slow-release organic fertilizers	1988
Rhone Poulenc (Malaysia) Sdn. Bhd.	"Ethrel" latex stimulant "Embamine 48%" and "Embamine Super" concentrated herbicides "Drat Bait" rat poison	1990 for Sabah; 1992 for Sarawak
Fertitrade (M) Sdn. Bhd.	Straight and mixtures inorganic fertilizers	1993
Borax International Ltd., U.K. *	"Fertilizer Borate 48", "Borax Decahydrate Technical Granular", "Neobor Borax Pentahydrate Technical Granular", "Boric Acid Technical Granular", "Boric Technical Powder", "Boric Oxide", "Solubor", "Firebrake 290" and "Tim-bor"	1993
Farland Marketing Sdn. Bhd.	"Calopogonium Mucunoides" seeds "Centrosema Pubescens", "Pueraria Javanica" and "Calopogomain Caeruleum" legume cover crop seeds for oil palm plantations	1996 for Sarawak only
Hextar Chemicals Sdn. Bhd.	Insecticides, herbicides, fungicides, Foliar fertilizer and rooting hormone	1995
BASF Aktiengesellschaft, Germany	Preservatives and bacteriacide	1995
Ancom Crop Care Sdn. Bhd.	"Asset" and "Ammo" glyphosate based herbicides	1997 for Sabah and Sarawak only
Halex (M) Sdn. Bhd.	"Nutraphos" fertiliser, "Dipel" insecticide and "Halextop" weed killer	1998 for Sabah only
Agri Sabah Fertilizer Sdn. Bhd.	Compound Fertilisers	1999 for Sabah only

* *These principals are the ten (10) largest principals of the Group's Consumer Products Division, the Building Material and Engineering Products Division and the Chemical and Agriculture Products Division based on the Group's turnover for the year ended 31 December 1998.*

10. INFORMATION ON THE HHM GROUP (Cont'd)

(d) Shipping Agency Division (for Sabah and Sarawak only, except where indicated)

Listed below are the thirteen (13) largest shipping agencies represented by the HHM Group which together contributed approximately 39.3% to the total turnover of the Group's shipping business for the financial year ended 31 December 1998:-

Principal	Cargo	Normal Trade Routes	Acted Since
Straits Shipping Pte. Ltd., Singapore	Generals/containers	Singapore/Sabah/Sarawak	1976 for Sabah; 1995 for Sarawak
Tokyo Senpaku Kaisha Ltd., Japan	Veneer/sawn timber	Sabah/Japan	1988
Toyofuji Shipping Co. Ltd., Japan	Vehicles/processed timber	Nagoya/Tokyo	1978
Maersk Singapore Pte. Ltd., Singapore	Containers	U.S.A./Europe/Mediterranean/Middle East/West Africa/South America/Western Australia/Indian Continent/Indo-China	1975
GMS Line Co. Ltd., Japan	Crude palm oil	Japan/Karachi/Taiwan/China	1988
Danzasmal Sdn. Bhd., Shah Alam	Container	Peninsular Malaysia/East Malaysia	1999
Shell International Trading & Shipping Co., U.K.	Crude petroleum	Japan/Singapore	1973
Apollo Shipping Co. Ltd., Japan	Veneer/sawn timber	Sabah/Japan	1993
Kudrat Maritime Sdn. Bhd., Port Klang	Crude palm oil/petroleum	Port Klang/Pasir Gudang/Miri	1989
B P Shipcare Sdn. Bhd., Labuan	Servicing of lay-up vessels		1988
Corporation of Lyold's, London	Cargo survey		1991
Atomic Shipping & Trading Co. Pte. Ltd., Singapore	Methanol	South East Asia	1993
Mitsui O.S.K. Lines (M) Sdn. Bhd., Kuala Lumpur	Containers	Japan/U.S.A./Europe/Australia/Africa	1978

10. INFORMATION ON THE HHM GROUP (Cont'd)

Listed below are the rest of the agencies represented by the HHM Group, some of which appoint the respective subsidiaries of HHM on an ad hoc basis. The agencies are categorised by type of service provided.

Principal	Cargo	Normal Trade Routes	Acted Since
TRAMPER SERVICE			
Elite Shipping A/S, Denmark	General	South East Asia/Malaysia	1993
R.H. Pacific Shippmg (Agencies) Ltd., Hong Kong	Sawn timber/ plywood	Hong Kong/South China/Korea/Japan	1994
MBS Shipping Ptc. Ltd., Smgapore	Sawn timber/plywood	East Malay&China	1995
NVOCC AGENCIES			
Accord Shipping Pte. Ltd., Singapore	General	Worldwide	1989
Mac-Nels Agencies Pte. Ltd., Singapore	General	Worldwide	1987
Famous Freight Forwarding (S) Pte. Ltd., Singapore	General	Various	1994
CRUISE VESSELS (for Peninsular Malaysia, Sabah and Sarawak)			
P&OCruises (UK) Ltd., U.K.	Cruise ship	Worldwide	1995
Princess Cruises, U.S.A.	Cruise ship	Worldwide	1988
Crystal Cruises Inc., U.S.A.	Cruise ship	Worldwide	1995
TANKERS (Liquefied Petroleum Gas ("LPG")/Liquefied Natural Gas ("LNG"))			
Far East Shipping Co. Ltd., Japan	LPG	Philippines/Sabah	1988
Network Shipping Co. Ltd. , Singapore	LPG	Philippines/Sabah	1994
TANKERS (Palm Oil)			
Iino Kaiun Kaisha Ltd., Japan	Refined Bleached Deodorised ("RBD") palm olein	Japan	1973
Tokyo Marine Co Ltd., Japan	RBD palm olein	USA/Japan	1975
StoltNielsen Smgapore Pte. Ltd., Singapore	RBD palm olein	Japan/Pakistan/ Europe	1986
Megaports Agencies Ptc. Ltd., Singaporc	Crude palm oil ("CPO")	Tawau	1993
Network Shipping Co. Pte. Ltd., Singapore	CPO	China	1994

10. INFORMATION ON THE HHM GROUP (Cont'd)

Principal	Cargo	Normal Trade Routes	Acted Since
Intra Link Agencies Pte. Ltd., Singapore	CPO	Sabah/Pasir Gudang	1994
Uycno Chemical Unyu K.K, Singapore	Liquid wax and petroleum products	Bintulu-Japan/Taiwan	1995
TANKERS (Coastal)			
Shell Eastern Trading Pte. Ltd., Singapore	Bitumen	Singapore/Sabah	1973
Mobil Oil (M) Sdn. Bhd., Kuala Lumpur	Petroleum	Singapore/Sabah	1978
Petroships Pte. Ltd., Singapore	Petroleum	Singapore/Sabah	1982
Shipet Maritime Sdn. Bhd., Port Dickson	Petroleum	Port Dickson/Sabah	1982
Samta Shipping Agencies Pte. Ltd., Singapore	Petroleum	Port Dickson/Singapore	1988
Timor Offshore Sdn. Bhd., Kuala Lumpur	Petroleum	SarawaWSabah	1993
P T Tankindo Perdana Indonesia Agencies Pte. Ltd., Kuala Lumpur	Glue/methanol	Singapore/Malaysia	1994
Maritime Consortium Management Sdn. Bhd., Kuala Lumpur	Petroleum	SarawaWSabah	1994
TANKERS (Crude Petroleum)			
Palm Shipping, Inc. c/o Teekay Shipping Canada Ltd., Canada	Crude petroleum	Japan	1981
Showa Shell Senpaku Kabushiki Kaisha, Japan	Crude petroleum	Japan	1981
Sanko Steamship Co. Ltd., Japan	Crude petroleum	Japan	1983
Shell International Eastern International Trading Co. Ltd., Singapore	Crude petroleum	Singapore	1973
Hoyu Tanker Company Ltd., South Korea	Crude petroleum	South Korea	1994
Tokyo Tanker Co. Ltd., Japan	Crude petroleum	Japan	1986
MC Marine Co. Ltd., Japan	Crude petroleum	Japan	1989
Tanker Pacific Management Pte. Ltd., Singapore	Crude petroleum	Singapore/Japan/Philippines	1993

