

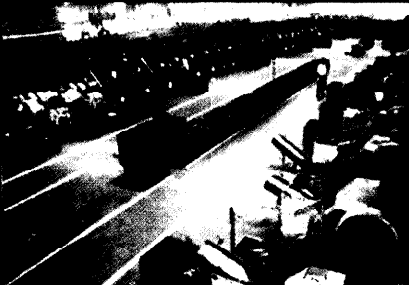
P R O S P E C T U S

TRE

TONG HERR RESOURCES BERHAD

(Company No: 432139-W)

(Incorporated in Malaysia under the Companies Act, 1965)



PUBLIC ISSUE

OF 20,000,000 NEW ORDINARY SHARES

OF RM1.00 EACH

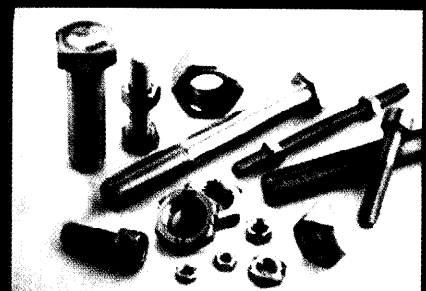
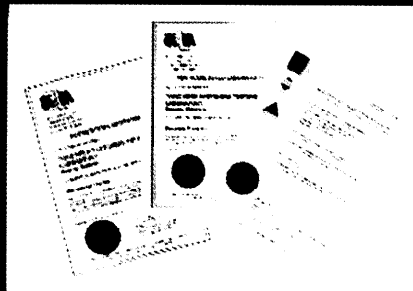
AND

OFFER FOR SALE

OF 16,090,000 ORDINARY SHARES

OF RM1.00 EACH AT RM1.60 PER ORDINARY SHARE

PAYABLE IN FULL ON APPLICATION



Adviser & Managing Underwriter



Arab-Malaysian Merchant Bank Berhad

(23742A) (Licensed Merchant Bank)

(A Member of the Arab-Malaysian Banking Group)

THIS PROSPECTUS IS DATED 23 SEPTEMBER 1999

THE APPROVAL OF THE SECURITIES COMMISSION (“SC”) SHALL NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE INITIAL PUBLIC OFFERING OF 36090,000 ORDINARY SHARES OF RM1.00 EACH RESPECTIVELY IN TONG HERR RESOURCES BERHAD (“THR”) AT AN IPO PRICE OF RM1.60 PER ORDINARY SHARE. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INITIAL PUBLIC OFFERING.

THE ISSUE PRICE OF RM1.60 PER ORDINARY SHARE WAS ENTIRELY DETERMINED AND AGREED UPON BY THR, THE OFFERORS AND ARAB-MALAYSIAN MERCHANT BANK BERHAD AS THE ADVISER AND MANAGING UNDERWRITER BASED ON VARIOUS FACTORS. INVESTORS SHOULD FORM THEIR OWN VIEWS ON THE VALUATION OF THE SECURITIES AND THE REASONABLENESS OF THE BASES USED.

A COPY OF THIS PROSPECTUS HAS BEEN LODGED WITH AND REGISTERED BY THE REGISTRAR OF COMPANIES, MALAYSIA WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

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

DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Prospectus:-

A2LA	— American Association for Laboratory Accreditation
Acquisition or Acquisition of THF	— Acquisition of the entire issued and paid-up share capital of THF comprising 29,100,000 Shares for a purchase consideration of RM62,866,685 based on the audited NTA of THF as at 31 December 1998 satisfied by the issuance of 55,146,215 new Shares in THR at an issue price of RM 1.14 per Share which was completed on 20 July 1999
ADA	— Authorised Depository Agent
ADA Code	— ADA (Broker) Code
Application	— Refers to application for the IPO Shares by way of Application Forms or by way of Electronic Share Application
Application Form	— Application for IPO Shares by way of a printed Application Form
Arab-Malaysian	— Arab-Malaysian Merchant Bank Berhad
ASI	— All Star International Holdings Limited
ATM	— Automated Teller Machine
BSW	— British Standards Institution
CDS	— Central Depository System
Consolidation of Interest	Consolidation of interest of 40,080,000 Shares by the Offerors of their respective shareholdings in THR to ASI which was completed on 17 September 1999
DIN	— Deutsches Institut Tur Not-mung
Electronic Share Application	— Application for IPO Shares through a Participating Financial Institution's ATM
EPS	— Earnings Per Share
EU	— European Union
FIC	Foreign Investment Committee
GDP	— Gross Domestic Product
Initial Public Offering or IPO	— Public Issue and Offer for Sale collectively
IPO Shares	— Public Issue Shares and Offer for Sale Shares collectively
ISO	International Standard Association
JIS	Japan Industrial Standard
KLSE	Kuala Lumpur Stock Exchange

DEFINITIONS.. . cont'd

m²	— Square metres
MCD or Central Depository	— Malaysian Central Depository Sdn Bhd
MI	— Minority Interest
MIH or Issuing House	— Malaysian Issuing House Sdn Bhd
Min Hwei	— Min Hwei Enterprise Co. Ltd
MITI	— Ministry of International Trade and Industry
MT	— Metric Tonne(s)
NT	— New Taiwan Dollar(s)
NTA	— Net Tangible Assets
NTL	— Net Tangible Liabilities
Offer for Sale or Offer	— Offer for Sale of 16,090,000 Shares in THR at an offer price of RM 1.60 per share by the Offerors to Bumiputra investors approved by MITI
Offer Shares	— The 16,090,000 Shares in THR which are the subject of the Offer for Sale
Offerors	— The offerors of the Offer Shares and the number of THR Shares Offered for Sale are as follows:-

Name	No. of Shares
Tsai Ching Tung	4,505,200
Tsai Ming Hsien	3,861,600
Tsai Ming Ti	2,896,200
Tsai Chen Su Kan	1,609,000
Tsai Lin Su Chin	1,609,000
Tsai Liao Chin-Yeh	1,609,000
TOTAL	16,090,000

Participating Financial Institution(s)	— Refers to the Participating Financial Institutions for Electronic Share Application as listed in paragraph (o) of Section 14.9 of this Prospectus
PAT	— Profit After Tax
PBT	— Profit Before Tax
PE Multiple	— Price Earnings Multiple
Proposed Listing	— Proposed admission to the Official List and the listing of and quotation for the entire issued and paid-up share capital of THR of RM80,000,000 comprising 80,000,000 Shares on the Main Board of the KLSE

DEFINITIONS.. . cont'd

Public issue	— Public Issue of 20,000,000 new Shares in THR at an issue price of RM1.60 per share to Bumiputra investors approved by MITI, eligible employees and Directors of THR and the Malaysian public
Public Issue Shares	— The 20,000,000 Shares in THR which are the subject of the Public Issue
Rights Issue	— Rights Issue of 4,853,783 new Shares in THR at par on the basis of approximately one(1) new Share for every eleven(11) Shares held after the Acquisition of THF
RM and sen	— Ringgit Malaysia and sen respectively
SC	Securities Commission
Shares	— Ordinary shares of RM 1 .00 each
THR or Company	— Tong Herr Resources Berhad
THF	— Tong Heer Fasteners Co. Sdn Bhd
THR Group or Group	— THR and its subsidiary company, THF
Tong Hwei	— Tong Hwei Enterprise Co. Ltd
Tong Min	— Tong Min Enterprise (Jiaxing) Co. Ltd
Tong Jou	— Tong Jou Enterprise Co. Ltd
Tsai brothers	Tsai Ching Tung, Tsai Ming Hsien and Tsai Ming Ti collectively
USD	United States Dollar(s)

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TONG HERR RESOURCES **BERHAD**

(Company No. 432 139-W)

(Incorporated in Malaysia under the Companies Act, 1965)

1. SUMMARY

The information set out below is derived from, and should be read in conjunction with, the full text of this Prospectus.

1.1 History and Principal Activities

THR was incorporated in Malaysia under the Companies Act, 1965 on 20 May 1997 as a private limited company. Subsequently, it was converted to a public limited company on 29 September 1997. THR's wholly-owned subsidiary is THF which was founded by the Tsai brothers and incorporated in Malaysia under the Companies Act, 1965 on 11 October, 1988.

The Group is principally involved in the manufacturing of stainless steel fasteners including nuts, bolts and screws. Approximately 97.5% of its products are exported overseas particularly to Europe and Japan. These countries have a higher demand for stainless steel fasteners which are used primarily for the production of industrial machinery, construction and infrastructure industry and marine engineering/shipbuilding. THF's fasteners are widely used in the aforementioned industries and its products can even be seen in landmarks such as the Kuala Lumpur International Airport. Approximately 2.5% of the Group's products are sold locally where carbon steel fasteners are more commonly used as opposed to stainless steel fasteners. According to a report by market research consultants Taylor Nelson Sofres Malaysia Sdn Bhd in June 1999, THF was ranked as the largest manufacturer and exporter of stainless steel fasteners in Malaysia. This survey also showed that THF as one of the largest stainless steel nut producers in the world.

The Tsai brothers namely Tsai Ching Tung, Tsai Ming Hsien and Tsai Ming Ti, have experience in the fastener industry dating from the 1970s. Building on their experience, the brothers decided to focus on the production of high-end fasteners by setting up Tong Hwei Enterprise Co. Ltd in Kaoshiung, Taiwan in 1978 primarily to produce stainless steel bolts and screws. In 1988, the Tsai brothers formulated plans to set up THF in Penang to produce stainless steel nuts.

The company commenced operations in 1990 at its factory in the Prai Industrial Estate, Penang. By 1991, THF had registered its first year of profits amounting to **RM45,881**. THF went on to achieve commendable growth with its turnover in 1998 of RM105.6 million more than quadrupling from RM22.6 million in 1990. In October 1992, THF obtained the internationally recognised ISO 9002 certification. Spurred by its success, a further investment of RM 18.7 million was made to include the manufacturing of stainless steel bolts and screws in 1994/1995.

1.2 Financial Records

The following table has been extracted from the Accountants' Report in Section 11 of this Prospectus and should be read in conjunction with the notes and assumptions thereto.

1. SUMMARY INFORMATION. . . cont 'd

A summary of the proforma consolidated audited results of the THR Group for the five(5) financial years ended 31 December 1994 to 1998 and the five(5) month period to 31 May 1999 has been prepared for illustrative purposes only based on the audited accounts of THR and THF and the assumption that the current structure of the Group has been in existence throughout the period under review:-

	31. 12. 1994	31. 12. 1995	31. 12. 1996	31. 12. 1997	31. 12. 1998	5 months ended 31. 5. 1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	49,579	96,739	82,024	104,508	105,593	39,545
PBT	8,314	12,052	9,500	10,826	14,176	6,639
Taxation	(2)	(85)	(630)	(1,175)	(2,232)	
PAT	8,312	11,967	8,870	9,651	1,944	6,639
No of Shares assumed to be in issue	55,146	55,146	55,146	55,146	55,146	55,146
Gross EPS (sen)	151	219	17.2	18.5	25.7	*28.9
Net EPS (sen)	151	217	16.1	16.4	21.7	*28.9
Tax exempt dividend rate (%)						

* Annualised

Notes: -

- i) There were no extraordinary items for all the years/period under review save as disclosed in Note (ii) below.
- ii) Included in the PBT for the financial year ended 31 December 1997 is a gain on disposal of land and building, net of real property gains tax amounting to approximately RM602,000, shown as an extraordinary item in the audited accounts of THF.
- iii) The disproportionate tax charge in relation to the results of the Group for the financial years 1994 to 1998 is mainly due to Pioneer Status granted by MITI as well as Malaysian Industrial Development Authority to THF.
- iv) The increase in 1995 turnover mainly resulted from the manufacture and sale of stainless steel bolts commencing September 1994. Turnover dropped in 1996 due to lower selling prices realised resulting from lower material cost. Turnover increased in 1997 mainly due to higher tonnage sold coupled with significant strengthening of USD vis-a-vis RM.
- v) The profit before tax increased from 1994 to 1995 mainly as a result of the increase in turnover. In 1996, the profit before tax declined in tandem with the decrease in turnover and higher depreciation charges and interest expenses. The 1997 increase in profit before tax was mainly due to increase in turnover, offset by unrealised exchange loss at year end which was due to the postponement of paying foreign creditors, during which time the USD strengthened considerably against the RM. In 1998, the profit before tax increased as a result of increase in turnover and realisation of exchange gain during the year.
- vi) The number of Shares assumed to be in issue is based on the number of THR Shares following the acquisition of THF.
- vii) The gross and net earnings per share has been calculated based on the profit before taxation (excluding extraordinary item) and on the weighted average number of issued and paid-up share capital of the Group at 55,146,217 Shares.

2.3 ***Principal Statistics relating to the Initial Public Offering***

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

AUTHORISED SHARE CAPITAL

1 00,000,000 ordinary shares of RM 1 .00 each RM1 00,000,000

Issued and fully paid-up share capital :

60,000,000 ordinary shares of RM 1 .00 each RM60,000,000

To be issued pursuant to the Public Issue :

20,000,000 new ordinary shares of RM 1 .00 each RM20,000,000
RM80,000,000

TO BE OFFERED PURSUANT TO THE OFFER FOR SALE

16,090,000 ordinary shares of RM 1 .00 each RM 16,090,000

IPO PRICE PER SHARE RM1.60

PROFORMA CONSOLIDATED NTA

Proforma Consolidated NTA as at 31 May 1999 (after taking into account the Rights Issue, Public Issue and estimated listing expenses of **RM1,700,000**) RM 104,656,000

Proforma Consolidated NTA per share RM1.31

CONSOLIDATED FORECAST EARNINGS

Financial year ending 31 December 1999

Consolidated profit before taxation (RM'000) 17,133

Consolidated profit after taxation (RM'000) 17,133

Gross/net EPS (sen) 27.8

Gross/net PE based on the IPO price of RM 1.60 per share (times) 5.8

Notes:-

1. ***The EPS has been computed based on the weighted issued and paid-up share capital of 61,532,975 shares after the Acquisition and the Rights Issue and assuming that the Public Issue will be completed in Mid October 1999***
2. ***No taxation is expected for financial years ending in the calendar year 1999 as announced by the Government***

FORECAST DIVIDEND

Financial year ending, 31 December 1999

Tax exempt dividend per share (sen) 8.0

Dividend yield based on the IPO price of **RM1.60** per share (%) 5.0

Net dividend cover based on an issued and paid-up capital of **80,000,000** shares (times) 2.7

2. CORPORATE INFORMATION

BOARD OF DIRECTORS

Name	Address	Occupation	Nationality
Tsai Ching Tung <i>(Chairman)</i>	No. 11, Lintang Kurau Satu Taman Chai Leng 13700 Prai	Director	Taiwanese
Tsai Ming Hsien	13, Y ung Kung 1 st Road Yung An Industrial District Yung An 828 Kaohsiung, Taiwan Republic of China	Director	Taiwanese
Tsai Ming Ti <i>(Managing Director)</i>	No. 11, Lintang Kurau Satu Taman Chai Leng 13700 Prai	Director	Taiwanese
Ko Chih Chiang	13, Y ung Kung 1 st Road Yung An Industrial District Yung An 828 Kaohsiung, Taiwan Republic of China	Director	Taiwanese
Tsai Liao Chin-Yeh <i>(Executive Director)</i>	No. 11, Lintang Kurau Satu Taman Chai Leng 13700 Prai	Director	Taiwanese
Tan Ban Leong <i>(Executive Director)</i>	2689, Sungai Puyu 13400 Butterworth	Director	Malaysian
Fazrin Azwar bin Md. Nor	No. 15, Jalan Setiamumi 2 Bukit Damansara 50490 Kuala Lumpur	Advocate & Solicitor	Malaysian
Megat Abdul Munir <i>(Independent Non-Executive Director)</i>	32, Jalan SS 5A/14 Kelana Jaya 47301 Petaling Jaya Selangor Darul Ehsan	Advocate & Solicitor	Malaysian
Osman bin T.A. Maimunni <i>(Independent Non-Executive Director)</i>	72 18 Kiara Green Taman Tun Dr Ismail 60000 Kuala Lumpur	Director	Malaysian

AUDIT COMMITTEE

Name	Responsibility	Directorship
Osman bin T.A. Maimunni	Chairman of the Committee	Independent Non-Executive Director
Megat Abdul Munir	Member of the Committee	independent Non-Executive Director
Tsai Ming Ti	Member of the Committee	Managing Director

COMPANY SECRETARY

Lam Voon Kean (MIA : 4793)
9, Reservoir
5th Avenue
11500 Penang

2. CORPORATE INFORMATION... cont'd

REGISTERED OFFICE	1 st Floor (Room 102) Wisma Penang Garden 42, Jalan Sultan Ahmad Shah 10050 Penang
REGISTRARS & TRANSFER OFFICE	PFA Registration Services Sdn Bhd Level 13, Uptown 1 No. 1 Jalan SS21/58, Damansara Uptown 47400 Petaling Jaya Selangor Darul Ehsan
ISSUING HOUSE	Malaysian Issuing House Sdn Bhd 27th Floor, Menara Multi-Purpose Capital Square No.8 Jalan Munshi Abdullah 50 100 Kuala Lumpur
PRINCIPAL BANKERS	Bank Of Commerce (M) Bhd No. 91-93, Taman Selat 12000 Butterworth HSBC Bank Malaysia Bhd No. 4778, Jalan Bagan Luar 12000 Butterworth RHB Bank Berhad No. 1382, Jalan Padang Lallang Taman Mutiara 14000 Bukit Mertajam
AUDITORS AND REPORTING ACCOUNTANTS	KPMG Public Accountants 1 st Floor, Wisma Penang Garden 42, Jalan Sultan Ahmad Shah 10050 Penang
SOLICITORS	Ong & Manecksha Advocates & Solicitors Suite 503, 5th Floor Penang Plaza, Jalan Burma 10050 Penang
ADVISER AND MANAGING UNDERWRITER	Arab-Malaysian Merchant Bank Berhad 22nd Floor, Bangunan Arab-Malaysian 55 Jalan Raja Chulan 50200 Kuala Lumpur
UNDERWRITERS	Arab-Malaysian Merchant Bank Berhad 22nd Floor, Bangunan Arab-Malaysian 55 Jalan Raja Chulan 50200 Kuala Lumpur Kuala Lumpur City Securities Sdn Bhd Lot 3.07, Level 3 Bangunan Angkasaraya Jalan Ampang 50450 Kuala Lumpur

Mercury Securities Sdn Bhd
2nd floor, Wisma UMNO
Lorong **Bagan** Luar Dua
12000 Butterworth
Pulau Pinang

MIDF Sisma Securities Sdn Bhd
17th & 18th Floor, Empire Tower
182 Jalan Tun **Razak**
50400 Kuala Lumpur

UT Securities Sdn Bhd
12th Floor, Bangunan **Mayban** Trust
No. 3, Penang Street
10200 Penang

LISTING SOUGHT

Main Board of the KLSE

In evaluating an investment in the IPO Shares, prospective applicants should carefully consider all information contained in this Prospectus including but not limited to the following investment considerations:-

i) No Prior Market for THR Shares

Prior to the IPO, there has been no public market for THR's shares. There can be no assurance that an active market for THR's shares will develop upon its listing on the Main Board of the KLSE or, if developed, that such market will be sustained. The IPO price of RM1.60 for the IPO 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 conditions, its prospects and the prospects of the industry in which the Group operates, the management of the Group, the market prices for shares of companies involved in businesses similar to that of the Group and the prevailing market. There can be no assurance that the IPO price will correspond to the price at which THR's shares will trade on the Main Board of the KLSE upon or subsequent to its listing or that an active market for THR's shares will develop and continue upon or subsequent to its listing.

ii) Forecast

This Prospectus contains certain forecasts for THR that are based on assumptions, which the Directors deem to be reasonable, but nevertheless are subject to uncertainties and contingencies. Because of the subjective judgments and inherent uncertainties of forecasts and because events and circumstances frequently do not occur as predicted, there can be no assurance that the forecasts contained herein will be realised and actual results may be materially different than those shown resulting from events such as changes in raw material prices, sales mix and the global and economic conditions.

Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forecasts that are contained herein.

iii) Competitive Conditions

THR operates in a competitive environment against global fastener producers. The Directors believe that the Company's key strength lies in its huge capacity which enables economies of scale to be achieved and its wide range of products which meet or exceed international quality requirements such as the A2LA accreditation and ISO 9002. The A2LA accreditation is for technical competence on the Mechanical Testing and Fastener Program and shows that THF's laboratory meets the requirements of the Fastener Quality Act, 1996 of the United States of America.

In addition, various barriers of entry exist such as capital expenditure and expertise. However, there can be no assurance that the Group will be able to maintain its existing market share in the future.

iv) Anti-Dumping Duty

In February 1998, the EU Council vide Council Regulation (EC) No. 393/98 imposed definitive anti-dumping duties on imports of stainless steel fasteners and parts originating in the People's Republic of China, India, Malaysia, the Republic of Korea, Taiwan and Thailand. The duties imposed on the stainless steel fasteners imported from these six(6) countries ranged from 2.7% to 74.7%. THR's products were imposed a duty of 7% which is amongst the lowest.

3. INVESTMENT CONSIDERATIONS.. . *cont'd*

In May 1999 the EU Council initiated a review investigation on absorption of anti-dumping duties for Thailand and Malaysia and subsequently in June 1999 initiated an investigation on anti-subsidy for Malaysia, Singapore, Philippines and Thailand.