10. INFORMATION ON THE HHM GROUP (Cont'd)

Principal	Cargo	Normal Trade Routes	Acted Since
CARGO CONSOLIDATION SERVICES			
Danzasmal Sdn. Bhd., Shah Alam	Container	Peninsular Malaysia/ East Malaysia	1999
Astraco Freight Forwarders Sdn. Bhd., Ipoh	Container	Peninsular Malaysia/ East Malaysia	1995
Citra Timuran Sdn. Bhd., Port Klang	Container	Peninsular Malaysia' East Malaysia	1993
SUPPLY BOATS			
Smit Tak Towage & Salvage (S) Pte. Ltd., Singapore	Offshore work	Singapore/East Malaysia	1984
Malmac Sdn. Bhd., Kuala Lumpur	Offshore work	Singapore/East Malaysia	1991
Maersk Drilling (M) Sdn. Bhd., Kuala Lumpur	Offshore work	Singapore/East Malaysia	1994

To the best of the Directors' knowledge, there are no impending termination of its existing agency and distributorship relationships with their principals as set out in Section 10.3.4(a), (b), (c) and (d) above.

10.4 Changes in Share Capital

The present authorised share capital of HHM is RM1 00,000,000 consisting of 100,000,000 ordinary shares of RM1.00 each and its issued and fully paid-up share capital is RM45,806,000 consisting of 45,806,000 ordinary shares of RM1.00 each. Changes in its issued and paid-up share capital since its incorporation are as follows:-

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration	Total issued and paid-up share capital RM
09.03.90	2	Subscribers' shares	2
26.09.90	11,999,998	To part finance the acquisition of investments in subsidiaries and associated companies	12,000,000
24.06.98	33,806,000	Bonus issue of approximately two point eight (2.8) new ordinary shares of RM 1 .00 each for every one (1) existing ordinary share held	45,806,000

10. INFORMATION ON THE HHM GROUP (Cont'd)

10.5 Profit and Dividend Records

(i) The HHM Group

The following is a summary of the audited consolidated results of the HHM Group for the past five (5) financial years ended 31 December 1994 to 1998 and the two (2) months ended 28 February 1999:-

	-----Year ended 31 December-----					2 months ended 28.02. 1999
	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	RM'000
Turnover	402,843	445,606	473,776	543,487	497,230	70,396
Profit before depreciation and interest	15,274	20,775	22,336	25,088	25,301	2,055
Depreciation	(1,784)	(1,838)	(1,975)	(3,247)	(3,816)	(687)
Interest expense	(3,535)	(3,737)	(4,021)	(5,073)	(6,364)	(707)
Operating profit before exceptional items	9,955	15,200	16,340	16,768	15,121	661
Exceptional items -- non recurring						(2,098)
Profit/(loss) before taxation	9,955	15,200	16,340	16,768	15,121	(1,437)
Taxation	(3,384)	(5,008)	(5,381)	(5,756)	(4,669)	(90)
Profit/(loss) after taxation	6,571	10,192	10,959	11,012	10,452	(1,527)
Extraordinary items	(342)					
Profit/(loss) after taxation and extraordinary items	6,229	10,192	10,959	11,012	10,452	(1,527)
No. of ordinary shares of RM 1.00 each in issue ('000)	45,806	45,806	45,806	45,806	45,806	45,806
Net EPS (sen)	14.35	22.25	23.92	24.04	22.82	3.88*
Gross dividend rate (%)					21.00	

Notes:-

- (i) *The significant increase in profit before taxation for the financial year ended 31 December 1995 was due to an increase in turnover of existing products sold by the HTSabah Group, efficient cost control and the securing of new agencies such as Reckitt & Colman, Shieldtox, Gillette, Parker and Waterman. and Hextar.*

10. **INFORMATION ON THE HHM GROUP (Cont'd)**

- (ii) *The increase in turnover and profit before taxation for the financial year ended 31 December 1996 was due mainly to the strong performance of HTSarawak's consumer products division.*
- (iii) *The Group's turnover for the year ended 31 December 1997 saw an increase of approximately 14.7% due mainly to growth of turnover of approximately 22.9% and 8.4% in the building materials division and consumer products division respectively. However, profit before taxation remained relatively unchanged compared to the previous year due to an increase in operating expenses mainly in the shipping division which commenced its cargo container shipping business later than planned.*
- (iv) *For the financial year ended 31 December 1998, turnover declined by 8.5% due mainly to the slowdown in the Malaysian economy. However, profit before taxation declined by 9.8% due to high operating and interest expenses. The decline has been mitigated by disposal of a landed property and dividend write-back resulting in gains of approximately RM4.9 million and RM1.1 million respectively.*
- (v) *Profit before taxation for the two months ended 28 February 1999 is relatively lower compared to the corresponding period in the previous year due mainly to the stock-out problem caused by a delay in shipment of goods by a major principal due to its Year 2000 compliance testing.*
- (vi) *The exceptional item for the two months ended 28 February 1999 is non-recurring in nature and relates to the write-down of the cost of a vessel belonging to a subsidiary to its net realisable value as the subsidiary intends to dispose of the vessel.*
- (vii) *The extraordinary items for the financial year ended 31 December 1994 were in respect of the following:-*

	<i>1994 RM'000</i>
<i>Provision for diminution in value of investment in an associated company</i>	<i>(43)</i>
<i>Provision for amount due from an associated company</i>	<i>(293)</i>
<i>Share of extraordinary losses of an associated company</i>	<i>(6)</i>
	<i>(342)</i>

- (viii) *The number of ordinary shares of RM1.00 each in issue has been adjusted for the Bonus Issue of 33,806,000 new ordinary shares of RM1.00 each.*

* *Net EPS for the two months ended 28 February 1999 is calculated based on the annualised profit for the two months ended 28 February 1999 and the number of ordinary shares in issue as at 28 February 1999. The annualised profit is calculated by firstly annualising the operating profit before exceptional items and then less exceptional item of approximately RM2,098,000 which is non-recurring in nature and taxation of RM90,000 which is in respect of prior years.*

10. INFORMATION ON THE HHM GROUP *(Cont'd)*

(ii) **The following is a summary of the audited results of I-IHM for the past five (5) financial years ended 31 December 1994 to 1998 and the two (2) months ended 28 February 1999:-**

	Year ended 31 December					2 months ended
	1994	1995	1996	1997	1998	28.02.1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	182	184	187	6,274	22,654	45
Operating profit before exceptional items	37	8	3	6,031	22,523	25
Exceptional items – non recurring						(2,000)
Profit/(loss) before taxation	37	8	3	6,031	22,523	(1,975)
Taxation	(4)	1	(11)	(1,813)	(6,304)	-
Profit/(loss) after taxation	33	9	(8)	4,218	16,219	(1,975)
No. of ordinary shares of RM 1.00 each in issue ('000)	45,806	45,806	45,806	45,806	45,806	45,806
Net earnings/(loss) per share (sen)	0.07	0.02	(0.02)	9.21	35.41	(4.04)*
Gross dividend rate						