THR has provided the necessary data to show that no absorption of anti-dumping duties has been carried out by the THR Group. The Directors do not expect the Group to be materially affected from the anti-absorption of anti-dumping duties and anti-subsidy investigation currently being conducted. In addition, more than 50% of the THR Group sales are sold to non-EU countries.

However, no assurance can be given that the current rate of import duty imposed on the Group's products will continue in future.

v) Business Risks

The THR Group is subject to certain risks inherent in the fastener industry. These include the macro effects of a downturn in the global economy, entry of new competitors, introduction of new technology and products and new legislation that may impose stringent requirements on participants in the fastener industry.

Business risks also include inherent risks such as labour and material shortages, increases in the costs of labour and material and business and credit conditions. THR like other fastener manufacturers are susceptible to the fluctuation of material prices and is also dependent on foreign countries for supplies as the raw material cannot be sourced locally.

The THR Group seeks to limit these risks through inter alia, delivering value added quality service and products to its customers, establishing a large pool of suppliers and customers with long term relationships, expansion of market share and compliance with the rules and regulations of the relevant authorities, although no assurance can be given that any changes to these factors will not have any material adverse effect on the Group's business.

vi) Directors and Substantial Shareholders' Interests in Similar Business

The Tsai brothers and their spouse who are controlling shareholders of the Company, also have interests in Tong Hwei which primarily manufactures stainless steel bolts and screws, Min Hwei which manufactures small stainless steel bolts, screws, nuts and wire drawing and Tong Min which manufactures stainless steel bolts, screws and nuts.

The abovementioned companies have no direct relationship to THR, save from the fact that they are owned by the Tsai brothers and their spouse. THR sells its products primarily to Europe and Japan whilst Tong Min principally caters for the China market. Tong Hwei and Min Hwei supply their products to United States of America and Taiwan. Further details on the Directors and substantial shareholders interests in similar businesses can be found in Section 10 of the Prospectus.

As a condition of approval for its listing by SC, THR and THF entered into non-competing agreements on 26 July 1999 with Tong Hwei, Min Hwei and Tong Min respectively for a period of three(3) years commencing from the initial listing date of THR on the Main Board of the KLSE whereby Tong Hwei, Min Hwei and Tong Min have undertaken not to sell the products currently produced and sold by THF to its principal customers. The non-competing agreements entered into will continue to be in force notwithstanding the flotation of either of Tong Hwei, Min Hwei and Tong Min on a stock exchange.

3. INVESTMENT CONSIDERATIONS. . . cont 'd

As a further condition by the SC, the Tsai brothers and directors of THR are not allowed to be involved in any new businesses which will have conflict of interest with the existing operations of THR. Based on the existing Policies and Guidelines on Issue/Offer of Securities of the SC, THR should not venture into other activities not related to its original core business for a period of three(3) years from the date of admission to the Kuala Lumpur Stock Exchange.

ASI, Tsai Ching Tung, Tsai Ming Hsien and Tsai Ming Ti were also required to provide an undertaking to the SC that collectively they would maintain no less than 33% equity interest in the enlarged paid-up capital of THR and will continue to participate in the management of the Company for at least three years from the initial date of listing on the Main Board of the KLSE.

THR's Audit Committee will monitor any related party transactions to ensure that any transactions between these companies are carried out on commercial terms which will not be detrimental to the THR Group and to report the position of such related transactions, if any in the Annual Report of THR.

vii) Ownership and Control

After completion of the IPO, 55% of THR's equity will be controlled by the Tsai family namely Tsai Ching Tung, Tsai Ming Hsien, Tsai Ming Ti and their respective spouses.

The Tsai family will be able to exercise the voting rights attached to their shares in respect of matters requiring shareholders' approval including election of directors. Depending on how they choose to vote and because of the size of their shareholdings, the Tsai Family will have a significant influence over matters that require ordinary resolutions from THR's shareholders, unless they are required to abstain from voting by law and/or the relevant authorities.

viii) Foreign Exchange Fluctuations

THR is subject to foreign exchange fluctuations through the import of raw materials and export of finished goods. Nonetheless, as both imports and exports are primarily transacted in USD, this provides a natural hedge. However there can be no assurance that future foreign exchange fluctuations will not adversely impact the THR Group.

ix) Continuity of Management

As in any other business, the Board of Directors believes that the continued success of THR will depend on the ability and dedication of each of the Directors and management team members. The loss of any key members of the Company could adversely affect the Company's continued ability to compete. However, the Company has made efforts to train its staff and enjoy the support of long term management staff. The Company's future success will also depend upon its ability to attract and retain skilled personnel.

x) Environmental Concerns

In the manufacturing of fasteners, there are certain processes which warrant the need to look into the environmental effects. Although there are little or no gaseous by-products from the manufacture of fasteners, acidic liquid chemicals are used to clean the fasteners.

As a responsible corporate citizen, THF has installed facilities such as a waste water treatment plant and smoke extractor and will continue to work in close cooperation in meeting the requirements of the governmental environmental enforcement and regulatory agency.

xi) Millennium Bug

The Millennium Bug refers to the situation whereby computers and software programmes will be unable to process correctly two-digit references after 31 December 1999. When the year 2000 commences, these systems may mistakenly interpret "00" in the year field as "1900" which may lead to system failure.

The Board of Directors of THR is aware of the Y2K problem and has taken action to ensure the Group is Y2K compliant. Currently, the majority of software of the Group, including the accounting software are Y2K compliant except for its automatic warehousing facility which uses a Digital server with PC's on a local area network with TCP/IP software and runs on the UNIX version 3.2C platform. The Group plans to move the operation to a HP9000 server so that it will be Y2K compliant by October 1999. The total cost of the upgrade and replacement of all non Y2K compliant computer hardware and software is approximately RM 10,000 and is immaterial to the Group's operations and liquidity. The Group targets to be fully Y2K compliant by October 1999.

The Group has set up a Y2K Committee under the supervision of the Managing Director. The Y2K Committee will liaise with vendors to ensure that any computer equipment and software purchased in the future are certified Y2K compliant and will not be affected by the Y2K problem. The Y2K Committee has assessed the computer systems of the Group and concluded that apart from a small number of non Y2K compliant stand-alone computer hardware and software which are not linked to any internal or external source, the Group's future financial condition and operational activities will not suffer any disruption as a result of being non Y2K compliant.

There is no known exposure arising from third parties who have dealings with the Group as the computer system is not linked to any external source. The Company's share registrar has also confirmed that their systems are also Y2K compliant. With the potential problems arising from the Y2K problem minimised, the impact of the Y2K issue on the Group's business is expected to be negligible. Accordingly, the Company does not expect there to be any material legal implications arising from the Y2K issue.

After the review of all computer hardware and software in use, the Board of Directors of THR is of the opinion that it is unnecessary to develop a contingency plan or obtain independent verification of the Group's Y2K activities. However, the Y2K activities will continue to be assessed and monitored by the Y2K Committee.

Nonetheless, no assurance can be given that the Millennium Bug will not have an adverse effect on the Group's operations.

4. REGULATORY FRAMEWORK

This Prospectus is dated 23 September 1999.

Application will be made to the KLSE within three(3) market days of the issuance of this Prospectus for admission to the Official List of the Main Board of the KLSE and for permission to deal in and for quotation for the entire enlarged issued and fully paid-up share capital of THR including the IPO Shares which are the subject of this Prospectus. These Shares will be admitted to the Official List of the Main Board of the KLSE and official quotation will commence after receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been **despatched** to all successful applicants.

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

An applicant who presently has a CDS Account should state his CDS Account number in the Application. Where an applicant does not presently have a CDS Account, he should state in the Application Form or Electronic Share Application his preferred ADA Code.

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

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

The Reporting Accountants' responsibility with regard to the Prospectus does not extend beyond the Accountant's Report, Consolidated Profit Forecast and Proforma Consolidated Balance Sheets. The Reporting Accountants have had no involvement in the preparation of this Prospectus, apart from the said report and letters.

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

5. PARTICULARS OF THE IPO

5.1 Share Capital.

Authorised: - 100,000,000 ordinary shares of RM 1 .00 each	RM 1 00,000,000
Issued and fully paid-up :- 60,000,000 ordinary shares of RM 1 .00 each	RM60,000,000
To be issued pursuant to the Public Issue :- 20,000,000 new ordinary shares of RM 1.00 each	RM20,000,000
	RM80,000,000
To be Offered for Sale:- 16,090,000 ordinary shares of RM 1 .00 each	RM 16,090,000

There is only one class of shares in the Company, namely ordinary shares of RM 1 .00 each, all of which rank **pari passu** with one another. The Public Issue Shares to be issued pursuant to this Prospectus will rank **pari passu** in all respect with the existing Shares of the Company including voting rights and rights to all dividends that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any shares which may be issued by the Company in the future. the holders of 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 the whole of any surplus in the event of the liquidation of the Company.

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

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

Date of allotment	No. of Shares	Type of issue	Total (RM)
20.5.1997	2	Subscriber shares	2
20.7.1999	55,146,215	Acquisition of TI-IF	55,146,217
22.7.1999	4,853,783	Rights Issue at par	60,000,000

5.2 Details of the Initial Public Offering

The Public Issue and Offer for Sale of **20,000,000** and **16,090,000** Shares respectively at an IPO price of **RM1.60** per Share is payable in full on application upon such terms and conditions as set out in this Prospectus.

The 36,090,000 Shares arising from the IPO will be allocated and allotted in the following manner:-

- (i) 11,284,000 of the Public Issue Shares will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputra individuals, companies, societies, co-operatives and institutions;
- (ii) 806,000 of the Public Issue Shares have been reserved for eligible Directors and employees of the THR Group; and
- (iii) 24,000,000 of the Offer and Public Issue Shares have been reserved for Bumiputra investors approved by MITI.

The Public Issue Shares and Offer Shares represent 25.0% and 20.1% respectively of the enlarged issued and paid-up share capital of THR of 80,000,000 Shares.

The Shares in respect of paragraph (i) and (ii) have been fully underwritten. The Shares in respect of paragraph (iii) are not underwritten. Any Shares in respect of paragraph (ii) not subscribed for by the eligible Directors and employees of the THR Group will be made available for application by the Malaysian public.

5.3 *Purposes of the IPO*

The purposes of the IPO are as follows:-

- (i) To provide an opportunity for Malaysian investors and institutions and the eligible employees and Directors of the THR Group to participate in the equity and continuing growth of the THR Group;
- (ii) To enable the THR Group to gain access to the capital market for funds for its future expansion and growth;
- (iii) To obtain a listing of and quotation for THR's entire issued and paid-up share capital of 80,000,000 Shares on the Main Board of the KLSE; and
- (iv) To comply with National Development Policy requirements in respect of Bumiputra equity participation.

5.4 *Basis of arriving at the IPO Price*

The IPO price of RM1.60 per Share was determined and agreed upon by the Company and Arab-Malaysian as Adviser and Managing Underwriter based on various factors including the following:-

- i) the proforma forecast net PE multiple of 5.8 times based on the proforma forecast net EPS of 27.8 sen and the IPO price of RM 1.60 per Share;
- ii) the future plans and prospects of the THR Group as outlined in Section 6.7 of this Prospectus; and
- iii) the proforma consolidated NTA per Share of THR as at 31 May 1999 of RM1.31 per Share.

5. PARTICULARS OF THE IPO... cont'd

5.5 Proceeds of the Offer for Sale

The gross proceeds of the Offer for Sale of RM25,744,000 shall accrue to the Offerors and no part of the proceeds of the Offer for Sale is receivable by THR. The Offerors shall bear all expenses such as brokerage, stamp duty (if any) and share transfer fees relating to the Offer Shares estimated at RM260,000.

5.6 Proceeds of the Public Issue and Rights Issue

The gross proceeds of RM36.854 million accruing to the THR Group from the Public Issue and the Rights Issue will be utilised as follows:-

	Note	RM'000
Repayment of bank borrowings	(a)	11,213
Working capital		9,561
Future investment	(b)	6,000
Purchase of plant and machinery	(c)	5,880
Factory building extension	(d)	2,500
Listing expenses	(e)	1,700
	TOTAL	36.854

Notes:-

(a) Repayment of Bank Borrowings

The bank borrowings to be repaid were originally taken up for the acquisition of plant and machinery for the factory's expansion during 1995 to 1998. The total bank borrowings (including trade finance facilities) of the Group as at 10 September 1999 is approximately RM32,609,360. Based on the current interest rates ranging from 7.75% to 8.25% per annum, the repayment of borrowings amounting to RM11,213,000 will generate interest savings of approximately RM914,000 per annum.

(b) Future Investment

This will be set aside for further automation of its production process in the future. Specific approval of the SC will be sought before undertaking this investment.

(c) Purchase of Plant and Machinery

The following plant and machinery will be purchased:-

	Quantity	Price per unit USD/NT '000	Total USD/NT '000	Total RM '000
13B Head Forming machine	3	NT780	NT2,340	282
13B Bolt Forming machine	8	USD68	USD544	2,067
17B Bolt Forming machine	2	USD84	USD168	639
19B Bolt Forming machine	2	USD126	USD252	958
30B Bolt Forming machine		USD275	USD275	1,045
13B Rolling thread machine (2.5H)	6	USD9	USD55	210
17B Rolling thread machine (3.0H)	3	USD11	USD 32	123
17B Head Forming machine		NT1,120	NT1,120	135
19B Head Forming machine		NT2,530	NT2,530	305
19B Bolt Forming machine	2	USD15	USD15	116
	<u>29</u>			<u>5,880</u>

Exchange rate assumed for 1999 - USD@ RM3.80 and RM@ NT8.29

The above plant and machinery will be purchased from Taiwan and is expected to be installed by end 1999. This investment will increase the installed capacity of the company by an additional 5,400MT from its current capacity of 23,720MT while actual production output is expected to increase by 2,700MT.

(d) Proposed Factory Extension

The proposed extension has an estimated construction cost of RM2.5 million and will increase the existing factory space by a further 5,000 m² to 18,500 m². This will provide THF with additional floor space for the new plant and machinery acquired and will also enable THF to have a more efficient production layout. Construction is expected to commence in December 1999 and completed within six months. The proposed factory extension is subject to the approval of Majlis Perbandaran Seberang Perai which will be sought in due course.

(e) Listing Expenses

Listing expenses estimated at RM 1.7 million include underwriting commission, brokerage fees, advisers' fees, authorities' fees and other costs associated with the IPO.

5.7 Underwriting Commission and Brokerage

The Underwriters mentioned earlier in this Prospectus have agreed to underwrite the 12,090,000 Public Issue Shares to be offered to the Malaysian public and Directors and employees of the THR Group. Underwriting commission is payable by the Company at 2.25% of the IPO price of RM 1.60 per Share.

Brokerage is payable in respect of the IPO Shares by the Company and the Offerors at the rate of 1% of the IPO price of RM 1.60 per Share in respect of successful applications which bear the stamp of Arab-Malaysian, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

6.1 Information on THR

THR was incorporated in Malaysia under the Companies Act, 1965 on 20 May 1997 as a private limited company under the name of Tong Herr Resources Sdn Bhd. Subsequently, it was converted to a public limited company on 29 September 1997. THR is an investment holding company with its sole investment being its wholly-owned subsidiary, THF. It does not have any employees at present.

6.2 Information on THF

THF was incorporated on 11 October 1988 in Malaysia as a private limited company under the Companies Act, 1965. The company was founded by the Tsai family to produce stainless steel nuts and commenced operations in 1990 in the Prai Industrial Estate, Penang. THF has no subsidiary or associated companies.

THF currently has 149 employees.

THF's authorised share capital is RM50,000,000 comprising Shares while its issued and paid-up share capital is RM29,100,000 comprising Shares.

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

Date of allotment	No. of Shares	Type of issue	Total (RM)
11.10.1988	2	Subscriber shares	2
6.9.1989	4,999,998	Cash	5,000,000
11.6.1990	3,000,000	Cash	8,000,000
16.1.1991	2,000,000	Cash	0,000,000
28.9.1992	2,900,000	Bonus Issue on the basis of 29 new Shares for every 100 Shares held	12,900,000
3.5.1994	3,300,000	Bonus Issue on the basis of 33 new Shares for every 129 Shares held	16,200,000
22.9.1995	12,900,000	Bonus Issue on the basis of 129 new Shares for every 162 Shares held	29,100,000

6. INFORMATION ON THE THR GROUP... *cont'd*

The financial record of THF based on its audited accounts for the past five(5) financial years ended 31 December 1994 to 1998 and the five(5) month period to 31 May 1999 are as follows:-

	31.12.1994	31.12.1995	31.12.1996	31.12.1997	31.12.1998	5 months ended 31.5.1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	49,579	96,739	82,024	104,508	105,593	39,545
PBT	8,314	12,052	9,500	10,826	14,176	6,639
Taxation	(2)	(85)	(630)	(1,175)	(2,232)	-
PAT	8,312	11,967	8,870	9,651	11,944	6,639
Weighted average number of shares in issue during the year	15,100	19,425	29,100	29,100	29,100	29,100
Gross EPS (sen)	55.1	62.0	32.7	35.1	48.7	*54.8
Net EPS (sen)	55.1	61.6	30.5	31.1	41.0	*54.8
Tax exempt dividend rate (%)		-		30.0	-	

* -Annualised

Notes: -

- i) **There were no extraordinary items for all the years/period under review save as disclosed in Note (ii) below.**
- ii) **Included in the PBT for the financial year ended 31 December 1997 is a gain on disposal of land and building, net of real property gains tax amounting to approximately RM602,000, shown as an extraordinary item in the audited accounts of THF.**
- iii) **The disproportionate tax charge in relation to the results of THF for the financial years 1994 to 1998 is mainly due to the Pioneer Status granted by MITI as well as Malaysian Industrial Development Authority.**
- iv) **The increase in 1995 turnover mainly resulted from the manufacture and sale of stainless steel bolts commencing September 1994. Turnover dropped in 1996 due to lower selling prices realised resulting from lower material cost. Turnover increased in 1997 mainly due to higher tonnage sold coupled with significant strengthening of USD vis-a-vis RM.**
- v) **The profit before tax increased from 1994 to 1995 mainly as a result of increase in turnover. In 1996, the profit before tax declined in tandem with the decrease in turnover and higher depreciation charges and interest expense as a result of capital expenditure expansion. The 1997 increase in profit before tax was mainly due to increase in turnover, offset by unrealised exchange loss at year end which was due to the postponement of paying foreign creditors, during which time the USD strengthened considerably against the RM. In 1998, the profit before tax increased as a result of increase in turnover and realisation of exchange gain during the year.**
- vi) **The gross and net earnings per share have been calculated based on the profit before taxation (excluding extraordinary item) and on the weighted average number of Shares in issue during the above financial years/period.**

6.3 ***Restructuring Scheme***

In conjunction with, and as an integral part of the listing and quotation for the entire issued and paid-up share capital of THR on the Main Board of the KLSE, the Company undertook a restructuring scheme which involved the following:-

i) Acquisition of THF

Acquisition of the entire issued and paid-up share capital of THF comprising 29,100,000 Shares from its existing shareholders for a purchase consideration of RM62,866,685 based on the audited NTA of THF as at 31 December 1998 satisfied by the issuance of 55,146,215 Shares in THR at an issue price of approximately RM 1.14 per Share as follows:-

Shareholders	No of shares held in THF	(%)	Purchase Consideration	No of THR Shares issued
Tsai Ching Tung	8,148,000	28.0	17,602,671	15,440,941
Tsai Mng Hsien	6,984,000	24.0	15,088,004	13,235,092
Tsai Ming Ti	5,238,000	18.0	11,316,003	9,926,319
Tsai Chen Su Kan	2,910,000	10.0	6,286,669	5,514,621
Tsai Lin Su Chin	2,910,000	10.0	6,286,669	5,514,621
Tsai Liao Chin-Yeh	2,910,000	10.0	6,286,669	5,514,621
TOTAL	29,100,000	100.0	62,866,685	55,146,215

The Acquisition was completed on 20 July 1999. The shares issued pursuant to the Acquisition rank *pari passu* in all respects with the then existing shares of the Company.

ii) Rights Issue

Upon completion of the Acquisition, THR carried out a Rights Issue of 4,853,783 new Shares at par on the basis of approximately one(1) new Share for every eleven(11) Shares held which was completed on 22 July 1999. The shares issued pursuant to the Rights Issue rank *pari passu* in all respects with the then existing shares of the Company.

iii) Consolidation of Interest

Upon completion of the Rights Issue, the Tsai family undertook a consolidation of interest by selling 40,080,000 Shares in THR for a purchase consideration of RM45,237,274 satisfied by the issuance of 950,000 new shares in ASI of USD1.00 each in proportion to their respective shareholdings. ASI is principally an investment holding company.

6. INFORMATION ON THE THR GROUP... *cont'd*

The shares allotted pursuant to the Rights Issue and transferred pursuant to the Consolidation of the Interest is shown as follows:-

	After Acquisition	Rights Issue	After Rights Issue		Consolidation of Interest	After Consolidation of Interest	
	No. of shares	No. of shares	No. of shares	%	No. of shares	No. of shares	%
Lim Mei Ying	1	-	1	0.0		1	0.0
Ng Hai Yeen	1		1	0.0	-	1	0.0
Tsai Ching Tung	15,440,941	1,359,060	16,800,001	28.0	(11,222,402)	5,577,599	9.3
Tsai Chen Su Kan	5,514,621	485,378	5,999,999	10.0	(4,007,999)	1,992,000	3.3
Tsai Ming Hsien	13,235,092	1,164,908	14,400,000	24.0	(9,619,200)	4,780,800	8.0
Tsai Lin Su Chin	5,514,621	485,378	5,999,999	10.0	(4,007,999)	1,992,000	3.3
Tsai Ming Ti	9,926,319	873,681	10,800,000	18.0	(7,214,401)	3,585,599	6.0
Tsai Liao Chin-Yeh	5,514,621	485,378	5,999,999	10.0	(4,007,999)	1,992,000	3.3
ASI					40,080,000	40,080,000	66.8
TOTAL	55,146,217	4,853,783	60,000,000	100.0		60,000,000	100.0

iv) Initial Public Offering

THR will issue 20,000,000 new Shares or 25% of its enlarged issued and paid-up share capital at an issue price of RM1.60 per Share pursuant to the Public Issue. In order to satisfy the National Development Policy requirements, the existing shareholders of THR will also offer 16,090,000 Shares representing approximately 20.11% of the enlarged issued and paid-up share capital of THR at an offer price of RM 1.60 per share.