Notes:-

(i) *Turnover for the financial years ended 31 December 1997 and 1998 and the two months ended 28 February 1999 comprises mainly of dividends declared by its subsidiaries.*

(ii) *There was no extraordinary item in respect of the financial years and period under review.*

(iii) *The number of ordinary shares of RM1.00 each in issue has been adjusted for the Bonus Issue of 33,806,000 new ordinary shares of RM1.00 each.*

(iv) *The exceptional item for the two months ended 28 February 1999 relates to provision for permanent diminution in value of investment in a subsidiary company.*

* *Net loss per share for the two months ended 28 February 1999 is calculated based on the annualised loss for the two months ended 28 February 1999 and the number of ordinary shares in issue as at 28 February 1999. The annualised loss is calculated by firstly annualising the operating profit before exceptional items and then less exceptional item of approximately RM2,000,000 which is non-recurring in nature.*

10. INFORMATION ON THE HHM GROUP (Cont'd)

10.6 Subsidiaries and Associated Companies

As at the date hereof, the subsidiaries and associated companies of HHM, which are all incorporated in Malaysia, are as follows:-

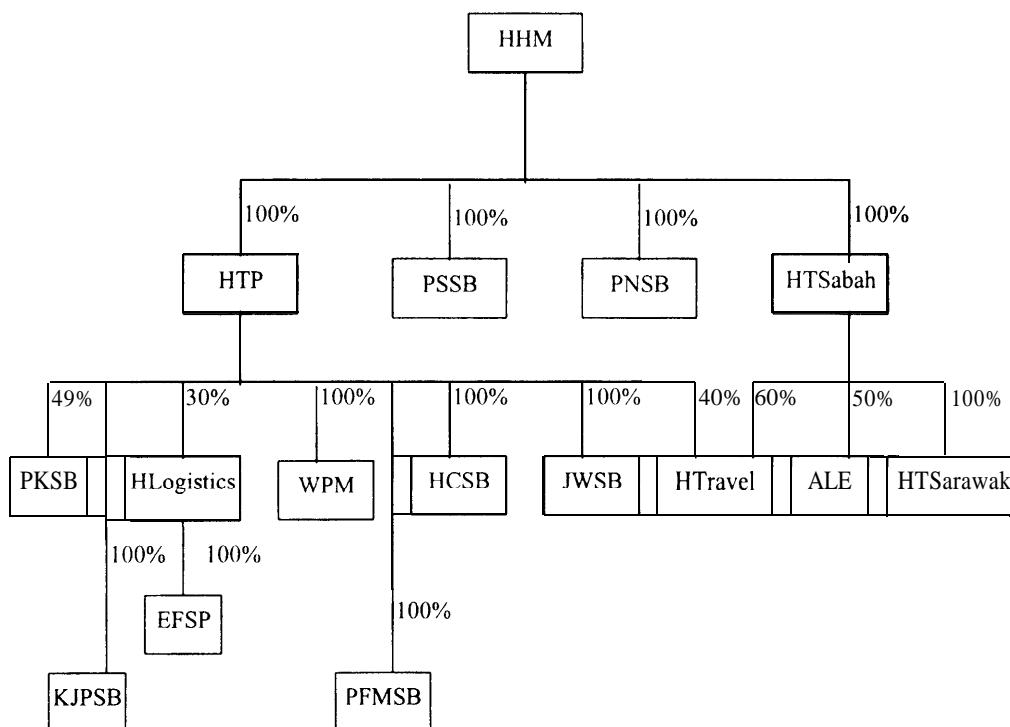
Name	Date of incorporation	Authorised share capital RM	Issued and paid-up share capital RM	Effective Interest %	Principal Activities
Subsidiaries of HHM					
HTSabah	25.03.18	15,000,000 of ordinary shares 9,000,000 of preference shares	12,900,000 of ordinary shares -	100.00	Marketing, sales, warehousing and distribution of consumer, engineering, building and agricultural chemical products, operation of shipping and travel agencies, investment holding and provision of management services
HTP	05.12.58	26,200,000 of ordinary shares 16,200,000 of preference shares	26,200,000 of ordinary shares	100.00	Marketing, sales, warehousing and distribution of building materials, industrial and agricultural chemical products and the operation of shipping services
PNSB	12.10.73	5,000,000 of ordinary shares 1,000,000 of preference shares	2,000,000 of ordinary shares 550,000 of preference shares	100.00	Shipping services
PSSB	25.04.79	5,000,000 of ordinary shares 1,000,000 of preference shares	2,000,000 of ordinary shares 550,000 of preference shares	100.00	Shipping services
Subsidiaries of HTSabah					
HTSarawak	23.12.75	3,000,000	3,000,000	100.00	Marketing, sales, warehousing and distribution of consumer, engineering, building and agricultural chemical products, and operation of shipping and travel agencies
HTravel	10.08.90	250,000	200,000	60.00	Travel agent

10. **INFORMATION ON THE HHM GROUP (Cont'd)**

Name	Date of incorporation	Authorised share capital RM	Issued and paid-up share capital RM	Effective Interest %	Principal Activities
Subsidiaries of HTP					
JWSB	19.12.58	9,700,000 of ordinary shares 300,000 of preference shares	4,800,000 of ordinary shares 300,000 of preference shares	100.00	Investment holding
HCSB	1 1.08.73	2,000,000	990,002	100.00	Manufacturing and marketing of ceramic sanitaryware
KJPSB	16.06.97	100,000	2	100.00	Marketing, sales, warehousing and distribution of consumer products
WPM	04.12.61	250,000	190,020	100.00	Dormant
PFMSB	09.07.97	100,000	2	100.00	Dormant
Associated company of HTSabah					
ALE	12.10.92	100,000 of Class A ordinary shares 100,000 of Class B ordinary shares	75,000 of Class A ordinary shares 75,000 of Class B ordinary shares	50.00	Cargo transportation and freight forwarder
Associated companies of HTP					
PKSB	01.06.71	250,000	150,000	49.00	Dormant
HLogistics	03.12.73	400,000	150,000	30.00	Marketing, sales, warehousing and distribution of chemicals and building materials, and shipping agents
HTravel	10.08.90	250,000	200,000	40.00	Travel agent
Subsidiary of HLogistics					
EFSP	29.08.95	100,000	50,000	30.00	Freight services

10. INFORMATION ON THE HHM GROUP (Cont'd)

The current structure of the HHM Group is as follows:-



10.7 Directors, Management and Employees

(i) Brief Profile of the Board of Directors of HHM

Pandjijono Adjianto @ Tan Hong Phang, aged 46, is the Chairman of HHM. He was appointed to the Board of Directors on 21 March 1990 and appointed as Chairman of HHM on 16 July 1999. He obtained a Bachelor of Science Degree in Metallurgy from the University of Newcastle, United Kingdom in 1977. After graduation, he started his career in the BumiRaya Utama Group in Singapore in 1978. Presently, he heads the overseas operations of the BumiRaya Utama Group encompassing trading, marketing, shipping and thermosetting adhesive plant and property investment. Further information on the BumiRaya Utama Group is set out in Section 10.7(v) of this Prospectus. In addition to being a Director of HTP, HTSabah and HTSarawak, he also holds directorships in several private limited companies.