The 36,090,000 IPO Shares representing approximately 45.11% of the enlarged issued and paid-up share capital of THR will be allocated in the following manner:-

- i) 806,000 Shares representing approximately 1.01% of the enlarged issued and paid-up share capital of THR to eligible employees and Directors of the THR Group;
- ii) 11,284,000 Shares representing 14.10% of the enlarged issued and paid-up share capital of THR to the Malaysian public of which at least 30% is to be set aside for Bumiputra investors; and
- iii) 24,000,000 Shares representing 30% of the enlarged issued and paid-up share capital of THR have been reserved for Bumiputra investors to be allocated by MITI.

6.4 *History and Business Overview*

The Tsai brothers namely Tsai Ching Tung, Tsai Ming Hsien and Tsai Ming Ti, have vast experience in the fastener industry since the 1970s. Building on this experience, the brothers decided to focus on the production of high-end fasteners by setting up Tong Hwei in 1978 primarily to produce stainless steel bolts and screws. In 1988, the Tsai brothers formulated plans to set up THF in Penang to produce stainless steel nuts.

The company commenced operations in 1990 at its factory in the Prai Industrial Estate, Penang. Within a short period of time, THF was able to clock in its first year of profits in 1991. THF went on to achieve strong growth and by October 1992 obtained ISO 9002 certification. A further investment of RM 18.7 million was made to include the manufacture of stainless steel bolts and screws in 1994/1995.

6. INFORMATION ON THE THR GROUP... *cont'd*

i) Products

THF specialises in the production of stainless steel bolts, screws, nuts and threaded rods and its products are set out in the following:-

Products	Industrial Standard/Type	Diameter	Length
Stainless Steel Nuts			
Hexagon Nuts	DIN 934	M6 - M24	N/A
Hexagon Nuts	DIN 439	M6 - M20	N/A
Hexagon Nuts	ISO4032	M6 - M20	N/A
Hexagon Nylon Nuts	DIN985	M6 - M12	N/A
Hexagon Nuts	JIS B1181	M6 - M24	N/A
Hexagon Nuts	BSW	1/4" - 3/4"	N/A
Hexagon Nuts	ANSI (UNC)	1/4" - 1"	N/A
Hexagon Nuts	ANSI (HV)	1/4" - 7/8"	N/A
Stainless Steel Bolts and Screws			
Hexagon Cap Screws	DIN933	M6 - M20	12mm - 150mm
Hexagon Cap Screws	DIN93 1	M6 - M20	30mm - 150mm
Hexagon Bolts	JIS B1180	M6 - M20	12mm - 150mm
Hex Socket Head Cap Screw	DIN9 12	M6 - M16	16mm - 150mm
Round Head Bolts	DIN603	M6 - M12	16mm - 150 mm
Threaded Rods			
Threaded rods	DIN975	M6 - M24 (1/4" - 1")	1m - 3m (3' - 12")
Stud bolts	DIN976	M6 - M20	40mm - 1000mm

The above range of products represents approximately 1,072 type of fasteners due to the various industrial standard, lengths and diameters and are not marketed under any specific brand name.

ii) Segmental Analysis by Product Group

	PRODUCTION OUTPUT				
	Bolts*		Nuts		Total
	MT	%	MT	%	MT
1994	1,094	18.5	4,834	81.5	5,928
1995	4,090	38.9	6,413	61.1	10,503
1996	5,390	44.8	6,632	45.2	12,022
1997	7,405	59.3	5,077	40.7	12,482
1998	8,203	72.2	3,163	27.8	11,366
	TURNOVER				
	Bolts*		Nuts		Total
	RM'000	%	RM'000	%	RM'000
1994	5,460	11.0	44,119	89.0	49,579
1995	35,444	36.6	6 1,295	63.4	96,739
1996	35,264	43.0	46,760	67.0	82,024
1997	56,656	54.2	47,852	45.8	104,508
1998	66,596	63.1	38,997	66.9	105,593
	PROFIT BEFORE TAXATION				
	Bolts*		Nuts		Total
	RM'000	%	RM'000	%	RM'000
1994	701	15.7	7,613	84.3	8,314
1995	5,358	44.5	6,694	55.5	12,052
1996	2,235	23.5	7,265	76.5	9,500
1997	5,083	47.0	5,743	53.0	10,826
1998	10,722	75.6	3,454	24.4	14,176

* Including screws and threaded rods

iii) Principal Markets

THF's fasteners are sold in over 40 countries particularly Europe and Japan. In 1998, approximately 48% of their products were sold to the European market, while approximately 21% were sold to the Japanese market. Approximately 2.5% of THF's fasteners are sold to the local market where carbon steel products are still more popular.

Stainless steel fasteners used for a wide range of applications where resistance to both atmospheric and chemical corrosion is necessary and where hygienic factors are a major consideration. Under these circumstances, ordinary carbon steel fasteners are not suitable and as such the demand for the stainless steel fasteners has been increasing steadily over the years.

Stainless steel fasteners are used in the following industries:-

- construction and infrastructure industry;
- industrial production of machinery and equipment;
- marine engineering/ship building;
- automobile industry; and
- public transportation.

THF's fasteners are widely used in the aforementioned industries and its products have been used in landmarks such as the Kuala Lumpur International Airport.

iv) Production Capacity

THF commenced operations in 1990 manufacturing solely stainless steel nuts with a production capacity of 240 MT per month. Its production capacity continue to grow and now has a production capacity of 9,000 MT of stainless steel nuts per annum.

THF started production of stainless steel bolts in 1994 with a production capacity of 4,600 MT. The current annual production capacity of THF's products based on a single shift is shown as follows:-

Product	Maximum production capacity (MT)	Production output (%)
Nuts	9,000	61
Bolts & Screws	14,000	60
Threaded Rods	720	66

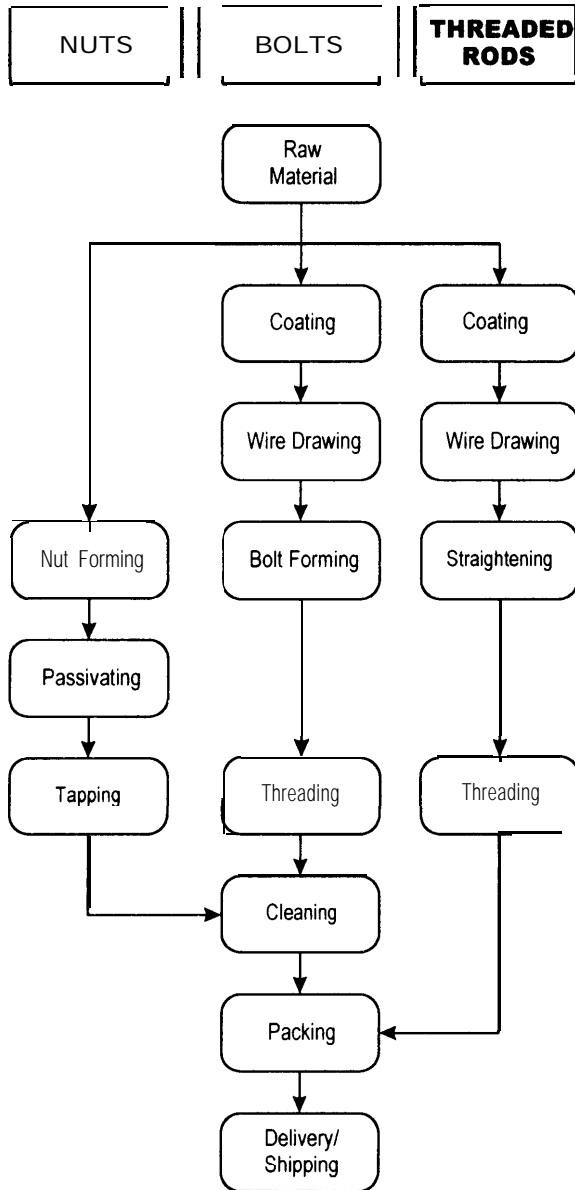
As THF's products are produced by a combination of machines such as the wire drawing, forming and threading machines, the number of production lines is not quantifiable in its production system.

The site on which THF's factory is located measures 52,000 m² of which only 14,000 m² has been utilised for the factory. Thus, the Group has ample space for future expansion.

v) Raw Materials

Stainless steel wire rods represent the primary raw material used for the manufacture of stainless steel fasteners. As stainless steel wire rods cannot be sourced locally, it is imported mainly from Taiwan, Japan and Hong Kong.

vi) Production Process



Raw Materials comprise of stainless steel wire rods.

Coating is a process where wire rods are dipped into a chemical solution prior to the forming process to ensure that the forming process is easier and smoother.

The purpose of wire drawing is to draw the wire rod into the dimension required for the forming process.

The bolt forming machine will form the drawn wire rod into semi-products according to specified standards and sizes.

The semi-finished nuts that come out of the forming process are oily and black; to remove the oil and carbon, the nuts pass through an "Iron-Earthenware" machine. After the tapping process through the computerised degreasing machine, the finished product comes out clean and shiny.

The semi-finished bolts are threaded with rolling dies in the threading machine. The threaded bolts then go through a cleaning process where a computerised degreasing machine cleans and shines the bolts to its finished condition. The nuts are threaded using a "tapp".

Both nuts and bolts are then packed into carton boxes and specifications labels are pasted on these boxes and cartons which are then stacked on pallets and wrapped with plastic covers. These specification labels are printed by the Quality Control Department only after inspection and these labels which are bar coded will be used by the automated warehouse system to store, retrieve and provide updated information on the inventory.

vii) Automated Warehousing

In 1996, THF installed a computerised automatic warehouse system which is updated using the bar-code system. The warehousing system will automatically store and retrieve the goods as well as providing THF with up to date information on stock levels of fasteners. This system plays a pivotal role in their inventory management as they have approximately 1,072 type of fasteners due to the various different specifications, lengths and diameters.

The automatic warehousing system has a capacity of approximately 8,500 pellets.

viii) Research and Development

The Group does not have a dedicated team of research and development personnel as it manufactures homogenous products. However, manufacturing of stainless steel fasteners is an engineering precision process where high standards are required for the quality and precision of the products. Thus, THF has an in-house Tooling and Moulding Department which has 10 staff to ensure accuracy and precision in the production process.

The Tooling and Moulding Department develops and tests quality moulds, tools and dies for new product development. In addition to establishing and specifying standards for the moulds, tools and dies, it is also involved in designing efficient production processes. This department also carries out training and developing the technical skills of the production crew prior to implementing new production processes.

ix) Quality Assurance

THF's commitment to the high quality and standards required for their products is supported by the ISO 9002 Quality Award obtained from the Standards and Research Institute of Malaysia in October 1992. In March 1999, the A2LA has accredited THF for technical competence on Mechanical Testing and Fastener Program. This accreditation means THF's laboratory meets the requirements of the Fastener Quality Act, 1996 of the United States of America.

THF also has an in-house Quality Control Department to maintain the quality and standard of the fasteners demanded in this industry. In order to ensure that this department function effectively, they are made responsible to the Managing Director directly. Under the stringent control of the Quality Control Department, THF was awarded the ISO 9002 certification in 1992. Since the attainment of the ISO 9002 certification, THF has successfully passed the SIRIM's annual surveillance audit.

x) Method of Distribution

The spread of THF's customer base is wide and varied. Stainless steel fastener producers are generally not in a position to supply directly to these end-users. The market is structured where the manufacturers supply large quantities to independent distributors who in turn supply to end-users in small quantities. These independent distributors comprise mainly of importers and wholesalers who sell a variety of products including nuts and bolts.

6.5 *Prospects of the Group*

i) Position in the Industry

According to a survey conducted by Taylor Nelson Sofres Malaysia Sdn Bhd in June 1999, THF is one of the largest producers of stainless steel nuts in the world. In addition, THF is the largest Malaysian manufacturer and exporter of stainless steel fasteners.

THF is also position to capitalise on the strong growth in the Association of South East Asia Nations (“ASEAN”) region. The establishment of the Common Effective Preferential Tariff (“CEPT”) and ASEAN Free Trade Area (“AFTA”) which created a common market in Asia similar to European Communities (“EC”), will provide THF with great potential for the future export to the region.

ii) Sensitivity to Economic Downturn

THR Group is not expected to be adversely affected by a domestic downturn as domestic sales accounts for approximately 2.5%. Approximately 97.5% of their products are exported to over 40 countries over the world, as such it is not overly dependent on the economic performance of any single country.

iii) Threat of Substitute Products or Services

The applications of stainless steel fasteners are wide and varied and are important products in many industries, particularly where steel/iron fasteners cannot be used. Stainless steel fasteners are needed due to their tensile, corrosion-resistant and rust-resistant properties. There is therefore minimal threat of substitute products for the stainless steel fasteners. However, stainless steel fasteners can be used to replace steel/iron fasteners.

iv) Dependency on Other Industries

In THF, the whole manufacturing process takes place within the factory area. THF is not dependent on external support for its tool and mould activities which are regarded as an important integral part of the fasteners manufacturing process. As mentioned above, THF has its own tool and mould department and it is economically viable for the company to have one due to its large production capacity.

THF is only dependent on the steel manufacturing mill for its supply of raw materials, that is, the stainless steel wire rods. In this area, THF has not faced any problems in sourcing for raw materials over the past ten(10) years of operations and THF also does not envisage any problems in the future. In view of the wide range of uses for its fasteners, the Group’s dependency on any one industry is minimal.

6.6 **Summary of Landed Properties**

The landed properties owned by the THR Group are set out below:-

Registered Owner : THF						
Location	Tenure/ date of lease expiry	Description/ existing use	Age of building (years)	Land area (m ²)	Built-up area (m ²)	Net book value as at 31.51999 (RM)
35 Taman Nagasari, Perai	Freehold	Residential	10	143	63	82,561
4 1 Taman Nagasari, Perai	Freehold	Residential	10	104	63	74,273
43 Taman Nagasari, Perai	Freehold	Residential	10	104	63	81,933
Blok T-2-5, Taman Pelangi, Perai	99 years/ 2093	Residential	4	65	65	40,941
Blok T-2-6, Taman Pelangi, Perai	99 years/ 2093	Residential	4	65	65	40,941
25 15 Tingkat Perusahaan 4, Perai Free Industrial Zone, Perai	60 years/ 2049	Industrial Land	-	49,127		6,863,272
		Automatic Warehouse	4		3,506	2,098,997
		Factory Building	10		9,730	6,737,230
TOTAL						16,020,148

No revaluation has been carried out on the above properties.

6.7 **Future Plans of the Group**i) Upgrading of R&D

The Group proposes to upgrade the Research and Development aspects of production process including expansion in the tool and mould operations. The tool and mould operations is an essential part of the production process as it supports the expansion of the product range and product development.

ii) Expansion of Product Range

The THF Group continually strives to meet its customers' needs by providing a wide range of products to its customers. With a larger product range, THF can thus enlarge its market share. In line with this THF has added the production of threaded rods and round headed bolts range of fasteners into its product range in 1998.

iii) Exploring New Markets

As THF has established itself in Europe and Japan, THF now aims to increase its presence in the United States of America, Asia Pacific and other areas.

iv) Improvement in Product Quality

The THF Group recognises that it is not always sufficient to produce a product which merely meets specifications. The Group will continue to consistently seek improvements in product quality.

7.1 Board of Directors

TSAI CHING TUNG, aged 45, was appointed to the Board of THR on 20 July 1999, has 27 years of experience in the fastener industry. He is the founder of Tong Hwei (1978), THF (1988), Min Hwei (1995) and Tong Min (1996). These companies manufacture stainless steel fasteners.

He has led the Tong Hwei Group of companies to great heights in terms of production capacity, market share and production quality in which he plays a key role.

He is the Chairman of THF, Tong Hwei, Min Hwei and Tong Min.

TSAI MING HSIEN, aged 43, was appointed to the Board of THR on 20 July 1999, has more than 26 years of working experience in the fastener industry. He is one of the founders of Tong Hwei.

He established Tong Hwei as a leader in the fastener industry culminating in Tong Hwei receiving the ISO 9002 certification in 1994 for recognition of product quality. His business philosophy includes customer satisfaction, expansion in the global market, achieving profitability and improving staff welfare.

He is the Vice Chairman of THF and Min Hwei and Vice Chairman cum General Manager of Tong Hwei.

TSAI MING TI, aged 39, was appointed to the Board of THR on 20 July 1999, has 22 years of working experience in the fastener industry. He is also one of the founders of Tong Hwei. Since the establishment of THF in 1988, he has been Managing Director of the Company. Under his leadership with great emphasis on team work, quality and service performance, THF has expanded tremendously to what it is today.

TAN BAN LEONG, aged 40, was appointed to the Board of THR on 20 July 1999, is the Administration and Sales Manager of the company. He was appointed Director of THF in 1993. He obtained a Degree in Economics from Tunghai University (Taiwan) in 1986. He joined the Company in July 1989. He is one of the pioneer staff who was involved in the setting up of the factory. The Administration Department primarily consists of the Personnel Department, Administration, Information Technology and General Affairs. The Sales Department is involved in the budgeting of sales targets and coordinating various sales-related activities such as shipping and export.

KO CHIH CHIANG, aged 41, has been appointed a director of THF in 1989 and as a director of THR on 20 July 1999. He obtained a Diploma in International Trade from Tamsui Oxford College of Taiwan in 1982 and has more than 17 years of experience in the international sales of fasteners.

He joined Tong Hwei in 1988 as Sales Manager before being promoted to Assistant General Manager in April 1997.

TSAI LIAO CHIN-YEH, aged 38, was appointed as a Director of THR on 20 July 1999. She graduated from the College of Taiwan in 1979 with a certificate in Domestic Science. In 1980, she joined Tong Hwei as its Quality Control Executive before coming to Malaysia in 1989.

FAZRIN AZWAR BIN MD. NOR, aged 33, was appointed to the Board of Directors of THR on 20 July 1999. He graduated from Universiti Malaya with LLB(Hons) in 1991. He was called to the Malaysian Bar in 1992 and is currently practicing as an advocate and solicitor. He also sits on the Board of Directors of several private limited companies.

MEGAT ABDUL MUNIR, aged 30, was appointed to the Board of Directors of THR on 20 July 1999. He graduated from the International Islamic University with LLB(Hons) in 1993. He was called to the Malaysian Bar in 1994 and is currently practicing as an advocate and solicitor.

OSMAN BIN T. A. MAIMUNNI, aged 40, was appointed to the Board of Directors of THR on 20 July 1999. Between 1985 and June 1988 he was a Corporate Recovery officer with Kewangan Bersatu Berhad, a licensed finance company. From February 1989 to October 1989 he was a semi-senior with the audit firm Arthur Young International.

In June 1990, he joined Coopers & Lybrand Management Consultants Sdn Bhd as a financial consultant until July 1994. Between August 1994 and February 1996, he was Group General Manager for the Naza Group of Companies which is mainly involved in the sales and distribution of motor vehicles. Since March 1996, he has been a director and shareholder of Kuchinta Motor Holdings Sdn Bhd, Kuchinta Carriage Sdn Bhd, Kuchinta Wheels Sdn Bhd and Kuchinta Auto Sdn Bhd and Kuchinta Ventures Sdn Bhd which are principally involved in the sales and distribution of motor vehicles. He is a member accountant of the Chartered Association of Certified Accountants since December 1989. He also holds directorships in other private limited companies.

7.2 *Management Team*

TEOH SWEE CHIN, aged 45, is the Finance Manager of THF and is responsible for the Company's accounting and financial management, banking and other corporate matters. He obtained his professional banking diploma from the Chartered Institute of Bankers, London in 1977 and he is also an Associate Member of the Institute of Chartered Secretaries and Administrators UK in 1986. He started his banking career with Bank Negara Malaysia in 1973 and subsequently worked with Kwong Yik Bank Berhad, Public Finance Berhad and Southern Finance Company Berhad. His last held position with Southern Finance Company Berhad was Manager of Penang Branch before joining the company in October 1994.

SOO SIO BENG, aged 31, is the Assistant Production Manager of THR. He is responsible for the entire production process which includes production planning, packing, mould and die maintenance and development, maintenance and consumable material. He obtained his Sijil Tinggi Pelajaran Malaysia in 1988. After finishing school, he worked as an Assistant Supervisor in Butterworth **Iceworks** Sdn Bhd which is principally involved in the seafood processing business. His last held position was Senior Production Supervisor before joining THF as Production Controller in October 1994. He was promoted to Assistant Production Manager in May 1995. He obtained his Diploma in Management from The Institute of Management Specialists, United Kingdom through the Butterworth Management Training Centre in 1994.