Chan Poh Kim, aged 41, is the Group Managing Director of HHM. He was appointed a Director of HHM on 21 March 1990 before being appointed Executive Director on 10 November 1993. He is responsible for the Group operations, including HTP, HTSabah and HTSarawak on whose boards he is also a member. He obtained a Bachelor of Science (Honours) Degree specialising in Transportation Engineering from Aston University in Birmingham, United Kingdom in 1982. He started his career in the transport planning unit of Singapore Bus Service Ltd. in 1982 before joining the Bumi Raya Utama Group in Singapore in 1983, and then in Hong Kong in 1986. In 1988, he took charge of BumiRaya Utama Group's operations in Malaysia and is also actively involved in the BumiRaya Utama Group's businesses in Indo-China and New Zealand. Besides his directorships in the Group, he also holds directorships in several private limited companies.

Dr. Lim Soon Tham, aged 46, is a Director of HHM. He was appointed a Director of the Company on 21 March 1990. He obtained a Bachelor Degree (First Class Honours) in Chemical Engineering in 1977 from the University of Newcastle-upon-Tyne, United Kingdom, where he successfully pursued his Doctor of Philosophy in 1981. He is a Chartered Engineer of the Engineering Council of the United Kingdom. He has worked as a research associate, a post-doctoral post, with the University of Newcastle-upon-Tyne on a project sponsored by the Imperial Chemical Industries Plc. Research Centre in Runcorn, England from 1981 to 1982. In 1983, he joined his present employer, the Bumi Raya Utama Group, as Head of its Chemicals Division in Singapore. He is also a Director of HHM's wholly-owned subsidiaries, HTP, HTSabah and HTSarawak. In addition, he holds directorships in several private limited companies.

Mariana Adjanto @ Tan Phwe Leng, aged 40, is a Director of HHM. She was appointed a Director of HHM on 2 September 1993. She holds a Bachelor of Science (Honours) Degree from the University of Aston in Birmingham, United Kingdom, majoring in Pharmacy. Upon graduation in 1981, she worked in various British hospitals and later worked in Cold Storage Pte. Ltd from 1982 to 1984. She joined the Bumi Raya Utama Group in Singapore in 1984 and later in Hong Kong in 1986. She has in-depth management experience in the distribution and retail sector, which was accumulated through her years with Cold Storage Pte. Ltd.

Mohamed Nizam bin Tun Abdul Razak, aged 40, is a Director of HHM. He was appointed a Director of HHM on 15 February 1994. He graduated with a Bachelor of Arts (Hons) degree in Politics, Philosophy and Economics from Oxford University, United Kingdom in 1980. In January 1981, he joined Bumiputera Merchant Bankers Berhad where he rose to the position of Manager in Corporate Finance Department before leaving to join GP Securities Sdn. Bhd. (now known as PB Securities Sdn. Bhd.) as General Manager in July 1984. In 1985, he obtained his dealer representative licence and membership of the KLSE and was appointed a Director of PB Securities Sdn. Bhd. in November during that year. From 1991 to 1998, he was the Executive Director of PB Securities Sdn. Bhd.. He sits on the boards of Mamee Double Decker (M) Berhad, Sunway Building Technology Berhad, PK Resources Berhad and Delloyd Ventures Berhad. In addition, he holds directorships in several private limited companies and is also a trustee on the boards of Noah Foundation and Hong Leong Foundation, both of which are charitable organisations.

Wong Yoke Kong, aged 45, is a Director of HHM. He was appointed as a Director of HHM on 15 February 1994. He obtained a Bachelor of Arts (Law) degree from Manchester Polytechnic, United Kingdom in 1977 and was admitted as a barrister by the Honourable Society of Gray's Inn, London in 1978. He is an advocate and solicitor by profession and began his career in 1979 as a legal assistant at Messrs. Sidek Sulaiman Sya. In 1982, he left to become a founder partner of Messrs. Nazri Aziz & Wong, a Kuala Lumpur-based law firm, where he has gained seventeen (17) years of experience. He also sits on the boards of several private limited companies.

Foo Chow Luh, aged 43, is a Director of HHM. He was appointed as a Director of HHM on 21 June 1999. He graduated with a Bachelor of Science (Hons) degree in Quantity Surveying from the University of Reading, United Kingdom in 1981. In 1983, he qualified as a Registered Quantity Surveyor with the Board of Quantity Surveyors Malaysia and was admitted as a member of the Institution of Surveyors Malaysia in 1984. He is a Chartered Quantity Surveyor of The Royal Institution of Chartered Surveyors of United Kingdom. He began his career as a Senior Quantity Surveyor at Baharuddin Ali & Low Sdn. Bhd., a quantity surveying consultant firm in 1981 where he is now the Director of the company. He is also a Director of several private limited companies.

(ii) **Brief profile of the Senior Management of the HHM Group**

Lim Hong Chin, aged 44, obtained a Bachelor of Arts (Honours) Degree in Economics from the University of Warwick, England in 1979. After graduation, he joined HTSarawak in November 1979 as a sales executive at the Kuching branch. Thereafter, he was promoted to the positions of Branch Manager for Miri and later Sibul (serving from 1982 to 1983), Sales Manager for Sarawak (from 1983- 1987) and Manager of the Marketing Division (from 1987 to 1990), the latter two positions being with HTSabah. He was appointed General Manager of HTSarawak on 1 October 1990. He has vast experience in the sale, marketing, and distribution of fast moving consumer goods. He is also actively involved in business development, strategy formulation and development, deployment, motivation and control of staff. In addition, he is a key member of a selected senior team involved in identifying new business opportunities, including pitching for new principal accounts. He currently holds the position of Chief Operating Officer of HHM, and is a Director of HTSarawak, HTSabah, HTP and a number of HHM subsidiaries.

Lee Hua Chiong, aged 48, is an alternate Director to Mr. Chan Poh Kim in HTSarawak. He is a Fellow of the Association of Chartered Certified Accountants (UK) and a Member of the Malaysian Institute of Accountants. Prior to joining HTSarawak in 1988, he served as an Audit Assistant with an accounting firm and later as an Auditor with the office of the Auditor General of Malaysia from 1975 to 1981. In 1982, he joined B&J Equipment Sdn. Bhd. as its Financial Controller before leaving in 1985 to join Hume Industries (Sarawak) Sdn. Bhd. as its Regional Accountant. His current position as Finance Manager and Company Secretary of HTSarawak requires him to be responsible for the full management of HTSarawak with particular emphasis on improving information and control systems in the key areas of computerisation, treasury management, credit control, stock control, taxation, company secretarial matters and general administration. He was appointed alternate Director to Mr. Chan Poh Kim in HTSarawak on 1 September 1995.

Matthew Sim Soon Hian, aged 43, graduated in 1980 with a Bachelor of Arts Honours Degree in Economics from North Staffordshire Polytechnic, Stoke-on-Trent, United Kingdom. He first joined HTSarawak on 8 December 1980 as a Sales Executive in charge of fast moving consumer goods and building materials at the Bintulu branch. In 1982, he was transferred to the Kuching branch to take charge of the fast moving consumer goods division. He assumed the greater responsibility of a total Sarawak area role for a number of agency lines in 1987. This role was formalised into a Product Group Manager position in January 1990, after which he was further promoted to his current position of Sales and Marketing Manager in November of the same year.

Yeoh Chin Hoe, aged 48, holds a Diploma in Business Studies (Scotland) from the Aberdeen College of Commerce in Scotland, United Kingdom and is a Fellow of the Association of Chartered Certified Accountants (United Kingdom), a Fellow of the Institute of Chartered Secretaries and Administrators (United Kingdom), and a Member of the Malaysian Institute of Accountants. He obtained a Master degree in Business Administration from Universiti Putra Malaysia in August 1997. He has been with HTP since 1980. He joined HTP as an internal auditor before being promoted to Deputy Chief Accountant and later Chief Accountant prior to his appointment as Director of Finance in August 1990. He was appointed as Managing Director of HTP in November 1997. He is now responsible for the overall company policies and operations, and cost control of HTP. He also sits on the boards of HCSB, WPM and JWBS, which are wholly-owned subsidiaries of HTP, as well as PKSB and HLogistics which are associated companies of HTP.

10. INFORMATION ON THE HHM GROUP (Cont'd)

Alan Soh Huat Bok, aged 57, obtained his Diploma in Marketing from the Institute of Marketing, United Kingdom in 1974. He has been with HTP for nearly twenty (20) years. He held the positions of Branch Manager, Product Development Manager, Credit Controller and Sales Manager prior to his current position as the General Manager as well as a Director of HCSB. His value to the HHM Group is reflected in the many agency lines he has secured throughout his career with HCSB. He was appointed Director of HCSB on 1 September 1987.

Clement Chang Kon Sang, aged 48, is a Fellow of the Institute of Chartered Accountants of England and Wales and a Registered Accountant of the Malaysian Institute of Accountants. He has served HTSabah since 1980 and has held the positions of Senior Accountant, Chief Accountant/Company Secretary and Director of Finance. His principal responsibility is the provision of accurate and meaningful information to branches and head office departmental managers and to control the corporate finance, assets and liabilities in a profitable manner. Amongst his main functions are accounting and internal control, credit control, finance and banking, audit and investigation, personnel management, taxation and corporate insurance. He currently holds the position of Managing Director and is also a Director of HTSabah, HTSarawak and a number of HHM subsidiaries.

Frederick Kong Fui Min, aged 48, graduated with a Higher National Diploma in Business Studies from the University of Southbank, United Kingdom in 1973. He has been with HTSabah for twenty (20) years and has held the positions of Trading Manager (Kota Kinabalu Branch) in 1985, and Product Group Manager (Marketing Division) in 1986. He assumed the post of Manager of the Marketing Division (Consumer Goods) in 1990, was promoted to Sales Director of HTSabah, as well as a Director of HTSabah on 1 November 1997.

Low Kong Choon, aged 40, obtained a Bachelor Degree in Economics from the University of Monash, Australia in 1983. He is a Fellow of the Australian Society of Certified Practising Accountants and a Member of the Malaysian Association of Certified Public Accountants, the Malaysian Institute of Accountants and the Institute of Chartered Secretaries and Administrators, United Kingdom. Upon graduation, he joined Hanafiah Raslan & Mohamed in 1983 where he gained audit exposure. He has also served as an Accountant in Talam Corporation Berhad (1985), Finance Director of I&P Securities Ltd. (1986), the Financial Controller of Bain & Co. Securities Ltd. in Hong Kong (1987) and later in Sydney (1989) as Senior Financial Accountant. In 1990, he joined the Bumi Raya Utama Group as Financial Controller of Jantoco Holdings Sdn. Bhd. and was appointed as Secretary of HHM in 1991. He is responsible for the HHM's secretarial and financial matters. He was appointed Director of HCSB on 22 December 1993 and is an Alternate Director to Mr. Lim Hong Chin in HTP. In addition, he is also a secretary in several private limited companies including those belonging to the Bumi Raya Utama Group.

Yap Hock Guan, aged 44, graduated with a Certificate in Administrative Management from the Institute of Administrative Management, United Kingdom in January 1986. He has been with the HHM Group for twenty (20) years. He joined HTP as an Executive in 1979 and held the position of Branch Shipping Manager at Port Klang while with HTP from 1985 to 1989, before joining HTSabah. He was promoted to the Group Shipping Manager on 1 December 1996, and a Director of PNSB as well as PSSB.

10. INFORMATION ON THE HHM GROUP (Cont'd)

(iii) Employees

The HHM Group presently has approximately 860 employees. The employees enjoy a cordial relationship with the management. Approximately 490 of the employees of the HHM Group are members of the following unions:-

Union	No. of employees
The National Union of Commercial Workers	40
The Sabah Commercial Employees Union	340
The Sarawak Commercial Employees Union	110
	<hr/>
	490

The group enjoys a harmonious relationship with the unions. There were no major disputes and strikes for the last ten (10) years. The union collective agreements (eg. negotiation for benefits and wages) are negotiated with the respective head of the unions once every three (3) years.

(iv) Family Relationship

Save as disclosed below, none of the Directors and senior management are related to each other:-

- (i) Pandjijono Adijanto @ Tan Hong Phang is the brother of Mariana Adijanto @ Tan Phwe Leng; and
- (ii) Chan Poh Kim is the husband of Mariana Adijanto @ Tan Phwe Leng.

(v) Brief profile of the Bumi Raya Utama Group

Bumi Raya Utama Group is not a legal entity but is a name used since 1950s to represent Pandjijono Adijanto and his family's business interests. The principal companies of the Bumi Raya Utama Group and their principal activities are as follows:-

Name of Company	Country of incorporation	Activity
Bumi Raya International Holding Co. Ltd.	Cayman Islands	Investment holding
P.T. Bank Bumi Raya Utama	Indonesia	Banking (Ceased operations)
P.T. Susel Prima Permai	Indonesia	Manufacture of glue
P.T. Adinaco Serasi	Indonesia	Manufacture of particle board
P.T. Kurnia Kapuas Utama Glue Industries	Indonesia	Manufacture of glue
P.T. Ketapang Indah Plywood Industri	Indonesia	Manufacture of plywood
P.T. Bumi Raya Utama Wood Industries	Indonesia	Logging
P.T. Kumia Jaya Raya Industries	Indonesia	Manufacture of melamine ware, phenolic film, gummed tape, etc.
P.T. Kumia Kapuas Plywood Industries	Indonesia	Manufacture of plywood
P.T. Tri Ekasari Kalimantan Plywood	Indonesia	Manufacture of plywood

10. INFORMATION ON THE HHM GROUP (Cont'd)

Name of Company	Country of incorporation	Activity
P.T. Prakarsa Tani Sejati	Indonesia	Operation of oil palm plantation and manufacturing of crude palm oil
P.T. Khatulistiwa Indah Wood Industri	Indonesia	Manufacture of particle board
Sarawak Clinker Sdn. Bhd.	Malaysia	Manufacture of clinker
Bumi Wama Indah Sdn. Bhd.	Malaysia	Development of hotel
Kiara Kristal Sdn. Bhd.	Malaysia	Manufacture of high pressure laminates
Swiss Gold Realty Sdn. Bhd.	Malaysia	Property investment
Tai Kuang Hang Co. Pte. Ltd.	Singapore	Shipping and trading

10.8 Working Capital, Borrowings, Capital Commitments and Contingent Liabilities

The Directors are of the opinion that barring any unforeseen circumstances and after taking into account the Group's cashflow forecast and the banking facilities available, the HHM Group will have adequate working capital for its present and foreseeable future requirements.

As at 18 August 1999, (being the last practicable date prior to the printing of this Prospectus), the total outstanding borrowings of the Group amounted to approximately RM43,871,000 comprising borrowings of RM38,202,000 which is repayable within 12 months and RM5,669,000 which is repayable after 12 months.