ANG LEE YONG, aged 31, is the Accountant of THF and is responsible for its accounting functions. She obtained her Bachelor of Accounting from Universiti Utara Malaysia in 1993 and she is also a Registered Accountant of the Malaysian Institute of Accountants. After graduating in April 1993, she joined Saw & Co, a public accounting firm in Butterworth as an Audit Trainee. She left in June 1994 to join the company as Accounts Executive.

TAI BEE LOON, aged 33, is the Assistant Manager of THF's IT Department. She is responsible for the entire information technology needs of the Company which includes identifying, designing and implementing the computerisation of operations, maintaining and upgrading EDP requirement and coordinating the EDP activities. She obtained her Bachelor of Economics from Universiti Utara Malaysia in 1992. Upon graduation, she joined the Company as Quality Control Executive in February 1992. Before assuming this post in June 1994, she was previously in the Production Department.

TAN LI LI, aged 30, is the Assistant Manager of the Quality Control Department. She is responsible for the quality control functions of the Company which includes procedures on incoming raw material, standards in production process and finished goods and the requirements for the ISO 9002. She obtained her Bachelor of Arts Degree from Universiti Kebangsaan Malaysia in 1993. After graduating, she joined the Company in May 1993 as Quality Control Executive.

7.3 *Employees*

As at 10 September 1999, the THR Group employed a total workforce of 149 employees. 32 of its employees are members of the Metal Industry Employees' Union and they enjoy a cordial relationship with the management.

7.4 *Audit Committee*

THR set up an Audit Committee on 20 July 1999 which comprises the following Board members:-

Name	Responsibility	Directorship
Osman bin T.A. Maimunni	Chairman of the Committee	Independent Non-Executive Director
Megat Abdul Munir	Member of the Committee	Independent Non-Executive Director
Tsai Ming Ti	Member of the Committee	Managing Director

The main functions of the Audit Committee include the review of audit plan and audit report with the Auditors, review of Auditors' evaluation of internal accounting controls, review of the scope of internal audit procedures, review of balance sheets and profit and loss accounts and nomination of Auditors.

7.5 *Family Relationship*

Tsai Ching Tung, Tsai Ming Hsien and Tsai Ming Ti who are brothers while Tsai Liao **Chin-Yeh** is the wife of Tsai Ming Ti. No other Directors and Senior Management of the THR Group are related to each other.

8.1 *Overall Malaysian Economy*

The Malaysian economy's real GDP growth contracted by 6.7% in 1998 (1997:7.7%). This was in response to the double-digit rate of contraction of real domestic demand as well as a sharp deceleration in the growth of real external demand triggered by the financial crisis affecting the region since mid-1997.

Malaysia's economic performance is expected to improve during the current year with a growth rate of 1%, coming mainly from domestic demand supported by the Government's fiscal stimulus package. The Government's stimulus package, an accommodative monetary policy, restructuring of the banking sector which has allowed banks to start lending more, combined with a stable Ringgit, the favourable balance of payments situation and inflation which is under control, were some of the positive factors which have placed the economy on a strong foundation. Although economic recovery is expected to be gradual in the first half of the year, it is expected to pick up strongly in the last six months as restructuring of the financial and corporate sectors intensify.

(Source : Bank Negara 1998 Annual Report)

8.2 *The Global Economy*

Real output growth of the industrial economies as a group, comprising members of the Organisation for Economic Co-operation and Development expanded further, albeit at a slower pace of 2.3% (1997:3.1%) amidst an environment of subdued inflation (1.4%), improved fiscal balanced positions and labour market conditions.

This year, the United States real GDP growth is expected to be sustained at close to the potential level of 2.8% (1998:3.9%) whereas the Japanese economy is expected to remain weak with real output declining further by 1.2% this year (1998:2.9%).

Meanwhile several signs of an economic recovery suggest the outlook for East Asia will be more positive in 1999. Signs of improvement include increasing stability and strength of the regional currencies, improved stock market performance and favourable external positions.

(Source : Bank Negara 1998 Annual Report)

8.3 *The Stainless Steel Fastener Industry*

The world stainless fastener steel industry still appears to be in the "sunrise" stage. The local demand for stainless steel fasteners may not be as high as that of the regular fasteners, nevertheless the growth proportion of stainless steel fasteners are expected to be equal or larger. This is due to the fact that consumers and businesses are becoming more quality conscious, therefore they would demand higher grade or quality materials. On the international arena, Europe appears to be the largest consumer of stainless steel product (including fasteners) followed by Japan before North America.

Stainless steel fasteners are essential intermediate products used by industries which require fasteners resistant to corrosion, heat and fire and which have hygienic and aesthetic properties. There being no exact substitute for stainless steel fasteners and the product still being in the growth stage of the life cycle, it is expected that the demand would grow as long as the export markets sustain their economic growth.

(Source : Report from Taylor Nelson Sofres Malaysia Sdn Bhd, 30 June 1999)

9.1 **Profit and Dividend Record**

A summary of the proforma consolidated audited results of the THR Group for the **five(5)** financial years ended 31 December 1994 to 1998 and the **five(5)** month period to 31 May 1999 has been prepared for illustrative purposes only based on the audited accounts of THR and THF and the assumption that the current structure of the Group has been in existence throughout the period under review:-

	31.12.1994	31.12.1995	31.12.1996	31.12.1997	31.12.1998	5 months ended 31.5.1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	49,579	96,739	82,024	104,508	105,593	39,545
PBT	8,314	12,052	9,500	10,826	14,176	6,639
Taxation	(2)	(85)	(630)	(1,175)	(2,232)	
PAT	8,312	11,967	8,870	9,651	11,944	6,639
No of Shares assumed to be in issue	55,146	55,146	55,146	55,146	55,146	55,146
Gross EPS (sen)	15.1	21.9	17.2	18.5	25.7	*28.9
Net EPS (sen)	15.1	21.7	16.1	16.4	21.7	*28.9
Tax exempt dividend rate (%)						

* **Annualised**

Notes: -

- i) *There were no extraordinary items for all the period under review save as disclosed in Note (ii) below.*
- ii) *Included in the PBT for the financial year ended 31 December 1997 is a gain on disposal of land and building, net of real property gains tax amounting to approximately RM602,000, shown as an extraordinary item in the audited accounts of THF.*
- iii) *The disproportionate tax charge in relation to the results of the Group for the financial years 1991 to 1998 is mainly due to Pioneer Status granted by MITI as well as Malaysian Industrial Development Authority to the subsidiary company.*
- iv) *The increase in 1995 turnover mainly resulted from the manufacture and sale of stainless steel bolts commencing September 1994. Turnover dropped in 1996 due to lower selling prices realised resulting from lower material cost. Turnover increased in 1997 mainly due to higher tonnage sold coupled with significant strengthening of USD vis-à-vis RM.*
- v) *The pretax profit margin dropped from 1994 to 1996 mainly due to depreciation charges and interest expense as a result of capital expenditure expansion. In 1997, the pretax profit margin dropped due to unrealised exchange loss at year end, further aggravated by the postponement of paying foreign creditors, during which time the USD strengthened considerably against the RM. In 1998, the pretax profit margin increased in view of realisation of exchange gain during the year.*
- vi) *The number of Shares assumed to be in issue is based on the number of THR Shares following the acquisition of THF.*

9.2 *Working Capital, Borrowings and Contingent Liabilities*

(i) Working Capital

The Directors of THR are of the opinion that after taking into account the **cashflow** forecast, banking facilities available and gross proceeds from the Rights Issue and Public Issue, the Group will have adequate working capital for its present and foreseeable requirements.

(ii) Borrowings

As at 10 September 1999 (being the last practicable date prior to the printing of this Prospectus), the total bank borrowings of the THR Group amounted to approximately **RM32,609,360** comprising term loans and trade facilities. The trade facilities are secured by a fixed and floating charge over the entire assets of the subsidiary up to **RM9,200,000**.

Saved as disclosed above, the THR Group has no loan capital outstanding or created but unissued, mortgages or charges.

(iii) Contingent Liabilities and Capital Commitments

As at 10 September 1999 (being the last practicable date prior to the printing of this Prospectus):-

- a) the Group does not have any contingent liabilities; and
- b) the Group has capital commitments of approximately **RM8,380,000** authorised but not contracted for.

9.3 *Consolidated Profit Forecast*

The Directors of THR estimate that, barring any unforeseen circumstances, the proforma consolidated PBT and PAT for the year ending 31 December 1999 will be as follows:-

	Forecast 31.12.1999 RM'000
Consolidated profit before taxation	17,133
Consolidated profit after taxation	17,133
Gross/net EPS (sen)	27.8
Gross/net PE ratio (times)	5.8

Note : *The EPS has been computed based on the weighted issued and paid-up share capital of 61,532,975 shares after the Acquisition and the Rights Issue assuming that the Public Issue will be completed in Mid October 1999*

The principal bases and assumptions upon which the profit forecast has been made are set out in Section 9.4 of this Prospectus.

9.4 ***Auditors' Letter on the Consolidated Profit Forecast of the THR Group for the Financial Year Ending 31 December 1999***

(Prepared for inclusion in this Prospectus)

KPMG

Ahmadn Sultan
P O 50 a n g

18 September 1999

The Board of Directors
TONG HERR RESOURCES BERHAD
No. 25 **15** Tingkat Perusahaan 4A
Prai Free Industrial Zone
13600 Prai

**AUDITORS' LETTER ON THE CONSOLIDATED PROFIT FORECAST
FOR THE YEAR ENDING 31 DECEMBER 1999**

(“ t h e G r o u p ”) f o r t h e
financial year ending 31 December 1999 for which the Directors are solely responsible, as set out in the Prospectus dated 23 September 1999 in connection with the public issue of 20,000,000 new ordinary shares of RM 1.00 each and the offer for sale of 16,090,000 ordinary shares of RM 1.00 each at an issue and offer price of RM 1.60 per ordinary share respectively and the listing of and quotation for the entire issued and paid-up share capital of THR on the Main Board of the Kuala Lumpur Stock Exchange.

In light of the current Malaysian and regional economic environment, the assumptions made by the Directors in arriving at the forecast may differ significantly from that to be actually encountered and this may materially impact the forecast profit after taxation.

In our opinion, the consolidated profit forecast, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors as set out in the Prospectus and are presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully

KPMG
Firm Number : AF 0758
Public Accountants

NG SWEE WENG
Partner
Approval Number :1414/3/00 (J/PH)

CONSOLIDATED PROFIT FORECAST

The Directors of Tong Herr Resources Berhad forecast that, barring any unforeseen circumstances and on the bases and assumptions set out below, the consolidated profit after taxation for the year ending 31 December 1999 will be as follows:-

	Forecast 1999 RM'000
Consolidated profit before taxation	17,133
Taxation*	—
Consolidated profit after taxation	<u>17,133</u>
Enlarged weighted average issued and paid-up share capital	61,533
Gross earnings per share (sen) #	27.8
Net earnings per share (sen) #	27.8
Gross price earnings multiple based on the issue price of RM 1.60 per ordinary share (times)	5.8
Net price earnings multiple based on the issue price of RM1.60 per ordinary share (times)	5.8

* *There is no tax charge on the results of the Group due to tax waiver year as announced by the Government.*

Based on the weighted average number of issued and paid-up share capital of 61,532,975 shares after Acquisition, Rights Issue and assuming that the Public Issue will be completed in mid October 1999.

BASES AND ASSUMPTIONS

The bases and assumptions made in the preparation of the profit forecast are set out below.

In light of the current Malaysian and regional economic environment, the assumptions made by the Directors in arriving at the forecast may differ significantly from that to be actually encountered and this may materially impact the forecast profit after taxation.

Nevertheless, the principal assumptions upon which the profit forecast have been arrived at are listed below:

- i) There will be no significant changes in the principal activities, management structure, accounting and business policies adopted by the Group.
- ii) There will be no significant changes in the prevailing economic and political conditions that will adversely affect the operations of the Group or the markets in which it operates.
- iii) The existing terms and conditions of contracts and agreements entered into by the Group will remain in force.
- iv) There will be no significant changes to the current pricing of the Group's products.
- v) Raw material cost will not fluctuate significantly.
- vi) The forecast sales and related costs are based on estimates of the Directors after taking into consideration the present conditions of selling prices and related costs of the Group.

- vii) Production/Processing costs will not be adversely affected by any abnormal circumstances or events.
- viii) There will be no adverse changes to the legislation and regulations which will adversely affect the operations of the Group.
- ix) There will be no material setback in the growth of the Malaysian economy which will adversely affect the operations of the Group.
- x) There will be no major industrial disputes or any abnormal circumstances which will adversely affect the operations of the Group.
- xi) The pioneer status tax relief for one of the subsidiary's products (namely, stainless steel bolts) expired on 31 July 1999. The rate of taxation will be 28% and will not change during the period under review. There is, however, no tax provided as 1999 is a tax waiver year as gazetted by the Government.
- xii) The general provision for bad and doubtful debts as included in the consolidated profit forecast is sufficient to account for any significant incidence of bad debts.
- xiii) The Group will continue to enjoy the existing credit facilities at current rates and conditions. Credit facilities with licensed banks are subject to annual review and it is assumed they will be renewed with no change to existing terms and conditions.
- xiv) There will be no major breakdown or disruption in the manufacturing facilities nor will there be any disruption in the sourcing of suppliers and materials by the Group.
- xv) Interest rates for borrowings and deposits will not change significantly and for the purpose of the forecast, the rates used for borrowings range from 8% to 10% per annum whilst the rate used for deposits is 6% per annum.
- xvi) Inflation rates will remain at present levels.
- xvii) The foreign currency exchange rate used for US\$1 will be at the fixed rate of RM3.80, currently the official rate adopted by the Government.
- xviii) The estimated listing expenses amounting to RM 1,700,000 will be set off against the Share Premium Account.
- xix) Capital expenditure for the Group will be **RM8,380,000** for the year ending 31 December 1999.
- xx) The Company will declare a 8% tax exempt dividend of **RM6,400,000** for year ending 31 December 1999.
- xxi) The Group will be Year 2000 compliant by October 1999.

9.5 ***Dividend Forecast and Policy***

On the basis of the consolidated profit forecast and on the assumption that the present basis for calculating taxation and the rates of taxation will remain unchanged, the Directors of THR Group anticipate that they will be in a position to propose, based on the enlarged issued share capital of **RM80,000,000**, a tax-exempt dividend of 8% for the financial year ending 31 December 1999.

It will be the policy of the Directors in recommending dividends to allow shareholders to participate in the profits of the Group as well as leaving adequate reserves for the future growth of the THR Group.

The intended appropriation of the forecast consolidated profit for the financial year ending 31 December 1999 will be as follows:-

	Forecast 31.12.1999 RM'000
Consolidated profit before taxation	17,133
Less : Taxation	
Consolidated profit after taxation	17,133
Less : Proposed Dividend	(6,400)
Consolidated retained profit for the year	10,733
Tax exempt dividend per share (sen)	8.0
Tax exempt dividend yield based on the issue price of RM1.60 per Share(%)	5.0
Net dividend cover (times)	2.7

9. FINANCIAL INFORMATION . . . cont 'd

9.6 **Proforma Consolidated Balance Sheets of THR Group**

(Prepared for inclusion in this Prospectus)

The Proforma Consolidated Balance Sheets are provided for illustrative purposes only to show the effects of the acquisition of THF (“**Acquisition**”), the rights issue of 4,853,783 ordinary shares of RM1 .00 each at RM 1 .00 per share, the public issue of 20,000,000 new ordinary shares of RM 1 .00 each at RM 1.60 per share and the estimated listing expenses of RM1,700,000 on the assumption that these transactions were completed on 31 May 1999.

	(A)	(B)	(C)
Company Audited RM'000	Proforma Group After Acquisition RM'000	After (A) and Rights Issue RM'000	After (B) and Public Issue and Listing Expenses RM'000
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	40.734	40.734	40,734
CURRENT ASSETS			
Stocks	40.554	40,554	40,554
Trade debtors	10.566	10,566	10,566
Other debtors, deposits and prepayments	208	208	208
Short term deposits with licensed banks	6.076	6,076	6,076
Cash and bank balances	1.687	1,687	11,559
	59.091	59.091	68.963
CURRENT LIABILITIES			
Trade creditors	1.526	1,526	1,526
Other creditors and accruals	349 638	638	638
Term loans	4.905	4,905	
Bank borrowings	16.117	11,263	1,702
Provision for taxation	295	295	295
	349 23.481	18,627	4,161
NET CURRENT (LIABILITIES)/ASSETS	(349) 35.610	40.464	64.802
EXPENDITURE CARRIED FORWARD	349	349	3
	76.693	81.547	105.539
CAPITAL EMPLOYED			
SHARE CAPITAL	*	55.146	60,000
SHARE PREMIUM			10,300
UNAPPROPRIATED PROFITS		14,359	14,359
		69,505	74,359
DEFERRED TAXATION		880	880
TERM LOANS		6.308	6,308
		76.693	81.547
Net tangible assets/(liabilities) per share (RM)	(I 74.499.00)	1.25	1.23
		1.23	1.31

* This represents issued and paid-up share capital of RM2

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS OF TONG HERR RESOURCES BERHAD AT 31 MAY 1999

- (1) The Proforma Consolidated Balance Sheets of THR have been prepared based on a restructuring scheme involving the following acquisition, rights issue, public issue and estimated listing expenses and are provided for illustrative purposes only. The Proforma Consolidated Balance Sheets are based on the audited accounts of THR and Tong Heer Fasteners Co., Sdn. Bhd. (“**THF**”) as at 31 May 1999.

In conjunction with the listing of and quotation for the entire issued and paid-up share capital of THR on the Main Board of the KLSE, the Company undertook the following restructuring scheme on the assumption that they were effected on 31 May 1999:-

- i) Acquisition of 100% equity interest in THF comprising 29,100,000 ordinary shares of RM 1.00 each for a total consideration of RM62,866,685 based on the audited net tangible assets at 31 December 1998. The consideration was satisfied by the issue of 55,146,215 new ordinary shares of RM1.00 each at an issue price of RM1.14 per share in exchange for the entire issued and paid up share capital of THF;
 - ii) Rights issue of 4,853,783 new ordinary shares of RM1.00 each at RM1.00 per share on the basis of approximately one(1) new share for every eleven (11) existing shares held; and
 - iii) Public issue of 20,000,000 new ordinary shares of RM 1.00 each at an issue price of RM 1.60 per share.
- (2) The movements of the issued and paid-up share capital of THR after taking into account the above transactions are as follows:-

	Ordinary shares of RM1.00 each RM'000
Balance at 31 May 1999	*
Issued as consideration for acquisition of THF	55,146
After the Acquisition	55,146
Rights Issue	4,854
After the Acquisition and Rights Issue	60,000
Public Issue	20,000
After the Acquisition, Rights Issue and Public Issue	80,000

* comprise 2 ordinary shares of RM1.00 each

- (3) The Proforma Consolidated Balance Sheets have been prepared on the accounting principles and bases consistent with those normally adopted by the Group.
- (4) Proforma Consolidated Balance Sheets of THR and its subsidiary company have been prepared under the merger method of accounting in accordance with the provisions of Malaysian Accounting Standard No. 2 in respect of the acquisition of THF.

Debit merger reserve of RM26,046,215 arising from the acquisition of THF by THR represents the difference between the nominal value of THR's ordinary shares issued as purchase consideration for the acquisition and the nominal value of THF's shares acquired. The debit merger reserve arising has been set off against the capital reserve and unappropriated profits of the Group.
- (5) Estimated listing expenses of RM1.7 million has been set off against the Share Premium Account.

- (6) The gross proceeds from the rights issue and public issue amounting to **RM4,853,783** and **RM32,000,000** respectively , totalling **RM36,853,783**, will be utilised as set out below:-

	RM'000
Purchase of plant and machinery	5,880
Factory building extension	2,500
Repayment of bank borrowings	11,213
To be kept aside for future expansion subject to SC approval	6,000
Working capital	9,561
Estimated listing expenses	1,700
	<hr/> 36.854

9.7 **Auditors' Letter on the Proforma Consolidated Balance Sheets**
(Prepared for inclusion in this Prospectus)

KPMG
Public Accountants
1st Floor, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 Penang

18 September 1999

The Board of Directors
TONG HERR RESOURCES BERHAD
No. 25 15 Tingkat Perusahaan 4A
Prai Free Industrial Zone
13600 Prai
Penang

Gentlemen,

AUDITORS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of Tong Herr Resources Berhad ("THR" or "**the Company**") and its subsidiary company ("**the Group**") as at 31 May 1999 together with the notes and assumptions thereon for which the Directors are solely responsible, as set out in the Prospectus dated 23 September 1999 in connection with the public issue of 20,000,000 new ordinary shares of RM 1.00 each and the offer for sale of 16,090,000 ordinary shares of RM 1.00 each at an issue and offer price of RM 1.60 per ordinary share respectively and the listing of and quotation for the entire issued and paid-up share capital of THR on the Main Board of the Kuala Lumpur Stock Exchange.

In our opinion, the abovementioned Proforma Consolidated Balance Sheets together with the notes thereon which are provided for illustrative purposes only, have been prepared on the accounting principles and bases consistent with those normally adopted by the Group and are presented in a form suitable for inclusion in the said Prospectus.