Capital commitments outstanding of the Group as at 18 August 1999 which were authorised but not contracted for amounted to approximately RM261,000 mainly in respect of upgrading on computer systems to cater for business expansion in Peninsular Malaysia and for office repairs and purchases of equipment in East Malaysia.

Save as disclosed above and in the Accountants' Report as set out herein, the Group does not have any borrowings, material contingent liabilities, loan capital outstanding or created but not issued nor mortgages or charges outstanding.

10.9 Description of Landed Properties

Registered owner	Location	Existing use	Tenure of land	Land area (square metres)	Built-up area/ approx. age of building (square metres)	Net book value as at 28.02.99 RM'000
JWSB	Lot No. L.O. PJ 52/66, Section 20A, Town of Petaling Jaya, District of Petaling, Selangor Darul Ehsan	Single office building and single-storey godown	99 years lease expiring on 09.06.2065	6,324.00	2688.90/ 33 years	3,116
HTP	Lot Nos 3002 & 3003, Section 4, Town of Butterworth, Province Wellesley (North) Penang	2 adjoining units of four storey shophouses	Freehold	221.00	862.001 10 years	761

10. INFORMATION ON THE HHM GROUJP (Cont'd)

Registered owner	Location	Existing use	Tenure of land	Land area (square metres)	Built-up area/ approx. age of building (square metres)	Net book value as at 28.02.99 RM'000
HTP	Lot PTD 19965, Mukim of Pulau, District of Johor Bahru, Johor Darul Takzim	Three storey corner shophouses	99 years lease expiring on 29.03.2082	244.24	637.00/ 17 years	182
HTP	Lot No. PT. 4163, Mukim of Kapar, District of Klang, Selangor Darul Ehsan	2 storey office block with a single storey warehouse	99 years lease expiring on 09.06.2086	6,066.80	3,042.00/ 14 years	1,646
HTP	No. 9, Jalan 222, Town of Petalrnng Jaya, District of Petaling, Selangor Darul Ehsan	Car park	99 years lease expmng on 09.06.2065	74.88		11
HCSB	Lot 5626, Mukim of Gurun, District of Kuala Muda, Kedah Darul Aman	Single storey factory cum office	Freehold	7,478.80	3,662.00/ 17 years	761
HTSarawak	Lot 16 Section 22 Kuching Town Land District	2 storey office block with 2 adjoining warehouse	853 years lease expiring on 31.12.2790	5,666.00	2,084.31/ 19 years	1,236
HTSabah	Kota Kinabalu Town Lease No. 017503856	3 storey office building	999 years lease expiring on 23.04.2910	929.00	2,092.45/ 47 years	4,211
HTSabah	Kota Kinabalu Town Lease No. 017511661	2 storey office building	99 years lease expiring on 26.02.2060	445.92	463.771/ 37 years	1,075
HTSabah	Likas Industrial Estate, Kota Kinabalu Country Lease No. 015358871	2 storey godown	60 years lease expiring on 31.12.2028	3,685.46	2,498.99/ 20 years	934
HTSabah	Jalan Istana Town Lease No. 017964260 and 017503141	2 storey bungalow	999 years lease expiring on 12.07.2909 for Lease No 0 17964260 99 years lease expiring on 22.07.2053 for Lease no. 017503141	8,297.91	376.44/ 49 years	719
HTSabah	Sandakan Town Lease No. 077504182	3 storey office building	999 years lease expiring on 18.02.2915	925.40	1,309.37/ 47 years	2,706
HTSabah	Sandakan Town Lease No. 077544220	Single storey godown	999 years lease expmng on 30.06.291 1	5,989 35	2,090.32/ 20 years	1,398
HTSabah	Tawau Town Lease No 10750452 1	2 storey office building cum car showroom	99 years lease expmng on 06.04.2054	929.00	1,039.00/ 20 years	1,426

10. INFORMATION ON THE HHM GROUP (Cont'd)

Registered owner	Location	Existing use	Tenure of land	Land area (square metres)	Built-up area/ approx. age of building (square metres)	Net book value as at 28.02.99 RM'000
HTSabah	Lahad Datu Sublease of Premises on Town Lease No. 117503492	2 storey semi detached warehouse cum office	20 years lease expiring on 31.12.1999	1,040.48	1,099.69/ 17 years	36
HTSabah	Jalan Merdeka, Labuan, Grant No. 207503857	2 storey office building with a godown	99 years lease expiring on 30.06.2901	2,136.77	738.201 47 years	1,826
HTSabah	Jalan Merdeka, Labuan, Grant No. 207503866	Temporary open space storage	99 years lease expiring 27.02.2051	3,530.32		2,199
HTSabah	Kinarut, Sabah Lease No. 025320487, 025320496, 025320763, 025320772	Vacant	99 years lease expiring on 21.12.2073 for Lease No. 025320487 & 025320496 99 years lease expiring on 31.12.2081 for Lease No. 025320763 & 025320772	1,290.20		66
						<u>24,309</u>

Note:-

The landed properties of the HHM Group have not been revalued to reflect their respective open market values.

11. INFORMATION ON SUBSIDIARIES

11.1 HTSabah

11.1.1 History and Business

HTSabah is a wholly-owned subsidiary of HHM from 9 September 1990. HTSabah was incorporated in Malaysia as a limited company on 25 March 19 18 as **Harrisons & Crosfield** (Borneo) Ltd., a wholly-owned subsidiary of Harrisons & Crosfield Plc., a company incorporated in the United Kingdom and has since developed from a traditional import trading house into a marketing and distribution organisation dedicated to achieving substantial competitive advantages for all its products and services. HTSabah assumed its present name on 3 September 1991.

The principal activities of HTSabah comprise marketing, sales, warehousing and distribution of consumer, engineering, building and agricultural chemical products, operation of shipping and travel agencies and provision of management services.

HTSabah has approximately 400 employees.

11.1.2 Share Capital

Its present authorised and issued and fully paid-up share capital are as follows:-

Type	No. of shares	Par value RM	Total share capital RM
Authorised:-			
Ordinary Shares	150,000	100.00	15,000,000
6% Cumulative Redeemable Preference Shares	9,000,000	1.00	9,000,000
Issued and paid-up:-			
Ordinary Shares	129,000	100.00	12,900,000

Changes in the issued and paid-up share capital of HTSabah since its incorporation are as follows:-

Date of allotment	No. of shares allotted/ (redeemed)	Par value RM	Consideration	Total issued and paid-up share capital RM
Ordinary Shares				
Prior to 1975	20,000	100.00	Subscribers' shares and cash	2,000,000
16.07.75	20,000	100.00	Bonus issue of 1 for 1	4,000,000
28.12.90	89,000	100.00	Bonus issue of approximately 2.2 for	12,900,000
6% Cumulative Redeemable Preference Shares				
11.10.90	8,900,000	1.00	Capitalisation of revaluation reserve by bonus issue	8,900,000
13.10.90	(8,900,000)	1.00	Redeemed in cash	

11. INFORMATION ON SUBSIDIARIES (Cont'd)

11.1.3 Profit and Dividends Records

The following is a summary of the audited results of HTSabah for the past five (5) financial years ended 31 December 1994 to 1998 and the two (2) months ended 28 February 1999:-