Yours faithfully

KPMG
Firm No : AF 0758
Public Accountants

NG SWEE WENG
Partner
Approval Number : 1414/3/00 (J/PH)

10. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SIMILAR BUSINESS

Details of the companies in which the Directors and/or substantial shareholders of the Group have interests in the companies which have similar business as the Group are as follows:-

Name	Date and country of incorporation	Issued and paid-up capital '000	Principal Activity
Tong Hwei	7.11.1978 Taiwan	NT774.000	Manufacturer of stainless steel bolts and screws
Min Hwei	23.3.1995 Taiwan	NT270,000	Manufacturer of stainless steel small screws, nuts and wire drawing
Tong Min	1.12.1995 China	USD20,974	Manufacturer of stainless steel bolts and nuts
Tong Jou	26.1.1989 Taiwan	NT 12,000	Trading of fasteners

The interest of the Directors and/or substantial shareholders of the Group in the companies which have similar business of the Group as at 18 September 1999 are as follows:-

Directors*/Substantial Shareholder	Tong Hwei		Min Hwei		Tong Min		Tong Jou	
	% of equity		% of equity		% of equity		% of equity	
	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
Tsai Ching Tung*	2.90	^(a) 85.19	3.78	^(b) 79.49	-	^(c) 60.00	0.57	^(c) 43.88
Tsai Ming Hsien*	2.86	^(a) 85.17	3.74	^(b) 79.53	-	^(c) 40.00	0.56	^(c) 43.88
Tsai Ming Ti*	2.15	^(c) 83.00	-	^(b) 79.49	-	-	-	^(c) 43.88
Tsai Liao Chin-Yeh*	0.24	^(c) 84.91	-	^(b) 79.49	-	-	-	^(c) 43.88
Ko Chi Chiang*	-	-	1.06	-	-	-	-	-
Tsai Chen Su Kan	2.43	^(c) 85.66	-	^(b) 83.27	-	^(d) 60.00	-	^(e) 44.45
Tsai Lin Su Chin	2.41	^(c) 85.62	0.04	^(b) 83.23	-	^(d) 40.00	-	^(e) 44.44

Notes:-

- (a) Deemed interest by virtue of her husband's/his wife's shareholding and their substantial shareholdings in Ta Yu Investment Co Ltd, Chung Hwei Investment Co Ltd and Tsang Hwei Investment Co Ltd.
- (b) Deemed interest by virtue of her husband's/his wife's shareholding and their substantial shareholdings in Ta Yu Investment Co Ltd, Tong Hwei, Chung Hwei Investment Co Ltd, Tong Hwei Investment Co Ltd and Ming Hwei Investment Co Ltd
- (c) Deemed interest by virtue of his shareholding in Tong Hwei Co Ltd
- (d) Deemed interest by virtue of her husband's shareholdings
- (e) Deemed interest by virtue of their substantial shareholdings in Ta Yu Investment Co. Ltd

In respect of the above, there should not be any current or potential conflict of business due to the following :-

i) Autonomous Management

There is segregation of management whereby THF is mainly managed by the Managing Director, Tsai Ming Ti who does not hold any executive directorships in the other companies. Tsai Ming Ti is fully responsible for managing the operations of THF and is supported by Tan Ban Leong who is responsible for the marketing efforts of THF, Teoh Swee Chin who is responsible on financial matters as well as other members of the management team. Tong Hwei, Min Hwei and Tong Min are principally managed by Tsai Ching Tung and Tsai Ming Hsien who are not actively involved in the day to day operations of THF.

As a condition of listing by SC, the Tsai brothers and directors of THR are not allowed to be involved in new businesses which will conflict with the existing operations of THR other than as disclosed in this Prospectus.

ii) Different Products

To cater for the vast application of fasteners, there exists wide and varied categories and sizes of fasteners. To illustrate, THF alone produces an estimated 1,072 different fasteners. THF sells its products primarily to markets which are using the metric system for product specifications whilst the products of Tong Hwei, Min Hwei and Tong Min are mainly manufactured in imperial specifications.

Nonetheless, as a condition for listing by SC, Tong Hwei, Min Hwei and Tong Min respectively entered into non-competing agreements with THR and THF on 26 July 1999. Under the said agreements, Tong Hwei, Min Hwei and Tong Min agreed not to sell any products currently produced by THF to its principal customers for a period of three(3) years commencing from the initial listing date of THR on the KLSE.

THR's Audit Committee will monitor any related party transactions to ensure that any transactions between these companies are carried out on commercial terms which will not be detrimental to the THR Group and to report the position of such related transactions, if any in the Annual Report of THR.

11. ACCOUNTANTS' REPORT
(Prepared for inclusion in this Prospectus)

KPMG
Public Accountants
1st Floor, Wisma Penang Garden
42, Jalan Sultan Ahmad Shah
10050 Penang

18 September 1999

The Board of Directors
TONG HERR RESOURCES BERHAD
No. 25 15 Tingkat Perusahaan 4A
Prai Free Industrial Zone
13600 Prai
Penang

Gentlemen,

ACCOUNTANTS' REPORT

1. INTRODUCTION

This report has been prepared for inclusion in the Prospectus dated 23 September 1999 in connection with the public issue of 20,000,000 new ordinary shares of RM1.00 each and the offer for sale of 16,090,000 ordinary shares of RM 1.00 each at an issue and offer price of RM1.60 per ordinary share respectively in Tong Herr Resources Berhad (hereinafter referred to as "THR" or "**the Company**") and the listing of and quotation for its entire issued and paid-up share capital of 80,000,000 ordinary shares of RM 1.00 each on the Main Board of the Kuala Lumpur Stock Exchange ("KLSE").

2. GENERAL INFORMATION

2.1 ***The Company's Background***

The Company was incorporated on 20 May 1997 in Malaysia under the Companies Act, 1965 as a private limited company under the name of Tong Herr Resources Sdn Bhd.

Pursuant to a special resolution (Members' circular resolution) dated 10 September 1997, and approval given by the Registrar of Companies dated 29 September 1997, the Company was converted into a public limited company and changed its name to Tong Herr Resources Berhad. The principal activity of the Company is that of investment holding.

2.2 ***Share Capital***

The authorised share capital of THR is RM 100,000,000 comprising 100,000,000 ordinary shares of RM 1.00 each.

11. ACCOUNTANTS' REPORT.. . cont'd

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

Date of allotment	No. of ordinary shares of RM 1.00	Par value	Consideration	Total issued and fully paid up share capital (cumulative) R M
20.5.1997	2	1.00	Subscribers' shares	2
20.7.1999	55,146,215	1.00	Issued as consideration for the acquisition of 100% equity in Tong Heer Fasteners Co.. Sdn. Bhd. ("THF")	55,146,217
22.7.1999	4,853,783	1.00	Rights Issue on the basis of approximately one(1) new ordinary share for every eleven(11) existing ordinary shares held at an issue price of RM1.00 per share	60,000,000

The issued and paid-up share capital of THR would subsequently be increased to RM80,000,000 by way of a public issue of 20,000,000 new ordinary shares of RM 1.00 each at an issue price of RM .60 per share.

2.3 *Restructuring Scheme*

In conjunction with and as part of the listing of and quotation for the entire issued and paid-up share capital of THR on the Main Board of the KLSE, the following restructuring scheme was carried out:-

i) Acquisition of THF

Acquisition of the entire issued and paid-up share capital of THF comprising 29,100,000 ordinary shares of RM1.00 each for a total consideration of RM62,866,685 fully satisfied by the issue of 55,146,215 new ordinary shares of RM 1.00 each in THR at an issue price of RM1.14 per ordinary share. The acquisition was completed on 20 July 1999.

ii) Rights Issue

A Rights Issue of 4,853,783 new ordinary shares of RM1.00 each in THR at an issue price of RM 1.00 per share on the basis of approximately one(1) new ordinary share for every eleven (11) existing ordinary shares held after the above-mentioned acquisition. The Rights Issue was completed on 22 July 1999.

iii) Consolidation of Interest

Upon completion of the Rights Issue, the Tsai family undertook a consolidation of interest by selling 40,080,000 ordinary shares in THR for a purchase consideration of RM45,237,274 satisfied by the issuance of 950,000 new shares in All Star International Holdings Limited ("ASI") of USD1.00 each in proportion to their respective shareholdings. ASI is principally an investment holding company.

iv) Public Issue

A public issue of 20,000,000 new ordinary shares of RM1 .00 each at an issue price of RM 1.60 per ordinary share.

The estimated listing expenses of RM1,700,000 will be set off against the Share Premium Account.

The Company with its subsidiary company acquired in the above restructuring scheme are hereinafter referred to as the "THR Group" or the "The Group".

2.4 ***Subsidiary Company***

■ **THF**

THF was incorporated on 11 October 1988 as a private limited company with an authorised share capital of RM50,000,000 divided into 50,000,000 ordinary shares of RM 1 .00 each of which RM29,100,000 comprising 29,100,000 ordinary shares of RM 1 .00 each have been issued and fully paid up.

THF is principally engaged in the manufacturing of stainless steel fasteners including nuts, bolts and screws.

3. ACCOUNTS AND AUDITORS

We have been the auditors of THR since its date of incorporation, and of THF from the year ended 31 December 1996. Prior to the financial year ended 31 December 1996, THF was audited by another firm of auditors.

The accounts of all the companies within the Group for all the financial years/periods under review have been reported without any qualification in the auditors' reports.

4. SUMMARISED PROFORMA CONSOLIDATED RESULTS OF THR GROUP

4.1 The summarised proforma consolidated results of the THR Group for the past 5 financial years ended 31 December 1994 to 1998 and 5 months ended 31 May 1999 have been prepared for illustrative purposes after making such adjustments that we considered necessary and assuming that the THR Group had been in existence throughout the years/period under review.

THR Group

	Year ended 31 December					5 Months
	1994	1995	1996	1997	1998	Ended
	RM'000	RM'000	RM'000	RM'000	RM'000	31.5.1999 RM'000
Turnover	49,579	96,739	82,024	104,508	105,593	39,545
Profit before depreciation/ amortisation and interest	10,488	16,905	17,564	19,356	22,128	9,846
Depreciation/ amortisation	(1,416)	(2,808)	(4,582)	(4,947)	(5,153)	(2,182)
Interest expense	(780)	(2,046)	(3,489)	(3,645)	(2,980)	(1,138)
Interest income	22	1	7	62	181	113
Profit before taxation	8,314	12,052	9,500	10,826	14,176	6,639
Taxation	(2)	(85)	(630)	(1,175)	(2,232)	
Profit after taxation	8,312	11,967	8,870	9,651	11,944	6,639
Weighted average number of ordinary shares of RM 1.00 each in issue ('000)	55,146	55,146	55,146	55,146	55,146	55,146
Gross earnings per share (sen)	151	219	17.2	18.5	25.7	*28.9
Net earnings per share (sen)	151	21.7	16.1	16.4	21.7	*28.9
Net dividend per share (sen)						

* Annualised

Notes:-

- i) The proforma consolidated results of the THR Group are prepared for illustrative purposes only and are based on the audited accounts of THR and THF.
- ii) There were no extraordinary items for all the years/periods under review except as disclosed in Note (iii) below.
- iii) Included in the profit before depreciation/amortisation and interest for the financial year ended 31 December 1997 is a gain on disposal of land and building, net of real property gains tax amounting to approximately RM602,000, shown as an extraordinary item in the audited accounts of THF.
- iv) The disproportionate tax charge in relation to the results of the Group for the financial years 1994 to 1998 is mainly due to Pioneer Status granted by the Malaysian Ministry of International Trade and Industry as well as Malaysian Industrial Development Authority to the subsidiary company.
- v) The increase in 1995 turnover mainly resulted from the manufacture and sale of stainless steel bolts commencing September 1994.

11. ACCOUNTANTS' REPORT.. cont'd

Turnover dropped in 1996 due to lower selling prices realised resulting from lower material cost.

Turnover increased in 1997 mainly due to higher tonnage sold coupled with significant strengthening of US Dollars vis-a-vis Ringgit Malaysia.

- vi) The profit before tax increased from 1994 to 1995 mainly as a result of increase in turnover. In 1996, the profit before tax declined in tandem with decrease in turnover and higher depreciation charges and interest expense as a result of capital expenditure expansion. The 1997 increase in profit before tax was mainly due to the increase in turnover, offset by unrealised exchange loss at year end which was due to the postponement of paying foreign creditors, during which time the US Dollar strengthened considerably against Ringgit Malaysia.

In 1998, the profit before tax increased as a result of increase in turnover and the realisation of exchange gain during the year.

- vii) The weighted average number of ordinary shares in issue is arrived at after the acquisition of THF.

- viii) Earnings per share

The gross earnings per share has been calculated based on the profit before taxation (excluding extraordinary item) and on the weighted average number of issued and paid-up share capital of the Group at 55,146,217 ordinary shares of RM1 each.

The net earnings per share has been calculated based on the profit after taxation (excluding extraordinary item) and on the weighted average number of issued and paid-up share capital of the Group at 55,146,217 ordinary shares of RM1 each.

- 4.2 The summarised results of the companies in THR Group based on the audited accounts of THR and THF for the 5 years ended 31 December 1994 to 1998 and 5 months ended 31 May 1999 are set out **below**:-

THR

THR is principally an investment holding company.

THF

	Year ended 31 December					5 Months Ended
	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	31.5.1999 RM'000
Turnover	49,579	96,739	82,024	104,508	105,593	39,545
Profit before depreciation and interest	10,488	16,905	17,564	19,356	22,128	9,846
Depreciation	(1,416)	(2,808)	(4,582)	(4,947)	(5,153)	(2,182)
Interest expense	(780)	(2,046)	(3,489)	(3,645)	(2,980)	(1,138)
Interest income	22	1	7	62	181	113
Profit before taxation	8,314	12,052	9,500	10,826	14,176	6,639
Taxation	(2)	(85)	(630)	(1,175)	(2,232)	-
Profit after taxation	8,312	11,967	8,870	9,651	11,944	6,639
Weighted average number of ordinary shares of RM 1.00 each in issue during the year ('000)	15,100	19,425	29,100	29,100	29,100	29,100
Gross earnings per share (sen)	55.1	62.0	32.7	35.1	48.7	*54.8
Net earnings per share (sen)	55.1	61.6	30.5	31.1	41.0	*54.8
Net dividend per share (sen)				30.0		

* Annualised

Note:-

- i) There were no extraordinary items for all the years/period under review except as disclosed in Note (ii) below.
- ii) Included in the profit before depreciation/amortisation and interest for the financial year ended 31 December 1997 is a gain on disposal of land and building, net of real property gains tax amounting to approximately RM602,000, shown as an extraordinary item in the audited accounts.
- iii) The disproportionate tax charge for the years ended 31 December 1994 to 1998 was mainly due to:-

% Pioneer Status under the Promotion of Investments Act, 1986 granted to THF for the production of stainless steel nuts which exempted from income tax its income derived from the sale of stainless steel nuts produced for a period of 5 years commencing 1 January 1990 (the commencement date of tax free period) and expired on 31 December 1994.

↳ Pioneer Status granted by the Malaysian Industrial Development Authority for the production of stainless steel bolts where its income derived from the sale of stainless steel bolts produced is exempted from income tax for a period of 5 years commencing from the production date, 1 August 1994. The Pioneer Status has expired on 31 July 1999.

- iv) The increase in 1995 turnover mainly resulted from the manufacture and sale of stainless steel bolts commencing September 1994.

Turnover dropped in 1996 due to lower selling prices realised resulting from lower material cost.

Turnover increased in 1997 mainly due to higher tonnage sold coupled with significant strengthening of US Dollars vis-a-vis Ringgit Malaysia.

- v) The profit before tax increased from 1994 to 1995 mainly as a result of increase in turnover. In 1996, the profit before tax declined in tandem with decrease in turnover and higher depreciation charges and interest expense as a result of capital expenditure expansion. The 1997 increase in profit before tax was mainly due to the increase in turnover, offset by unrealised exchange loss at year end which was due to the postponement of paying foreign creditors, during which time the US Dollar strengthened considerably against Ringgit Malaysia.

In 1998, the profit before tax increased as a result of increase in turnover and the realisation of exchange gain during the year.

- vi) Earnings per share

The gross earnings per share has been calculated based on the profit before taxation (excluding extraordinary item) and on the weighted average number of ordinary shares of RM 1 each in issue during the above financial years/period.

The net earnings per share has been calculated based on the profit after taxation (excluding extraordinary item) and on the weighted average number of ordinary shares of RM 1 each in issue during the above financial years/period.

5. DIVIDENDS

- 5.1 THR has not paid or declared any dividends since its incorporation on 20 May 1997.

- 5.2 Details of the dividends declared and paid by THF for the 5 years ended 31 December 1994 to 1998 and for the 5 months ended 31 May 1999 are as follows:-

Financial Year Ended	Issued and Paid-up Share Capital of RMI each	Gross Dividend Rate	Net Dividend (RM)
31.12.1997	29,100,000	30% tax exempt	8,730,000

- 5.3 Except as shown above, no dividends have been paid or declared for other years/period under review.

6. SUMMARISED BALANCE SHEETS

The summarised balance sheets of the companies in the THR Group based on the audited accounts are set out below:-

THR

	As at 31.12.97 RM'000	As at 31.12.98 RM'000	As at 31.5.99 RM'000
Current assets	**	**	**
Current liabilities	(186)	(227)	(349)
Net current liabilities	(186)	(227)	(349)
Expenditure carried forward	186	227	349
	-	-	-
Financed by :-			
Share capital	*	*	*
Reserves	-	-	-
	-	-	-
Net tangible liabilities per share (RM)	(92,999.00)	(113,499.00)	(174,499.00)

* Represents 2 subscribers' shares of RM1.00 each.

** Represents cash in hand of RM2

Note :-

THR was incorporated on 20 May 1997 and its first set of audited accounts was for the period ended 31 December 1997.

THF

The summarised audited balance sheets of THF as at the end of the 5 years ended 31 December 1994 to 1998 and the 5 months ended 31 May 1999 are as follows:

	As at 31 December						As at
	1993 RM'000	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	31.5.99 RM'000
Fixed assets	12,880	16,282	37,691	50,287	45,273	42,805	40,734
Investment	-	121	375	500	-	-	-
Current assets	17,088	29,207	38,254	54,588	62,637	52,307	59,421
Current liabilities	(13,797)	(15,299)	(27,274)	(41,689)	(48,032)	(26,315)	(23,462)
Net current assets	3,291	13,908	10,980	12,899	14,605	25,992	35,959
Expenditure carried forward	81	27	-	-	-	-	-
	16,252	30,338	49,046	63,686	59,878	68,797	76,693
Financed by :-							
Share capital	12,900	16,200	29,100	29,100	29,100	29,100	29,100
Capital reserve	31	31	32	32	32	32	32
Unappropriated profits	3,321	8,332	11,999	20,869	21,791	33,735	40,373
Shareholders' funds	16,252	24,563	41,131	50,001	50,923	62,867	69,505
Long term liabilities	-	5,775	7,915	13,685	8,955	5,050	6,308
Deferred taxation	-	-	-	-	-	880	880
	16,252	30,338	49,046	63,686	59,878	68,797	76,693
Net tangible assets (NTA)	16,171	24,536	41,131	50,001	50,923	62,867	69,505
NTA per share (RM)	1.25	1.51	1.41	1.72	1.75	2.16	2.39

7. STATEMENT OF ASSETS AND LIABILITIES

The following is the detailed statement of assets and liabilities of THR and of the Proforma THR Group which has been prepared for illustrative purposes only and is based on the audited accounts of the companies in the THR Group as at 31 May 1999. The statement of assets and liabilities has been prepared as if the acquisition of THF ("Acquisition"), Rights Issue of 4,853,783 ordinary shares of RM1.00 each at an issue price of RM1.00, the Public Issue of 20,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.60 per share and the estimated listing expenses of RM1,700,000 were effected on 31 May 1999 and should be read in conjunction with the notes thereon:-

	Note	Company Audited RM'000	(A) Proforma Group After Acquisition RM'000	(B) After (A) and Rights Issue RM'000	(C) After (B) and Public Issue and Estimated listing Expenses RM'000
EMPLOYMENT OF CAPITAL					
FIXED ASSETS	8.2	-	40,734	40,734	40,734
CURRENT ASSETS					
Stocks	8.3	-	40,554	40,554	40,554
Trade debtors	8.4	-	10,566	10,566	10,566
Other debtors, deposits and prepayments		-	208	208	208
Short term deposits with licensed banks		-	6,076	6,076	6,076
Cash and bank balances		-	1,687	1,687	11,559
		-	59,091	59,091	68,963
CURRENT LIABILITIES					
Trade creditors		-	1,526	1,526	1,526
Other creditors and accruals		349	638	638	638
Term loans	8.5	-	4,905	4,905	-
Bank borrowings	8.6	-	16,117	11,263	1,702
Provision for taxation		-	295	295	295
		349	23,481	18,627	4,161
NET CURRENT (LIABILITIES)/ASSETS		(349)	35,610	40,464	64,802
EXPENDITURE CARRIED FORWARD	8.7	349	349	349	3
		-	76,693	81,547	105,539
CAPITAL EMPLOYED					
SHARE CAPITAL	8.8	*	55,146	60,000	80,000
SHARE PREMIUM	8.9	-	-	-	10,300
UNAPPROPRIATED PROFITS	8.10	-	14,359	14,359	14,359
		-	69,505	74,359	104,659
DEFERRED TAXATION	8.11	-	880	880	880
TERM LOANS	8.5	-	6,308	6,308	-
		-	76,693	81,547	105,539
NTA/Liabilities per share (RM)		(174,499.00)	1.25	1.23	1.31

* This represents issued and paid-up share capital of RM2

8. NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES**8.1 Significant Accounting Policies****(a) Accounting Convention**

The accounts have been drawn up on the historical cost convention and in compliance with approved accounting standards in Malaysia.

(b) Basis of Consolidation

The Proforma Group accounts include the audited accounts of the Company and its subsidiary company made up to 31 May 1999 on the assumption that the restructuring of THR as stated in paragraph 2.3 had been effected as at 31 May 1999. The accounts of the subsidiary company are consolidated using the merger method of accounting in accordance with the provisions of Malaysian Accounting Standard No. 2.

Under the merger method of accounting, the results of the Company and the subsidiary company are presented as if the companies have been combined throughout the current period and previous financial years/period. The difference between the nominal value of the share capital issued as purchase consideration and the nominal value of the share capital of the subsidiary company acquired is taken to merger reserve. Any debit merger reserve arising is written off against reserves and unappropriated profits.

Inter-company balances and transactions are eliminated on consolidation and the Group accounts reflect external transactions only.

(c) Depreciation

Freehold land is not amortised. Leasehold land is amortised over the lease period of 54 years. On other fixed assets, depreciation is calculated to write off the cost of each asset on a straight line basis over its expected useful life at the following annual rates:-

	Rate
Buildings	3.33 & 4 %
Plant and machinery, tools and electrical installations	10 & 20%
Furniture, fittings and office equipment	10 & 20%
Motor vehicles	12.5%

(d) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost in the case of work-in-progress and finished goods includes direct materials, direct labour and attributable production overheads.

Cost is determined on the weighted average basis.

(e) Expenditure Carried Forward

Preliminary and pre-operating expenses incurred by the Company prior to commencement of operations are deferred and carried forward in the balance sheet at cost. The expenditure carried forward is written off against future profits whilst listing expenses included in pre-operating expenses are set off against Share Premium Account.

(f) Foreign Currency Translation

Transactions in foreign currencies during the period are converted into Ringgit Malaysia at the rates of exchange prevailing on the dates of transactions.

Assets and liabilities in foreign currencies at balance sheet date are translated into Ringgit Malaysia at rates of exchange approximating those prevailing on that date. Where forward exchange contracts have been arranged in respect of assets and liabilities, the contracted rates of exchange are used.

All exchange gains and losses are included in the Profit and Loss Account.

(g) Deferred Taxation

Provision is made by the liability method for taxation deferred in respect of all timing differences except where it is thought reasonably probable that the tax effects of such deferrals will continue in the foreseeable future.

Deferred tax benefit is recognised only when there is reasonable assurance of realization in due course.

11. ACCOUNTANTS' REPORT... cont'd

8.2 Fixed Assets - Proforma Group

	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Plant and machinery, tools and electrical installations RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost at 1.1.1999	113	7,400	10,272	42,959	1,116	1,159	63,019
Additions	-	-	-	18	35	58	111
At 31.5.1999	113	7,400	10,272	42,977	1,151	1,217	63,130
Accumulated Depreciation at 1.1.1999	-	480	1,083	17,414	758	479	20,214
Charge for the period	-	57	146	1,853	65	61	2,182
At 31.5.1999	-	537	1,229	19,267	823	540	22,396
Net Book Value at 31.5.1999	113	6,863	9,043	23,710	328	677	40,734

8.3 Stocks - Proforma Group

	RM'000
Raw materials	13,580
Work-in-progress	12,208
Finished goods	12,036
	37,824
Consumable stocks	2,730
	40,554

8.4 Trade Debtors - Proforma Group

This includes an amount of RM105,717 due from a company in which certain directors have substantial financial interests, the terms and prices of sales of which have been established on a commercially negotiated basis.

8.5 Term Loans - Proforma Group

	After Acquisition and Rights Issue RM'000	After Public Issue RM'000
Analysis of repayment		
Within 1 year	4,905	-
After 1 year	6,308	-
	11,213	-
Less:		
Portion repayable within 1 year included under current liabilities	(4,905)	-
	6,308	-

The above term loans are guaranteed by certain directors of the subsidiary company and interest is charged at rates ranging from 0.5% to 1.0% per annum above the bank's prevailing base lending rates.

Part of the proceeds from the Public Issue is utilised to retire all the term loans.

8.6 Bank Borrowings - Proforma Group

	After Acquisition and Rights Issue RM'000	After Public Issue RM'000
Bankers' acceptances, secured	8,573	1,702
Trust receipts, unsecured	2,690	-
	11,263	1,702

The secured bank borrowing is secured by fixed and floating charges over the entire assets of the subsidiary company. All the borrowings are guaranteed by certain directors of the subsidiary company and interest is charged at rates ranging from 0.35% to 0.50% per annum above the respective bank's prevailing base lending rates or money market rates, as the case may be.

Part of the proceeds from the Public Issue for working capital purposes is utilised to retire certain bank borrowings.

8.7 Expenditure Carried Forward - Proforma Group and the Company

	RM'000	After Public Issue RM'000
At Cost		
Preliminary expenses	3	3
Pre-operating expenses	346	-
	349	3

Included under pre-operating expenses is an amount of RM500 in respect of auditors' remuneration for the period.

8.8 Share Capital

	The Company RM'000	Proforma Group RM'000
Ordinary shares of RM 1.00 each		
Authorised :	100,000	100,000
Issued and fully paid :		
Balance at 31 May 1999	*	*
Issued as consideration for the acquisition of 100% equity of THF	-	55,146
	*	55,146
Rights Issue	-	4,854
	*	60,000
Public Issue	-	20,000
	*	80,000

* This represents 2 ordinary shares of RM1.00 each

8.9 Share Premium - Proforma Group

	RM'000
Share premium arising from the Public Issue of 20,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.60 per share	12,000
Less : Estimated listing expenses	(1,700)
	10,300

8.10 Retained Profits – Proforma Group

	RM'000
Balance at 31 May 1999 as per audited accounts	40,373
Merger debit (Note 8.11)	(26,014)
	14,359

8.11 Merger Reserve - Proforma Group

	RM'000
Arising on acquisition of THF	
Par value of shares issued	55,146
Par value of shares acquired	(29,100)
Debit merger reserve	26,046

This debit merger reserve has been applied against the following:-

Capital reserve	32
Unappropriated profits (Note 8.10)	26,014
	26,046

8.12 Contingent Liability - Proforma Group

There is no contingent liability in respect of the Group except for the following:-

	RM'000
Bills discounted	
- Secured	1,047
- Unsecured	95
	1,142

8.13 Capital Commitment - Proforma Group

	RM'000
Approved but not contracted for	8,380

9. NTA PER ORDINARY SHARE

Based on the statement of assets and liabilities of the Proforma THR Group as at 31 May 1999, the net tangible assets cover per share after acquisition, rights issue and public issue is calculated as follows:-

	RM '000
NTA as per the proforma Group's statement of assets and liabilities	104,656
Number of ordinary shares of RM1.00 each in issue ('000)	80,000
NTA cover per ordinary share of RM1.00 each (RM)	1.31

10. ACCOUNTS

No audited accounts have been prepared in respect of any period subsequent to 31 May 1999.

Yours faithfully

KPMG
Firm No : AF : 0758
Public Accountants

NG SWEE WENG
Partner
Approval Number : 1414/3/00 (J/PH)

12. DIRECTORS' REPORT
(Prepared for inclusion in this Prospectus)

18 September 1999

The Shareholders of
TONG HERR RESOURCES BERHAD
2515, Tingkat Perusahaan 4
Prai Free Industrial Zone
13600 Prai
Penang

Dear Sir/Madam

On behalf of the Board of Tong Herr Resources Berhad, I report after due inquiry that during the period from 31 May 1999 (being a date to which the last audited accounts of the Company and its subsidiary company have been made) to 18 September 1999 (being a date not earlier than fourteen(14) days before the issue of this Prospectus) that:-

- (a) the business of the Company and its subsidiary company have, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen since the last audited accounts of the Company and its subsidiary company which have adversely affected the trading or the value of the assets of the Company or its subsidiary;
- (c) the current assets of the Company and its subsidiary company appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) there is no contingent liabilities by reason of my guarantees given by the Company or its subsidiary; and
- (e) since the last audited accounts of the Company and its subsidiary save as disclosed in the Accountants' Report as set out in Section 11 of this Prospectus, there has been no changes in published reserve nor any unusual factors affecting the profits of the Company and its subsidiary company.

Yours faithfully
On Behalf of the Board of Directors of
TONG HERR RESOURCES BERHAD

TSAI MING TI
Managing Director

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION

SHARE CAPITAL

1. No Shares will be allotted on the basis of this Prospectus later than six(6) months after the date of this Prospectus.
2. There are no founder, management or deferred shares in the Company. As at the date of this Prospectus there is only one class of shares in the Company, namely ordinary shares of RM1.00 each, all of which rank pari passu with one another.
3. Save for the Shares reserved for Directors and eligible employees of the Group as disclosed in Section 5.2 of this Prospectus, no person has been or is entitled to be given an option to subscribe for any shares, stocks or debentures of the Company or its subsidiary.
4. There are no restrictions on the transfer of the Shares of the Company, except as otherwise required by law.
5. A Director is not required to hold any qualification share in the Company.

ARTICLES OF ASSOCIATION

The following provisions are reproduced from the Company's Articles of Association which have been approved by the KLSE.

6. Transfer of Securities

- 6.1 The provisions in the Articles of Association in respect of the arrangements for transfer of the securities and restrictions on their free transferability are as follows:-

Article 41

Subject to these Articles, the Central Depositories Act and the Rules (with respect to transfer of deposited security), shares in the Company shall be transferable but every transfer shall be by way of book entry by the Central Depository in accordance with the Rules of the Central Depository and, notwithstanding sections 103 and 104 of the Companies Act, 1965, but subject to sub-section 107C(2) of the Companies Act, 1965 and any exemption that may be made from compliance with sub-section 107C(1) of the Companies Act, 1965, the Company shall be precluded from registering and affecting any transfer of securities.

Article 42

Subject to these Articles, the Act, the Central Depositories Act and the Rules (with respect to transfer of deposited security), the instrument of transfer shall be executed by or on behalf of the transferor and the transferee and the transferor shall be deemed to remain the holder of the share until the transferee's name is entered in the Register as the holder of that share and/or the Record of Depositors as the case may be, in respect thereof. All transfer of deposited securities shall be effected in accordance with the Act, the Central Depositories Act and the Rules.

Article 43

Subject to these Articles, the Act, the Central Depositories Act and the Rules (with respect to transfer of deposited security), the Directors may decline to register any transfer of shares which are not fully paid. The registration of any transfer shall be suspended when the register of transfers and the Register is closed under Article 46. In accordance with the provisions of any written law, the Directors may refuse to register the transfer of any share in their opinion such transfer when registered will result in Foreigners having an interest in the aggregate more than the limit allowed under the Act, the Central Depositories Act and the Rules.

Article 44

18 Market Days' notice of intention to close the register shall be published in a daily newspaper circulating in Malaysia and shall also be given to KLSE. In relation to such closure, the Company shall give notice in accordance with the Rules, to the Central Depository to prepare the appropriate record of depositors.

Article 45

No share shall be transferred to any partnership or unincorporated association or body, minor, bankrupt or person of unsound mind.

Article 46

The Register shall be closed for such periods as the Directors may from time to time determine but such registers shall not be closed for more than 30 days in any year. The Company shall before it closes such registers:-

- (1) give notice of such intended closure (in the case of the Register) in accordance with Section 160 of the Act;
- (2) give notice of such intended closure to KLSE at least 18 Market Days before the intended date of such closure including in such notice, such date, the reason for such closure and the address of the share registry at which documents will be accepted for registration;
- (3) publish in a daily newspaper circulating in Malaysia, a notice of such intended closure including the information to be included in the notice referred to in Article 46(2).

At least three(3) market days prior notice shall be given to the Central Depository to enable the Central Depository to prepare the appropriate Record of Depositors provided that where the Record of Depositors is required in respect of corporate actions at least seven(7) market days prior notice shall be given to the Central Depository.

Article 48

Subject to the Act, every entry in the Register, purporting to have been made on the basis of an instrument of transfer or other document in good faith by the Company shall be conclusively deemed to have been duly and properly made including (without limitation) where:-

- (1) the instrument of transfer or other document is obtained or created fraudulently or is otherwise void, voidable or otherwise unenforceable;
- (2) the Company or any of its Directors or officers may have notice that such instrument of transfer was signed, executed and/or delivered by the transferor or other authorised person in blank as to the name of the transferee or the particulars of the shares transferred or otherwise made defectively;

and any person who becomes the registered holder of any shares by reason of any such entry shall be entitled to be recognised as the registered holder of such shares, and the Company, its Directors and/or other officers shall not be liable to any person by reason of any such entry being made.

Article 49

The Central Depository may (before registering any transfer tendered for registration) give the registered holder notice in writing sent by ordinary post that such instrument of transfer has been lodged and unless such holder objects, the transfer will be registered. If such holder does not lodge an objection in writing at the Office within 7 days from the posting of such notice to him, he shall be deemed to have accepted the validity of the transfer.

6.2 Main Board Listing Requirements

Section 293A - Transfer of Securities

The transfer of any securities or class of securities of the company which have been deposited with the Central Depository, shall be by way of book entry by the Central Depository in accordance with the Rules of the Central Depository and, notwithstanding sections 103 and 104 of the Companies Act, 1965, but subject to sub-section 107C(2) of the Companies Act, 1965 and any exemption that may be made from compliance with sub-section 107C(1) of the Companies Act, 1965, the Company shall be precluded from registering and affecting any transfer of securities.

Section 293B - Transmission of securities from Foreign Register

- (1) Where:-
 - (a) the securities of a company are listed on an Approved Market Place; and
 - (b) such company is exempted from compliance with section 14 of the Securities Industry (Central Depositories) Act, 1991 or section 29 of the Securities Industry (Central Depositories) Amendment Act, 1998, as the case may be, under the Rules of the Central Depository in respect of such securities,

such company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of company in the jurisdiction of the Approved Market Place (hereinafter referred to as “**the Foreign Register**”), to the register of holders maintained by the registrar of the company in Malaysia (hereinafter referred to as “**the Malaysian Register**”) subject to the following conditions:-

- (i) there shall be no change in the ownership of such securities; and
 - (ii) the transmission shall be executed by causing such securities to be credited directly into the securities account of such securities holder.
- (2) For the avoidance of doubt, no company which fulfills the requirements of paragraphs (a) and (b) of section 293B(1) shall allow any transmission of securities from the Malaysian Register in to the Foreign Register.

6.3 Companies Act, 1965

Section 103 (1)

Notwithstanding anything in its articles a company shall not register a transfer of shares or debentures unless a proper instrument of transfer in the prescribed form has been delivered to the company, but this subsection shall not prejudice any power to register as a shareholder or debenture holder any person to whom the right to any shares in or debentures in the company has been transmitted by operation of law.

Section 103 (1A)

Nothing in this section shall be construed as affecting the validity of any instrument which would be effective to transfer shares or debentures apart from this section; and any instrument purporting to be made in any form which was common or usual in use, or in any form authorised or required for that purpose apart from this section before the commencement of this Act, shall be sufficient, whether or not it is completed in accordance with the prescribed form, if it complies with the requirements as to execution and contents which apply to a transfer.

Provided that a company shall be precluded from registering a transfer of shares or debentures, the title of which is evidenced by a certificate that is issued on or after the date of coming into operation of this subsection unless a proper instrument of transfer in the prescribed form has been delivered to the company.

Section 107C (1)

On or after the coming into operation this section, the transfer of any securities or class of securities of a company whose securities or any class of whose securities have been deposited with a central depository shall be by way of book entry by the central depository in accordance with the rules of the central depository and, notwithstanding sections 103 and 104, such company shall be precluded from registering and affecting any transfer of securities.

Section 107C (2)

Subsection (1) shall not apply to a transfer of securities to a central depository or its nominee company.

6.4 **Rules of the MCD**

The rules within Malaysian Central Depository on the transferability of securities are as follows:-

Rule 8.01 (2)

The Central Depository may, in its absolute discretion, reject a transfer request made by a depositor thereunder, where the reason for the said transfer does not fall within any of the approved reason stipulated under Rule 8.03 (1) (c).

Rule 8.05A

Transfers made by the authorised depository agent from the agent's principal or nominee account shall be subject to the Rules in this Chapter.

Rule 9.03(2)

It shall be the responsibility of the authorised depository agent, in processing the transfer between the two securities accounts belonging to different depositors (hereinafter the transfer is referred to as "**the inter-account transfer**"), to check and ensure the completeness, accuracy and/or genuineness of the documents lodged as follows:-

- (a) the prescribed Form FTF010 (request for ordinary transfer of securities form) or Form FTF015 (request for express transfer of securities form) fully and properly completed in triplicate;
- (b) the Transferring Depositor has executed the Transferor portion of the said form duly witnessed by another person (other than the depositor's spouse);
- (c) the Transferring Depositor has stated his reason for the transfer and that the reason is or are amongst any of the approved reasons as stated herein below:-
 - (i) transmission of securities arising from the provisions of any written law or an order of the court of competent jurisdiction;
 - (ii) rectification of errors;
 - (iii) pledge, charge or mortgage;
 - (iv) mandatory offer pursuant to the provisions of the Malaysian Code on Takeovers and Mergers 1987;
 - (v) any other circumstances as deemed fit by the Central Depository after consultation with the Securities Commission.

- (d) documents to support the reason for the transfer;
- (e) such other accompanying documents duly processed in such manner as the Central Depository may from time to time determine in the Procedures Manuals.

7. Remuneration of Director

The provisions in the Company's Articles of Association in respect of remuneration of the Directors are as follows:-

Article 110

The fees of the Directors shall from time to time be determined by the Company in General Meeting but the remuneration of the executive Directors shall from time to time be determined by the Board of Directors. The fees payable to the Directors shall not be increased except pursuant to a resolution passed at the General Meeting when notice of the proposed increase has been given in the notice convening the meeting. The fees payable to non-executive Directors shall be a fixed sum and not by a commission on or percentage of profits or turnover and the remuneration payable to executive Directors may not include a commission on or percentage of turnover. Any fee paid to an alternate Director shall be agreed between him and his Appointor and shall be deducted from his appointor's remuneration.

Article 111

The Directors may be paid all travelling hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of Directors or general or other meetings of the Company or in connection with the business of the Company.

Article 112

The Directors may grant special remuneration to any Director who (on request by the Directors) is willing to:-

- (1) render any special or extra services to the Company; or
- (2) to go or reside outside his country of domicile or residence in connection with the conduct of any of the Company's affairs.

Such special remuneration may be paid to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be paid in a lump sum or by way of salary, or by a percentage of profits, or by all or any of such methods but shall not include (where such special remuneration is paid by way of salary) a commission on or a percentage of turnover. Additional remuneration paid to non-executive directors shall not include a commission or percentage of turnover or profits.

Article 141

- (1) A managing director shall, subject to the terms of any agreement entered into in any particular case, receive such remuneration (whether by way of salary, commission, or participation in profits or partly in one way and partly in another) as the directors may determine but he shall not under any circumstances be remunerated by a commission on or a percentage of turnover.
- (2) The directors may entrust to and confer upon a managing director any of the powers exercisable by them upon such terms and conditions and with such restrictions as they may think fit, and either collaterally with or to the exclusion of their own powers, and may from time to time revoke, withdraw, alter, or vary all or any of those powers. A managing director shall always be subject to the control of the Board of Directors.

8. Voting and Borrowing Power of Directors

The provisions in the Company's Articles of Association dealing with voting powers of the Directors in the proposals, arrangements or contracts in which they are interested in and their borrowing powers exercisable by them and how such borrowing powers can be varied are as follows:-

Article 124

The Directors may exercise all the powers of the Company to borrow any sum or sums of money from any person, bank, firm or company and to mortgage or charge its undertaking, property and uncalled capital, and any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company, or its wholly owned subsidiaries or of any related corporation. The Directors may guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon with power to the Directors to indemnify the guarantors from or against liability under their guarantees by means of a mortgage or hypothecation of or charge upon any property and asset of the Company or otherwise. The Directors may exercise all the powers of the Company to guarantee and give guarantees or indemnities for the payment of money, the performance of contracts or obligations or for the benefit or interest of the Company or of any subsidiary corporation.

Article 125

The Directors shall not borrow any money or mortgage or charge any of the Company's or its Subsidiaries' undertaking, property or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

9. Changes in Capital or Variation of Class Rights

The provisions in the Company's Articles of Association as to changes in capital or variation of class rights, which are stringent as those provided in the Companies Act, 1965 are as follows:-

Article 11

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may (subject to Sections 55 and 65 of the Act and whether or not the Company is being wound up) be varied or abrogated with:-

- (1) the consent in writing of the holders of three-fourths of the issued shares of that class; or
- (2) the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

To every such separate general meeting, the provisions of these Articles relating to general meetings shall mutatis mutandis apply, except that the necessary quorum shall be 2 persons at least holding or representing by proxy one-third of the issued shares of the class (but so that if at any adjourned meeting of such holders, a quorum is not present, the holders present, shall form a quorum), and any holder of shares of the class present in person or by proxy may demand a poll.

Article 12

Subject to Section 65 of the Act, the rights attached to any class shall not (unless otherwise provided by the terms of issue of such shares) be deemed to be varied by the creation or issue of further shares ranking in any respect *pari passu* with that class.

Article 13

Subject to the Act and these Articles, any unissued shares of the Company (whether forming part of the original or any increased capital) shall be at the disposal of the Directors who may offer, issue, allot (with or without conferring a right of renunciation), grant options over, grant any right or rights to subscribe for such shares or any right or rights to convert any security into such shares, or otherwise deal with or dispose of them to such persons at such times and on such terms and conditions as they may determine.