	Year ended 31 December-----					2 months ended
	1994	1995	1996	1997	1998	28.02.1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	186,520	221,990	242,859	261,748	249,977	36,476
Profit before taxation	7,637	9,581	9,709	12,963	17,158	1,092
Taxation	(2,586)	(3,014)	(3,236)	(3,790)	(3,816)	(165)
Profit after taxation	5,051	6,567	6,473	9,173	13,342	927
No. of ordinary shares of RM 100.00 each in issue ('000)	129	129	129	129	129	129
Net EPS (RM)	39.16	50.91	50.18	71.11	103.43	43.12*
Gross dividend rate (%)				34.88	143.19	

Notes:-

- (i) **The results of HTSabah and its wholly-owned subsidiaries are not consolidated as HTSabah is wholly-owned by HHM. Consolidation is done at HHM level.**
- (ii) **The increase in profit after taxation for financial year ended 31 December 1995 was due to increase in turnover of existing products and the securing of new agencies such as Reckitt & Colman, Shieldtox, Gillette, Parker and Waterman.**
- (iii) **The decrease in profit after taxation for financial year ended 31 December 1996 was due to higher interests on bank borrowings, provision on doubtful debts and high loan documentation fees.**
- (iv) **The increase in profit after taxation for financial year ended 31 December 1997 was mainly due to higher dividends from a subsidiary and higher turnover.**
- (v) **Profits before taxation for the financial year ended 31 December 1998 includes gain on sale of land of RM4.8 million. The lower trading sales during the economic downturn was partially offset by profits from selling stocks bought before price increases but shipping commission declined as cargo volumes dipped.**
- (vi) **The decrease in profit before taxation for the two months ended 28 February 1999 compared to the corresponding period in the previous year is due mainly to the stock-out problem caused**

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due to its Year 200
- (vii)

11. INFORMATION ON SUBSIDIARIES (*Cont'd*)

11.1.4 Subsidiaries and Associated Company

As at the date hereof, the subsidiaries and associated company of HTSabah, all of which are incorporated in Malaysia, are as follows:-

Name	Date of incorporation	Authorised share capital RM	Issued and paid-up capital RM	Effective Interest %	Principal Activities
Subsidiaries					
HTSarawak	23.12.75	3,000,000	3,000,000	100.00	Marketing, sales, warehousing and distribution of consumer, engineering, building and agricultural chemical products, and the operation of shipping and travel agencies
HTravel	10.08.90	250,000	200,000	60.00	Travel agent
Associated company					
ALE	12.10.92	100,000 of Class A ordinary shares	75,000 of Class A ordinary shares	50.00	Cargo transportation and freight forwarder
		100,000 of Class B ordinary shares	75,000 of Class B ordinary shares		

11.2 HTSarawak

11.2.1 History and Business

HTSarawak is a wholly-owned subsidiary of HTSabah and was incorporated as a private limited company in Malaysia on 23 December 1975 under the name **Harrisons & Crosfield (Sarawak) Sdn. Bhd.**. It assumed its present name on 3 September 1991. Prior to its incorporation, HTSarawak operated for some twenty (20) years in Sarawak as a branch of HTSabah. Following its incorporation, HTSarawak became a separate management and profit centre but remains a wholly-owned subsidiary of HTSabah.

The principal activities of HTSarawak consist of marketing, sales, warehousing and distribution of consumer, engineering, building and agricultural chemical products, and the operation of shipping and travel agencies.

HTSarawak has approximately 220 employees.

11. INFORMATION ON SUBSIDIARIES (Cont'd)

11.2.2 Share Capital

Its present authorised and issued and fully paid-up share capital are as follows:-

Type	No. of ordinary shares	Par value RM	Total share capital RM
Authorised	3,000,000	1.00	3,000,000
Issued and paid-up	3,000,000	1.00	3,000,000

Changes in the issued and paid-up share capital of HTSarawak since its incorporation are as follows:-

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration	Total issued and paid-up share capital KM
23.12.75	2	Subscribers' shares	2
20.03.76	1,499,998	Issued for acquisition of Sarawak operations including fixed and current assets except debtors of HTSabah in Sarawak as at 01.01.76	1,500,000
27.12.80	1,500,000	Cash	3,000,000

11.2.3 Profit and Dividend Records

The following is a summary of the audited results of HTSarawak for the past five (5) financial years ended 31 December 1994 to 1998 and the two (2) months ended 28 February 1999:-

	-----Year ended 31 December-----					2 months
	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	ended 28.02. 1999 RM'000
Turnover	73,563	84,811	85,810	94,008	85,579	13,239
Profit before taxation	2,432	3,303	3,701	3,902	3,184	462
Taxation	(740)	(991)	(1,125)	(1,098)	(894)	
Profit after taxation	1,692	2,312	2,576	2,804	2,290	462
No. of ordinary shares of RM 1.00 each in issue ('000)	3,000	3,000	3,000	3,000	3,000	3,000
Net EPS (sen)	56.40	77.07	85.87	93.47	76.33	92.40*
Gross dividend rate (%)	76.19	57.15	49.73	105.38	166.00	5.12

Notes:-

- (i) The increase in profit before taxation for **the financial** year ended 31 December 1995 was due to increase in turnover of existing products and the securing of new agencies such as Reckitt & Colman, Shieldtox, Gillette, Parker and Waterman.
- (ii) The increase in profit before taxation for **the financial** year ended 31 December 1996 was due to increase in turnover of existing **products** and strong **performance** in the travel and shipping departments.

11. INFORMATION ON SUBSIDIARIES (Cont'd)

- (iii) *The increase in profit before taxation for the financial year ended 31 December 1997 was due to higher trading turnover and continued growth of travel and shipping revenues.*
- (iv) *The decline in profit before tax for the financial year ended 31 December 1998 was attributed to the downturn generally affecting the economy.*
- (v) *The decrease in profit before taxation for the two months ended 28 February 1999 compared to the corresponding period in the previous year is due to exceptionally high profit margin generated in the first two months of 1998 caused by stock-ups in earlier months on products for which prices increased subsequently.*
- (vi) *There were no extraordinary/exceptional items in respect of the financial years and period under review.*
- * *Annualised.*

11.2.4 Subsidiary and Associated Company

As at the date hereof, HTSarawak does not have any subsidiary or associated company.

11.3 HTravel

11.3.1 History and Business

HTravel was incorporated in Malaysia under the Companies Act, 1965 on 10 August 1990. HTravel is a 60% owned subsidiary of HTSabah with offices in Kota Kinabalu, Labuan and Tawau acting as travel ticketing agents and selling tours on an appointed agent basis. The company is an International Air Transport Agent (IATA) and a member of Bank Settlement Plan (BSP). The balance of 40% equity interest is owned by HTP.

The principal activity of HTravel is in the operation of a travel agency.

HTravel has approximately 10 employees.