Article 13a

The Company must ensure that all new issues of securities for which listing is sought are made by way of crediting the securities accounts of the allottees with such securities save and except where it is specifically exempted from compliance with Section 38 of the Central Depositories Act in which event it shall so similarly be exempted from compliance with this requirement. For this purpose, the Company must notify the Central Depository of the names of the allottees and all such particulars required by the Central Depository to enable the Central Depository to make the appropriate entries in the securities accounts of such allottees.

Article 14

Article 13 shall be subject to the following provisions:-

- (1) the Company shall not offer, issue, allot, grant options over shares, grant any right or rights to subscribe for shares or any right or rights to convert any security into shares or otherwise deal with or dispose of shares which will or may have the effect of transferring a controlling interest in the Company without the prior approval of the Members in general meeting;
- (2) no Director shall participate in an issue of shares to employees unless:-
 - (a) the Members in general meeting have approved the specific allotment to such director; and
 - (b) such Director holds office in any executive capacity provided that if he does not hold such office he may participate in an issue of shares pursuant to an offer or issue of shares to the public.
- (3) no shares shall be issued at a discount except in accordance with Section 59 of the Act;
- (4) the total nominal value of issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time;
- (5) the rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating them.

Article 15

Subject to the Act and without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or as the Directors (subject to being duly authorised to do so by an ordinary resolution of the Company) may determine.

Article 16

Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares shall, before issue be offered to Members who at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiry of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article.

Article 17

Notwithstanding Article 16 (but subject to the Act), the Company may apply to KLSE for a waiver from convening an extraordinary general meeting to obtain shareholders approval for further issue or issues of shares (other than bonus or rights issues) where:-

- (1) the aggregate issues of shares (other than bonus and rights issues and other issues of shares which have been specifically approved by the shareholders in an extraordinary general meeting) in any one financial year in which such further issue or issues are made do not exceed 10% of the Company's issued share capital as at the last day of the financial year before such financial year; and
- (2) there is in force at the time of the application for such waiver, a resolution of the Company in general meeting authorising the Directors to make such further issue or issues as stated above.

DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

10. The names, addresses and occupation of the Directors are set out in Section 2 of this Prospectus.
11. No Director, senior executive officer or person nominated to become a Directors or senior executive officer is or was involved in the following events:-
 - a) a petition under bankruptcy laws filed against such person or any partnership in which he was or is a partner or any corporation of which he was or is an executive officer;
 - b) a conviction in a criminal proceeding or is a named subject of a pending criminal proceeding; or
 - c) the subject of any order, judgement or ruling of any court, tribunal or governmental body of competent jurisdiction permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, Director or employee of a financial institution or engaging in any type of business activity or practice.
12. There are no existing or proposed service contracts between the Directors and the Company or its subsidiary excluding contracts expiring, or terminable by the employing company without payments or compensation (other than statutory compensation) within one(1) year.
13. For the financial year ended 31 December 1998, the remuneration payable to the Directors for services in all capacities to the Company and its subsidiary company was RM201,464. For the current financial year ending 31 December 1999, the estimated remuneration payable to the Directors is RM268,175.

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION... cont'd

14. According to the Register of Directors' Shareholdings of THR as at 18 September 1999, the beneficial interests of the Directors in the shares of the Company are as follows:-

	BEFORE THE IPO				AFTER THE IPO			
	Direct		Indirect		Direct*		Indirect	
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
Tsai Ching Tung	5,577,600	9.3	(a)42,072,000	70.1	1,080,400	1.4	(a)40,463,000	50.6
Tsai Ming Hsien	4,780,800	8.0	(b)42,072,000	70.1	927,200	1.2	(b)40,463,000	50.6
Tsai Ming Ti	3,585,600	6.0	(c)42,072,000	70.1	697,400	0.9	(c)40,471,000	50.6
Ko Chih Chiang	-	-	-	-	8,000	-	-	-
Tsai Liao Chin- Yeh	1,992,000	3.3	(d)43,665,600	72.8	391,000	0.5	(d)40,777,400	51.0
Tan Ban Leong	-	-	-	-	8,000	-	-	-
Fazrin Azwar bin Md. Nor	-	-	-	-	6,355,360	7.9	-	-
Megat Abdul Munir	-	-	-	-	2,656,600	3.3	-	-
Osman bin T.A. Maimunni	-	-	-	-	2,656,600	3.3	-	-

Notes:

- (a) Deemed interested by virtue of his substantial shareholdings in ASI and his spouse Tsai Chen Su Kan's shares
- (b) Deemed interested by virtue of his substantial shareholdings in ASI and his spouse Tsai Lin Su Chin's shares
- (c) Deemed interested by virtue of his substantial shareholdings in ASI and his spouse Tsai Liao Chin-Yeh's shares
- (d) Deemed interested by virtue of the substantial shareholdings held by her husband, Tsai Ming Ti
- * includes the 8,000 shares allocated to each of the Directors of THR as part of the pink form's allocation

15. According to the Register of Substantial Shareholders of THR as at 18 September 1999, the substantial shareholders of THR and their respective direct and indirect interests in the shares of the Company are as follows:-

	BEFORE THE IPO				AFTER THE IPO			
	Direct		Indirect		Direct		Indirect	
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
ASI	40,080,000	66.8	-	-	40,080,000	50.1	-	-
Tsai Ching Tung	5,577,600	9.3	(a)42,072,000	70.1	1,080,400*	1.4	(a)40,463,000	50.6
Tsai Ming Hsien	4,780,800	8.0	(b)42,072,000	70.1	927,200*	1.2	(b)40,463,000	50.6
Tsai Ming Ti	3,585,600	6.0	(c)42,072,000	70.1	697,400*	0.9	(c)40,471,000	50.6
Tsai Chen Su Kan	1,992,000	3.3	(d)45,657,600	76.1	383,000	0.5	(d)41,160,400	51.5
Tsai Lin Su Chin	1,992,000	3.3	(e)44,860,800	74.8	383,000	0.5	(e)41,007,200	51.3
Tsai Liao Chin-Yeh	1,992,000	3.3	(f)43,665,600	72.8	391,000*	0.5	(f)40,777,400	51.0
Fazrin Azwar bin Md. Nor	-	-	-	-	6,355,360*	7.9	-	-
Megat Abdul Munir	-	-	-	-	2,656,600*	3.3	-	-
Osman bin T.A. Maimunni	-	-	-	-	2,656,600*	3.3	-	-
Permodalan Nasional Berhad	-	-	-	-	3,000,000	3.8	-	-
Lembaga Tabung Angkatan Tentera	-	-	-	-	2,000,000	2.5	-	-
Haji Abdul Rahman bin Mohamed	-	-	-	-	1,848,600	2.3	-	-
Wan Sazrudeen bin Dato' Wan Zaid	-	-	-	-	1,848,600	2.3	-	-
Hussein bin Hamzah	-	-	-	-	1,733,160	2.2	-	-

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION... cont'd

Notes :

- (a) Deemed interested by virtue of his substantial shareholdings in ASI and his spouse Tsai Chen Su Kan's shares
 - (b) Deemed interested by virtue of his substantial shareholdings in ASI and his spouse Tsai Lin Su Chin's shares
 - (c) Deemed interested by virtue of his substantial shareholdings in ASI and his spouse Tsai Liao Chin-Yeh's shares
 - (d) Deemed interested by virtue of the substantial shareholdings held by her husband, Tsai Ching Tung
 - (e) Deemed interested by virtue of the substantial shareholdings held by her husband, Tsai Ming Hsien
 - (f) Deemed interested by virtue of the substantial shareholdings held by her husband, Tsai Ming Ti
 - * includes the 8,000 shares allocated to each of the Directors of THR as part of the pink form's allocation
16. None of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in any business carrying on a similar trade as the Company or its subsidiary and which is not quoted on a recognized stock exchange save as disclosed in Section 10 of this Prospectus.
17. No Director has any interest, direct or indirect, in the promotion of or in any assets which have, within the two(2) preceding years of the date of this Prospectus been acquired or disposed of by or leased to the Company or its subsidiary, or are proposed to be acquired, disposed of by or leased to the Company or its subsidiary or any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of the Company or its subsidiary.

GENERAL

18. The nature of the Company's business and the names of all corporations which are deemed related to the Company by virtue of Section 6 of the Companies Act, 1965 are disclosed in Section 6.1 of this Prospectus. Other than mentioned in this Section of this Prospectus, the details of corporations deemed related to the Company by virtue of Section 6 of the Companies Act, 1965 are as follows:-

Company	Relationship	Authorised Share Capital (USD'000)	Issued and Fully Paid-Up Share Capital (USD'000)	Place and Date of Incorporation	Principal Activities
ASI	ASI will hold 50.1% equity interest in THR after the Offer for Sale and Public Issue	1,000	1,000	13.5.1997 British Virgin Islands	Investment Holding

19. The time of the opening of the Application List is set out in Section 14 of this Prospectus.
20. The amount payable in full on application to the Company/Offerors is RM1.60 per Share.
21. Save as disclosed in this Prospectus, no Shares or debentures of the Company or its subsidiary have been issued or proposed to be issued as fully or partly paid-up for cash or otherwise than in cash within the two(2) preceding years of the date of this Prospectus.
22. As at the date of this Prospectus, neither the Company nor its subsidiary have any convertible debt securities.

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION... cont'd

23. a) Underwriting commission is payable to the Underwriters at the rate of 2.25% of the issue price of RM1.60 per Share on the Shares being underwritten which form the subject of this Prospectus;
- b) Brokerage will be paid at the rate of 1% of the IPO of RM1.60 per Share to the parties in the circumstances specified in Section 5.7 of this Prospectus; and
- c) Fees incidental to the listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Board of the KLSE amounting to RM1,700,000 will be borne by the Company. The Offeror shall bear stamp duty, brokerage, registration and transfer fees relating to the Offer Shares totaling approximately RM260,000.
24. Save as disclosed in paragraph 23, no commission, discount, brokerages or other special terms have been paid or granted within the two preceding years of the date of this Prospectus or is payable by the Company or its subsidiary within the two(2) years immediately preceding the date of this Prospectus for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any Shares in or debentures of the Company or its subsidiary and no Director or proposed Director or promoter or expert is entitled to receive any such payment in connection with the issue and sale of the Company and its subsidiary.
25. No amount or benefit has been paid or given within the two(2) years preceding the date hereof, nor is it intended to be paid or given, to any promoter.
26. The name and address of the Auditors are set out in Section 2 of this Prospectus.
27. Save as disclosed in Section 3 of this Prospectus, the Directors of the Company or its subsidiary are not aware of any material information including trading factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of the Company or its subsidiary.
28. Save as disclosed in Section 3 of this Prospectus, the Directors of the Company are of the view that the financial conditions and operations of the Company and its subsidiary are not affected by any of the following:-
- a) Known trends or known demands, commitments, events or uncertainties that will result in or are reasonable likely to result in the Company or its subsidiary's liquidity increasing or decreasing in any material way;
- b) Material commitments for capital expenditure;
- c) Unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from operations; and
- d) Known trends or uncertainties that have had or that the Company or its subsidiary reasonably expects will have a material favourable or unfavourable impact on revenues or operating income.
29. With the exception of the Public Issue, there is no present intention on the part of the Directors of the Company to issue any part of the authorized but unissued share capital of the Company.

13. FURTHER STATUTORY AND OTHER GENERAL INFORMATION... cont'd

30. During the last financial year and the current financial year, there were:-
- a) no public takeover offers by third parties in respect of the Company's shares; and
 - b) no public takeover offers by the Company in respect of other companies' shares.
31. Other than the 806,000 Shares reserved for Directors and eligible employees of THR Group pursuant to this Prospectus, there are at present no other schemes involving the staff or the Directors in the capital of the Company and its subsidiary as at the date of this Prospectus.
32. The manner in which copies of this Prospectus together with the Application Forms and envelopes may be obtained is set out in Section 14 of this Prospectus.

MATERIAL CONTRACTS, LITIGATION AND CONTINGENT LIABILITIES

33. Save as disclosed below, there are no contracts which are or may be material (not being contracts entered into in the ordinary course of business) which have been entered into by the Company and its subsidiary within the two(2) years preceding the date of this Prospectus:-
- a) Sale and Purchase Agreement, Supplemental Agreement and a Second Supplemental Agreement dated 8 November 1997, 11 June 1998 and 9 July 1999 respectively between THR and the Offerors for the Acquisition of THF;
 - b) Agreement between THR, THF and Tong Hwei dated 26 July 1999 whereby Tong Hwei undertook not to sell products currently produced and sold by THR to its principal customers for a period of three years from the initial listing date of THR on the KLSE;
 - c) Agreement between THR, THF and Min Hwei dated 26 July 1999 whereby Min Hwei undertook not to sell products currently produced and sold by THR to its principal customers for a period of three years from the initial listing date of THR on the KLSE;
 - d) Agreement between THR, THF and Tong Min dated 26 July 1999 whereby Tong Min undertook not to sell products currently produced and sold by THR to its principal customers for a period of three years from the initial listing date of THR on the KLSE; and
 - e) Underwriting Agreement dated 29 July 1999 between THR, Arab-Malaysian, Kuala Lumpur City Securities Sdn Bhd, Mercury Securities Sdn Bhd, MIDF Sisma Securities Sdn Bhd and UT Securities Sdn Bhd for the underwriting of 12,090,000 of the IPO Shares for an underwriting commission of 2.25% of the issue price of RM1.60.
34. The Company and its subsidiary is not engaged in any litigation, either as plaintiff or defendant, which has a material effect on the financial position of the Company and the Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and/or adversely affect the position or business of the Company.
35. As at the date of this Prospectus, the Company and its subsidiary does not have outstanding contingent liabilities.

CONSENT

36. The consent of the Adviser and Managing Underwriter, Underwriters, Solicitors, Principal Bankers, Registrars, Company Secretary and Issuing House to the inclusion in this Prospectus of their names in the context and form in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.
37. The consent of the Auditors and Reporting Accountants for the inclusion in this Prospectus of their name, letter on the Profit Forecast, letter on the Proforma Balance Sheets and Accountants' Report in the manner and form in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn.

DOCUMENTS FOR INSPECTION

38. Copies of the following documents may be inspected at the registered office of the Company during office hours for a period of six(6) months from the date of the Prospectus :
- (a) Memorandum and Articles of Association of THR and THF;
 - (b) Directors' Report and Accountants' Report as included herein;
 - (c) Auditors' Letters relating to the Consolidated Profit Forecast and Proforma Consolidated Balance Sheets as included herein;
 - (d) Audited accounts of THF for the five(5) financial years ended 31 December 1994 to 1998 and five(5) months ended 31 May 1999;
 - (e) Audited accounts of THR for the financial period ended 31 December 1997 and the year ended 31 December 1998;
 - (f) The material contracts referred to under the Section "Material Contracts, Litigation and Contingent Liabilities"; and
 - (g) The letters of consent referred to under the Section "Consents" of this Prospectus.

RESPONSIBILITY

39. Arab-Malaysian Merchant Bank Berhad acknowledges that, to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts about the IPO and the THR Group, and is satisfied that the consolidated profit forecast (for which the Directors of the Company are solely responsible) have been stated by the Directors of the Company after due and careful inquiry.
40. This Prospectus has been seen and approved by the Directors of the Company and the Offerors, and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable inquiries and to the best of their knowledge and belief, there are no other material facts the omission of which would make any statement herein misleading.

14. PROCEDURE FOR APPLICATION AND ACCEPTANCE

14.1 *Opening and Closing of Application Lists*

The Application Lists for the IPO will open at 10.00 am on 6 October 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 THR and/or offerors in their absolute discretion may decide.

14.2 *General Conditions for Application*

The Applications shall be made in connection with and subject to the terms of this Prospectus and the Memorandum of Articles and Association of the Company.

(i) Application by eligible employees of THR Group

Applications for the 806,000 shares reserved for Directors and eligible employees of the THR Group must be made only on the special **Pink** Application Forms provided and **NOT** on any other Application form or by way of Electronic Share Application through a Participating Financial Institution's ATM.

(ii) Application by the Malaysian Public

Applications for the 11,284,000 shares made available for applications by the Malaysian investing public must be made on the **White** Application Forms provided or by way of Electronic Share Application through a Participating Financial Institution's ATM.

Directors and employees of MIH and their immediate family are strictly prohibited from applying for the Public Issue Shares.

Application for the Public Issue Shares must be made on the respective Application Forms issued together with this Prospectus and must be completed in accordance with the Notes and Instructions printed on the reverse side of the Application Form or by way of Electronic Share Application through a Participating Financial Institution's ATM. In accordance with Section 37 (1) of the Companies Act, 1965, the Application Form together with the Notes and Instructions printed therein shall constitute an integral part of this Prospectus. Applications which do not **STRICTLY** conform to the terms of this Prospectus or Application Form or Notes and Instructions printed therein or which are illegible will not be accepted.

Only one(1) Application can be made by each applicant. Multiple applications will not be accepted. Each Application must be for 1,000 shares or multiples thereof. The amount payable in full on application is RM1.60 per share. Persons submitting applications by way of Application Forms may not submit applications by way of Electronic Share Applications and vice versa. A corporation or institution cannot apply for shares by way of Electronic Share Application.

Each completed Application Forms must be despatched by **ORDINARY POST** in the official envelopes provided, to the Issuing House at the following address:-

Malaysian Issuing House Sdn Bhd
27th Floor, Menara Multi-Purpose,
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur

or DELIVERED BY HAND AND DEPOSITED in the Drop-in Boxes provided at the back portion of Menara Multi-Purpose, Capital Square, No. 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur, so as to arrive not later than **8.00 PM on 6 October 1999**.

14. PROCEDURE FOR APPLICATION AND ACCEPTANCE... cont'd

Applications may also be delivered in a drive-in manner at Stadium Hoki Tun Razak, Jalan Duta, Kuala Lumpur on 6 October 1999, between 8.30 am to 8.00 pm only.

IN THE CASE OF AN INDIVIDUAL APPLICANT OTHER THAN A MEMBER OF THE ARMED FORCES OR POLICE, THE NAME, NATIONAL REGISTRATION IDENTITY CARD NUMBER AND ADDRESS OF THE APPLICANT MUST BE EXACTLY THE SAME AS STATED IN:

- (a) (i) THE APPLICANT'S IDENTITY CARD;
 - (ii) CHANGE OF ADDRESS CARD OR "RESIT PENUKARAN KAD PENGENALAN (JPN 1/22)"; OR
 - (iii) THE APPLICANT'S RESIT PENGENALAN SEMENTARA (JPN 1/9) ISSUED PURSUANT TO PERATURAN 5(5). PERATURAN-PERATURAN PENDAFTARAN NEGARA 1990; AND
- (b) THE RECORDS OF THE MALAYSIAN CENTRAL DEPOSITORY SDN BHD.

WHERE THE APPLICANT IS A MEMBER OF THE ARMED FORCES OR POLICE, THE NAME, AND THE ARMED FORCES OR POLICE PERSONNEL NUMBER, AS THE CASE MAY BE, OF THE APPLICANT MUST BE EXACTLY THE SAME AS STATED IN HIS AUTHORITY CARD AND THE ADDRESS OF THE APPLICANT MUST BE THE ADDRESS OF THE APPLICANT'S RESPECTIVE CAMP/BASE/STATION.

IN THE CASE OF A CORPORATE/INSTITUTIONAL APPLICANT, THE NAME AND THE CERTIFICATE OF INCORPORATION NUMBER OF THE APPLICANT MUST BE EXACTLY THE SAME AS THE APPLICANT'S CERTIFICATE OF INCORPORATION AND THE ADDRESS MUST BE EXACTLY THE SAME AS THE REGISTERED ADDRESS.

No acknowledgement of the receipt of Application Forms or application monies will be made by the Company or the Offeror.

14.3 Applications and Acceptances

The Directors of THR and/or the Offerors reserve the right not to accept any application which do not strictly comply with the instructions or to accept any application in part only without assigning any reason thereof.

THE SUBMISSION OF AN APPLICATION DOES NOT NECESSARILY MEAN THAT THE APPLICATION WILL BE SUCCESSFUL.

In the event of over-subscription, acceptance of applications will be subject to ballot to be conducted in the manner as approved by the Directors. Due consideration will be given to the desirability of distributing the Public Issue Shares to a reasonable number of applicants with a view to broadening the shareholding base of the Company and to establish an adequate market in the Shares of the Company. Acceptance of application will be made in a manner so as to comply with the SC's shareholding spread requirements that at least 25% of the issued and paid-up capital is in the hands of public shareholders and a minimum number of 750 public shareholders (excluding employees) holding not less than 1,000 shares each. Applicants will be selected in a manner to be determined by the Directors of THR. In the event the shareholding spread is not met, the Company may not be allowed to proceed with its listing.

In the event of an under-subscription by the Malaysian public, the Public Issue Shares not applied for will be made available for subscription by the Underwriters in proportions stipulated in the Underwriting Agreement dated 29 July 1999. Any shares not subscribed by the eligible employees and Directors of the THR Group will be made available for application by the Malaysian public.

WHERE AN APPLICATION IS REJECTED OR ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, WILL BE RETURNED WITHOUT INTEREST AND SHALL BE DESPACHED BY ORDINARY POST OR REGISTERED POST RESPECTIVELY TO THE APPLICANT, WITHIN TWENTY-ONE(21) DAYS FROM THE DATE OF THE FINAL BALLOT OF THE APPLICATION LISTS, AT THE ADDRESS SHOWN ON THE APPLICATION FORM AT THE APPLICANT'S OWN RISK.