11.3.2 Share Capital

Its present authorised and issued and fully paid-up share capital are as follows:-

Type	No. of ordinary shares	Par value RM	Total share capital RM
Authorised	250,000	1.00	250,000
Issued and paid-up	200,000	1.00	200,000

Changes in the issued and fully paid-up share capital of HTravel since its incorporation are as follows:-

Date of Allotment	No. of ordinary shares of RM1.00 each allotted	Consideration	Total issued and paid-up share capital RM
10.08.90	2	Subscribers' shares	2
08.10.90	99,998	Cash	100,000
03.05.93	100,000	Cash	200,000

11. INFORMATION ON SUBSIDIARIES (Cont'd)

11.33 Profit and Dividends Records

The following is a summary of the audited results of HTravel for the past five (5) financial years ended 31 December 1994 to 1998 and the two (2) months ended 28 February 1999:-

	-----Year ended 31 December-----					2 months
	1994	1995	1996	1997	1998	ended 28.02. 1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	518	608	658	668	553	71
Profit/(loss) before taxation	100	119	126	105	(15)	(9)
Taxation	(36)	(40)	(47)	(36)	(25)	
Profit/(loss) after taxation	64	79	79	69	(40)	(9)
No. of ordinary shares of RM 1.00 each in issue ('000)	200	200	200	200	200	200
Net earnings/(loss) per share (sen)	32.00	39.50	39.50	34.50	(20.00)	(27.00)*
Gross dividend rate (%)						

Notes:-

- (i) The increase in profit before taxation for the financial year ended 31 December 1995 was a result of new business mainly from organising incentives tours for corporate customers.
 - (ii) The increase in turnover and profit before taxation for the financial year ended 31 December 1996 was mainly due to the growing business in airline ticketing and group tours.
 - (iii) The increase in turnover but a decrease in profit before taxation for the financial year ended 31 December 1997 was due to provision of doubtful debts.
 - (iv) The decrease in turnover and loss before taxation for the financial year ended 31 December 1998 was due to the travel industry being affected by the economic downturn compounded with a higher bad debts provision.
 - (v) The decrease in turnover and increase in loss before taxation for the two months ended 28 February 1999 compared to the corresponding period in the previous year is due to a further consolidation in the Malaysian economy.
 - (vi) There were no extraordinary/exceptional items in respect of the financial years and period under review.
- * Annualised.

11.34 Subsidiary and Associated Company

As at the date hereof, HTravel does not have any subsidiary or associated company.

11. INFORMATION ON SUBSIDIARIES (Cont'd)

11.4 HTP**11.4.1 History and Business**

HTP is a wholly-owned subsidiary of HHM and was incorporated as a private limited company in Malaysia on 5 December 1958 under the name Harrison & Crosfield (Federation of Malaya) Limited. It assumed its present name on 3 September 1991.

The principal activities of the company consist of marketing, sales, warehousing and distribution of building materials, industrial and agricultural chemical products and the operation of shipping agencies.

HTP has approximately 120 employees.

11.4.2 Share Capital

Its present authorised and issued and fully paid-up share capital are as follows:-

Type	No. of shares	Par value RM	Total share capital RM
Authorised:-			
Ordinary Shares	26,200,000	1.00	26,200,000
6% Cumulative Redeemable Preference Shares	16,200,000	1.00	16,200,000
Issued and paid-up:-			
Ordinary Shares	26,200,000	1.00	26,200,000

Changes in the issued and fully paid-up share capital of HTP since its incorporation are as follows:-

Date of allotment	No. of shares allotted/ (redeemed)	Consideration	Total issued and paid-up share capital RM
Ordinary Shares			
05.12.58	500	Subscribers' shares	500
05.12.58	2,499,500	Issued pursuant to the take-over of the business of Harrison & Crosfield (Federation of Malaya) Limited	2,500,000
10.09.74	7,500,000	Bonus Issue of 3 for 1	10,000,000
28.12.90	16,200,000	Bonus Issue of approximately one point six (1.6) new ordinary shares of RM 1.00 each for every one (1) existing ordinary share held	26,200,000
6% Cumulative Redeemable Preference Shares			
11.10.90	16,200,000	Bonus Issue	16,200,000
13.10.90	(16,200,000)	Redeemed out of retained earnings	

11. INFORMATION ON SUBSIDIARIES (Cont'd)

11.4.3 Profit and Dividend Records

The following is a summary of the audited results of HTP for the past five (5) financial years ended 31 December 1994 to 1998 and the two (2) months ended 28 February 1999:-

	Year ended 31 December					2 months ended 28.02. 1999
	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	RM'000
Turnover	143,956	140,684	147,609	186,969	155,383	17,478
Profit before taxation	2,014	3,740	4,294	5,888	4,979	71
Taxation	(703)	(1,409)	(1,340)	(1,658)	(1,189)	
Profit after taxation	1,311	2,331	2,954	4,230	3,790	71
Extraordinary items	(366)			-	-	
Profit after taxation and extraordinary items	945	2,331	2,954	4,230	3,790	71
No. of ordinary shares of RM1.00 each in issue ('000)	26,200	26,200	26,200	26,200	26,200	26,200
Net EPS (sen)	5.00	8.90	11.27	16.15	14.47	1.63*
Gross dividend rate (%)					14.84	

Notes:-

- (i) The results of HTP and its wholly-owned subsidiaries are not consolidated as HTP is wholly-owned by HHM. Consolidation is done at HHM level.
- (ii) The extraordinary items for the financial year ended 31 December 1994 were in respect of provision for diminution in value of investment in an associated company and amount due from an associated company.
- (iii) The increase in profit before taxation for the financial year ended 31 December 1995 was mainly due to increase in turnover of existing products sold, efficient control of cost and the securing of a new agency, Hextar.
- (iv) The increase in profit before taxation for the financial year ended 31 December 1996 was mainly attributable to the increase in sales in building materials particularly cement and steel bar.
- (v) The increase in turnover and profit before taxation for the financial year ended 31 December 1997 was mainly due to higher sales in building materials and savings attributable to the retirement of two Directors in 1997.
- (vi) The decrease in turnover and profit before taxation for the financial year ended 31 December 1998 was mainly due to lower sales in building materials particularly cement and steel bars.
- (vii) The decrease in turnover and profit before taxation for the two months ended 28 February 1999 compared to the corresponding period in the previous year is due mainly to a further consolidation in the construction industry.
- (viii) There was no exceptional item in respect of the financial years and period under review.

* Annualised.

11. INFORMATION ON SUBSIDIARIES (Cont'd)

11.4.4 Subsidiaries and Associated Companies

As at the date hereof, the subsidiaries and associated companies of HTP, all of which are incorporated in Malaysia, are as follows:-

Name	Date of incorporation	Authorised share capital KM	Issued and paid-up capital RM	Effective Interest %	Principal Activities
Subsidiaries					
JWSB	19.12.58	9,700,000 of ordinary shares 300,000 of preference shares	4,800,000 of ordinary shares 300,000 of preference shares	100.00	Investment holding
HCSB	11.08.73	2,000,000	990,002	100.00	Manufacturing and marketing of ceramic sanitaryware
KJPSB	16.06.97	100,000	2	100.00	Marketing, sales, warehousing and distribution of consumer products
WPM	04.12.61	250,000	190,020	100.00	Dormant
PFMSB	09.07.97	100,000	2	100.00	Dormant
Associated companies					
PKSB	01.06.71	250,000	150,000	49.00	Dormant
HLogistics	03.12.73	400,000	15 0,000	30.00	Marketing, sales, warehousing and distribution of chemicals and building materials and shipping agents
HTravel	10.08.90	250,000	200,000	40.00	Travel agent
EFSP	29.08.95	100,000	50,000	30.00	Freight services

11.5 JWSB**11.5.1 History and business**

JWSB is a wholly-owned subsidiary of HTP. JWSB was incorporated in Malaysia on 19 December 1958.

The principal activity of the company is investment holding. JWSB owns a piece of land and building in Petaling Jaya, Selangor Darul Ehsan with a land area and built-up area of the building measuring 6,324 square metres and 3,246 square metres respectively. The land and building is leased to its holding company, HTP, for use as headquarters.

JWSB has no employees.