THE ISSUING HOUSE RESERVES THE RIGHT TO BANK IN ALL MONIES FROM UNSUCCESSFUL BUMIPUTERA APPLICANTS AND FROM PARTIALLY SUCCESSFUL APPLICATIONS. REFUND MONIES IN RESPECT OF UNSUCCESSFUL BUMIPUTERA APPLICANTS AND PARTIALLY SUCCESSFUL APPLICANTS WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPACHED TO THE APPLICANT WITHIN TWENTY-ONE(21) DAYS FROM THE DATE OF THE FINAL BALLOT OF THE APPLICATION LISTS BY REGISTERED POST AT THE ADDRESS SHOWN ON THE APPLICATION FORM AT THE APPLICANT'S OWN RISK.

NO APPLICATION SHALL BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCES BEING PRESENTED FOR PAYMENT.

14.4 CDS Accounts

Pursuant to Section 29 of the Securities Industry (Central Depositories) Act, 1991, all dealings in the IPO Shares will be by book entries through CDS Accounts. No share certificates will be issued to successful applicants.

In the case of an application by way of an Application Form, an applicant should state his CDS Account number in the space provided on 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 in the space provided. Where an applicant already has a CDS Account he should not complete the preferred ADA Code.

If a successful applicant fails to state either his CDS Account number or his preferred ADA code, the Company may, in the exercise of its absolute discretion, instruct the Issuing House to insert a preferred ADA Code on the Application Form and further instruct MCD to open a CDS Account on the applicant's behalf at the specified ADA and credit the shares allotted to the successful applicant into the successful applicant's CDS Account.

In the case of an application by way of Electronic Share Application, only an applicant who has a CDS Account can make an Electronic Share Application and the applicant shall furnish his CDS Account Number to the Participating Financial Institution or by way of keying in his CDS Account Number if the instructions on the ATM screen at which he enters his Electronic Share Application requires him to do so.

14. PROCEDURE FOR APPLICATION AND ACCEPTANCE... cont'd

Failure to comply with these specific instructions as the Electronic Share Application requires or inaccuracy in the CDS Account number or the preferred ADA Code may result in the application being rejected. The Directors of the Company reserve the right to reject any incomplete or inaccurate application. Applications may also be rejected if the applicant's particulars provided in their Application Forms, or in the case of Electronic Share Applications, if the records of the Participating Financial Institutions at the time of making the Electronic Share Applications differ from those in MCD's records, such as the identity card number, names and nationalities.

14.5 Notice of Allotment

Shares allotted to all successful applicants will be credited to their respective CDS Accounts. A notice of successful allotment will be despatched to the successful applicants to their addresses shown in the Application Form at the applicant's own risk within thirty (30) days after the final ballot of the application. This is the only acknowledgment of acceptance of the application.

14.6 Formalising of CDS Accounts

Successful applicants whose CDS Accounts have been opened by MCD at their preferred ADA are required to formally open their accounts by submitting to the ADA the necessary documents and the account opening fee. No transaction of shares credited to the account can be effected until the accounts has been formally opened.

14.7 List of ADA

A list of the ADA (Broker) Codes is as follows:-

Name	Address and Telephone Number	Broker Code
<u>KUALA LUMPUR</u>		
AFFIN-UOB SECURITIES SDN BHD	Level 3, Menara Keck Seng 203, Jalan Bukit Bintang 55100 Kuala Lumpur Tel No: 03-2438668	028-001
ARAB-MALAYSIAN SECURITIES SDN BHD	15th Floor, Bangunan Arab-Malaysian 55, Jalan Raja Chulan 50200 Kuala Lumpur Tel No: 03-2382788	086-001
BBMB SECURITIES SDN BHD	Level 2 & 3, 4, 17 Letter Box No. 2, Menara Olympia 8 Jalan Raja Chulan 50200 Kuala Lumpur Tel No: 03-2088800	099-001
BIMB SECURITIES SDN BHD	1st & 2nd Floor, Podium Block Bangunan AMDB 1, Jalan Lumut 50350 Kuala Lumpur Tel No: 03-4433533	024-001

14. PROCEDURE FOR APPLICATION AND ACCEPTANCE... cont'd

Name	Address and Telephone Number	Broker Code
FIMA SECURITIES SDN BHD	Level 1 & 2, Block G (Central) Pusat Bandar Damansara 50490 Kuala Lumpur Tel No: 03-2549966	018-001
CIMB SECURITIES SDN BHD	9th Floor, Commerce Square Jalan Semantan Damansara Heights 50490 Kuala Lumpur P O Box 10126 50704 Kuala Lumpur Tel No: 03-2532288	065-001
HLG SECURITIES SDN BHD	21st Floor, Wisma HLA Jalan Raja Chulan 50200 Kuala Lumpur Tel No: 03-2452998	066-001
INTER-PACIFIC SECURITIES SDN BHD	Level 7, Menara Shahzan Insas 30, Jalan Sultan Ismail 50250 Kuala Lumpur Tel No: 03-2441888	054-001
JUPITER SECURITIES SDN BHD	7th-9th Floor, Menara Olympia 8 Jalan Raja Chulan 50200 Kuala Lumpur Tel No: 03-2041888	055-001
K & N KENANGA BERHAD	8th Floor, Pemas International Building 801, Jalan Sultan Ismail 50250 Kuala Lumpur Tel No: 03-2613066	073-001
KUALA LUMPUR CITY SECURITIES SDN BHD	3.07, Level 3, Bangunan Angkasaraya Jalan Ampang 50450 Kuala Lumpur Tel No: 03-2449322	076-001
LEONG & COMPANY SDN BHD	Level 18, Wisma Cyclecarri 288, Jalan Raja Laut 50350 Kuala Lumpur P O Box 10943 50730 Kuala Lumpur Tel No: 03-2928888	061-001
MAYBAN SECURITIES SENDIRIAN BERHAD	30th Floor, Menara Maybank 100, Jalan Tun Perak 50050 Kuala Lumpur Tel No: 03-2323822	098-001
MGI SECURITIES SDN BHD	1st & 2nd Floor, Wisma MGIC 38, Jalan Dang Wangi 50100 Kuala Lumpur Tel No: 03-2911889	052-001
MIDF SISMA SECURITIES SDN BHD	17 & 18 Floor, Empire Tower 182, Jalan Tun Razak 50400 Kuala Lumpur Tel No: 03-2668888	026-001

14. PROCEDURE FOR APPLICATION AND ACCEPTANCE... cont'd

Name	Address and Telephone Number	Broker Code
OSK SECURITIES BERHAD	10th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Tel No: 03-2624388	056-001
PB SECURITIES SDN BHD	27th Floor, Bangunan Public Bank 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No: 03-2013011	051-001
PENGGALLEN SECURITIES SDN BHD	Ground Mezzanine & 1st Floor Menara Pengkalen <i>(formerly known as Wisma Pekerti)</i> No. 2, Jalan Changkat Ceylon 50200 Kuala Lumpur Tel No: 03-2448055	064-001
RASHID HUSSAIN SECURITIES SDN BHD	Level 1, 2, 3 and 5, Tower One RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur Tel No: 03-9852233	087-001
KAF SEAGROATT & CAMPBELL SECURITIES SDN BHD	26th -30th Floor, The Weld Tower 76, Jalan Raja Chulan 50200 Kuala Lumpur Tel No: 03-2081600	053-001
SIME SECURITIES SDN BHD	21st Floor, Bangunan Sime Bank 4 Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No : 03-2749288	097-001
TA SECURITIES BERHAD	TA One Tower 22, Jalan P.Ramlee 50250 Kuala Lumpur Tel No: 03-2321277	074-001
<u>SELANGOR DARUL EHSAN</u>		
AMSTEEL SECURITIES (M) SDN BHD	No. 1, Lintang Pekan Baru (2, 3 & 4 th Floors), Off Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No: 03-3439999	080-001
JF APEX SECURITIES BERHAD	1st, 2 nd & 3rd Floor, Wisma Apex 145A-C, Jalan Bukit P.O.Box 16 43007 Kajang Selangor Darul Ehsan Tel No: 03-8361118	079-001
MOHAIYANI SECURITIES SDN BHD	2nd & 3rd Floor, Plaza Damansara Utama No. 2 Jalan SS 21/60 47400 Petaling Jaya Selangor Darul Ehsan Tel No: 03-7197345	095-001

14. PROCEDURE FOR APPLICATION AND ACCEPTANCE... cont'd

Name	Address and Telephone Number	Broker Code
SJ SECURITIES SDN BHD	Level 3, Holiday Villa No. 9, Jalan SS 12/1 Subang Jaya, 47500 Petaling Jaya Selangor Darul Ehsan Tel No: 03-7340202/7340101	096-001
HALIM SECURITIES SDN BHD	68, Jalan 52/6, New Town Centre P.O. Box 561 46770 Petaling Jaya Tel No. 03-7555777	091-001
HWANG-DBS SECURITIES BERHAD	16th, 18th-20th Floor, Plaza Masalam 2, Jalan Tengku Ampuan Zabedah E9/E, Section 9 40100 Shah Alam Selangor Darul Ehsan Tel No. 03-5533288	068-002
<u>MELAKA</u>		
MALACCA SECURITIES SDN BHD	No. 1, 3 & 5, Jalan PPM 9 Plaza Pandan Malim (Business Park) Balai Panjang P O Box 248 75250 Melaka Tel No: 06-3371533	012-001
OCBC SECURITIES (MELAKA) SDN BHD	579, 579A & 579B, Taman Melaka Raya 75000 Melaka Tel No: 06-2825211	072-001
STRAITS SECURITIES SDN BHD	Lot 9 & 10, 1st Floor Bangunan Tabong Haji Jalan Bandar Kaba P.O. Box 209 75740 Melaka Tel No: 06-2833622	011-001
<u>PERAK DARUL RIDZUAN</u>		
BOTLY SECURITIES SDN BHD	1st Floor, Plaza Teh Teng Seng 227, Jalan Kampar 30250 Ipoh Perak Darul Ridzuan Tel No: 05-2531313	058-001
KIN KHOON & CO SDN BHD	23 & 25 Wisma Kota Emas Jalan Dato' Tahwil Azhar P.O. Box 421 30910 Ipoh Tel No: 05-2543311	017-001
MBF NORTHERN SECURITIES SDN BHD	No. 71, Jalan Lim Bo Seng 30300 Ipoh Perak Darul Ridzuan Tel No: 05-2548999	067-001

14. PROCEDURE FOR APPLICATION AND ACCEPTANCE... cont'd

Name	Address and Telephone Number	Broker Code
M & A SECURITIES SDN BHD	M & A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Tel No: 05-2419800	057-001
PHILEO ALLIED SECURITIES SDN BHD	62, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No: 05-2558233	071-001
SBB SECURITIES SDN BHD	51 - 53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No: 05-2530888	090-001
TAIPING SECURITIES SDN BHD	21, Jalan Stesen, 30400 Taiping Perak Darul Ridzuan Tel No: 05-8060888	092-001
PREMIER CAPITAL SECURITIES SDN BHD	Wisma Premier Capital 21-25, Jalan Seenivasagam 30450 Ipoh Perak Darul Ridzuan Tel No: 05-2415100	082-001
<u>PULAU PINANG</u>		
AA ANTHONY & COMPANY SDN BHD	No. 41-1-1 & 41-2-1 Jalan Cantonment 10250 Pulau Pinang Tel No: 04-2299318	014-001
HWANG-DBS SECURITIES BERHAD	Level 2, 3, 4, 7 & 8, Wisma Sri Pinang 60, Green Hall 10200 Penang Tel No: 04-2636996	068-001
KE-ZAN SECURITIES SDN BHD	Wisma Ke-Zan 64, Bishop Street 10200 Pulau Pinang Tel No: 04-2634222	085-001
MERCURY SECURITIES SDN BHD	2nd Floor, Wisma UMNO Lorong Bagan Luar Dua 12000 Butterworth Seberang Prai Pulau Pinang Tel No: 04-3322123	093-001
SMITH ZAIN SECURITIES SDN BHD	7th & 8th Floors, PSCI Tower 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No: 04-2283355	016-001
SOON THEAM SECURITIES SDN BHD	No. 111, Jalan Macalister 10400 Pulau Pinang Tel No: 04-2281868	060-001

14. PROCEDURE FOR APPLICATION AND ACCEPTANCE... cont'd

Name	Address and Telephone Number	Broker Code
THONG & KAY HIAN SECURITIES SDN BHD (<i>formerly known as Thong KHJC Sdn Bhd</i>)	Level 5 & 6, Wisma Sri Pinang 60 Green Hall 10200 Pulau Pinang Tel No:04-2635481	070-001
UT SECURITIES SDN BHD	12th Floor, Bangunan Mayban Trust 3, Penang Street 10200 Pulau Pinang Tel No: 04-2623751	059-001
<u>KEDAH DARUL AMAN</u>		
ALOR SETAR SECURITIES SDN BHD	Lot T-30, 2nd Floor, Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Kedah Tel No: 04-7318205	094-001
<u>PERLIS INDRA KAYANGAN</u>		
UPEN SECURITIES SDN BHD	2nd Floor, Podium Block Bangunan KWSP 01000 Kangar Perlis Indra Kayangan Tel No: 04-9766315	023-001
<u>NEGERI SEMBILAN DARUL KHUSUS</u>		
KIMARA EQUITIES SDN BHD	2nd, 9th & 10th Floor Bangunan Yayasan Negeri Sembilan Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus Tel No: 06-7638999	084-001
MALPAC SECURITIES SDN BHD (<i>formerly known as Seremban Securities Sdn Bhd</i>)	1st, 2nd and 3rd Floors 19, 20 & 21 Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus Tel No: 06-7623131	063-001
<u>JOHOR DARUL TAKZIM</u>		
ENG SECURITIES SDN BHD	95, Jalan Tun Abdul Razak 80000 Johor Bahru Johor Darul Takzim Tel No : 07-2231211	081-001
JB SECURITIES SDN BHD	Level 6, 7 & 8, Menara Sarawak Enterprise No. 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Tel No: 07-3332000/3332800	078-001
KESTREL SECURITIES SDN BHD	No. 57, 59 & 61, Jalan Ali 84000 Muar Johor Darul Takzim Tel No: 06-9532222	088-001

14. PROCEDURE FOR APPLICATION AND ACCEPTANCE... cont'd

Name	Address and Telephone Number	Broker Code
PENINSULA SECURITIES SDN BHD	Level 2, Menara Pelangi, Jalan Kuning Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No: 07-3333600	077-001
PJB PACIFIC SECURITIES SDN BHD	Podium 2A & 3, Menara Ansar 65 Jalan Trus 80000 Johor Bahru Johor Darul Takzim Tel No: 07-2222692	027-001
SOUTH JOHOR SECURITIES SDN BHD	3rd Floor, Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Tel No: 07-4317033	069-001
<u>PAHANG DARUL MAKMUR</u>		
WK SECURITIES SDN BHD	A-397, A-399 & A-401 Taman Sri Kuantan III Jalan Berserah 25300 Kuantan Pahang Darul Makmur Tel No: 09-5660800	083-001
<u>KELANTAN DARUL NAIM</u>		
KOTA BHARU SECURITIES SDN BHD	298, Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Tel No: 09-7433388	075-001
<u>TERENGGANU DARUL IMAN</u>		
FA SECURITIES SDN BHD	3rd Floor, Wisma UMNO Jalan Masjid Abidin 20100 Kuala Terengganu Terengganu Darul Iman Tel No: 09-6238128	021-001
PTB SECURITIES SDN BHD	Tingkat 1, 2 & 3 No. 61, Jalan Sultan Ismail Peti Surat 151 Pejabat Pos Besar 20700 Kuala Terengganu Tel No: 09-6235546	025-001
<u>SABAH</u>		
INNOSABAH SECURITIES SDN BHD	11, Equity House, Block K Sadong Jaya, Karamunsing 88100 Kota Kinabalu Sabah Tel No: 6088-234099	020-001

14. PROCEDURE FOR APPLICATION AND ACCEPTANCE... cont'd

Name	Address and Telephone Number	Broker Code
<u>SARAWAK</u>		
SARAWAK SECURITIES SDN BHD	Wisma Mahmud Jalan Sungai Sarawak 93100 Kuching Sarawak Tel No: 082-338000	019-001
UTAMA SECURITIES SDN BHD	Lot 2465, Jalan Boulevard Utama Boulevard Commercial Centre 98000 Miri, Sarawak Tel No: 085-435577	029-001

14.8 Terms and Conditions for Applications Using Application Forms

Applications by way of Application Forms shall be made on, and subject to, the terms and conditions appearing below:-

- (1) Application for the Shares must be made on the Application Form issued together with this Prospectus and must be completed in accordance with the Notes and Instructions printed on the reverse side of the Application Form and this Prospectus. In accordance with Section 37 (1) of the Companies Act 1965, the Application Form together with the Notes and Instructions printed therein shall constitute an integral part of this Prospectus. Applications which do not STRICTLY conform to the terms of this Prospectus or Application Form or Notes and Instructions printed therein or which are illegible will not be accepted.
- (2) EACH COMPLETED APPLICATION FORM MUST BE ACCOMPANIED BY REMITTANCES IN RINGGIT MALAYSIA FOR THE FULL AMOUNT PAYABLE BY:-
 - (A) BANKER'S DRAFT OR CASHIER'S ORDER PURCHASED WITHIN MALAYSIA ONLY AND DRAWN ON A BANK IN KUALA LUMPUR (DIFFERENTIATED BY A SPECIAL RED BAND FOR BUMIPUTERA APPLICANTS); OR
 - (B) CHEQUES ISSUED BY PARTICIPATING LICENSED FINANCE COMPANIES IN MALAYSIA AND DRAWN ON A BANK IN KUALA LUMPUR (DIFFERENTIATED BY A SPECIAL RED BAND FOR BUMIPUTERA APPLICANTS); OR
 - (C) MONEY ORDER (FOR APPLICANTS FROM SABAH AND SARAWAK ONLY); OR
 - (D) GUARANTEED GIRO ORDER (GGO) FROM BANK SIMPANAN NASIONAL MALAYSIA BERHAD (DIFFERENTIATED BY A SPECIAL RED BAND FOR BUMIPUTERA APPLICANTS); OR

(E) ATM STATEMENT OBTAINED FROM:-

- ARAB-MALAYSIAN BANK BERHAD;
- ARAB-MALAYSIAN FINANCE BERHAD;
- ASIA COMMERCIAL FINANCE (M) BERHAD;
- BAN HIN LEE BANK BERHAD;
- BSN COMMERCIAL BANK (MALAYSIA) BERHAD;
- BANK OF COMMERCE (M) BERHAD;
- BANK UTAMA (MALAYSIA) BERHAD;
- CREDIT CORPORATION MALAYSIA BERHAD;
- EON BANK BERHAD;
- EON FINANCE BERHAD;
- HOCK HUA BANK BERHAD;
- HONG LEONG FINANCE BERHAD;
- HONG LEONG BANK BERHAD;
- INTERNATIONAL BANK MALAYSIA BERHAD (*formerly known as Hock Hua (Sabah) Berhad*);
- HOCK HUA FINANCE CORPORATION BERHAD;
- MALAYAN BANKING BERHAD;
- MAYBAN FINANCE BERHAD;
- MBf FINANCE BERHAD;
- MULTI-PURPOSE BANK BERHAD;
- ORIENTAL BANK BERHAD;
- ORIENTAL FINANCE BERHAD;
- PHILEO ALLIED BANK (MALAYSIA) BERHAD;
- PUBLIC BANK BERHAD;
- PUBLIC FINANCE BERHAD;
- RHB BANK BERHAD;
- SABAH BANK BERHAD;
- SIME BANK BERHAD;
- THE PACIFIC BANK BERHAD;OR
- UNITED MERCHANT FINANCE BERHAD.

AND MUST BE MADE OUT IN FAVOUR OF “**MIH SHARE ISSUE ACCOUNT NO. 158**” AND **CROSSED “A/C PAYEE ONLY”** (EXCLUDING ATM STATEMENTS) AND ENDORSED ON THE REVERSE SIDE WITH THE NAME AND ADDRESS OF THE APPLICANT (AS EXACTLY STATED ON THE APPLICATION FORM). APPLICATIONS ACCOMPANIED BY ANY MODE OF PAYMENT OTHER THAN THOSE STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES WILL NOT BE ACCEPTED. DETAILS OF THE REMITTANCE MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED ON THE APPLICATION FORMS.

- (3) 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 HIS APPLICATION FORM HIS PREFERRED ADA CODE.

- (4) THE NAME AND ADDRESS OF THE APPLICANT (AS EXACTLY STATED ON THE APPLICATION FORM) MUST BE WRITTEN ON THE REVERSE SIDE OF THE BANKER'S DRAFT, CASHIER'S ORDER, ATM STATEMENT, MONEY ORDER, CHEQUES ISSUED BY PARTICIPATING LICENSED FINANCE COMPANIES OR GUARANTEED GIRO ORDER (GGO) FROM BANK SIMPANAN NASIONAL.
- (5) The Directors of the Company reserve the right to require any successful applicant to appear in person at the registered office of MIH within fourteen(14) days of the date of the notice issued to him/her to ascertain the regularity or propriety of the application. The Directors of the Company shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by the successful applicant for the purpose of complying with this provision.
- (6) The Directors of the Company reserve the right to reject applications which do not conform to these instructions or which are illegible or which are accompanied by remittances improperly drawn.
- (7) The Directors of the Company reserve the right not to accept any application or accept any application in part only without assigning any reason therefor. Due consideration will be given to the desirability of allotting or allocating the shares to a reasonable number of applicants with a view to establishing an adequate market for the shares.
- (8) Where an application is not accepted, the full amount of the application monies, without interest, will be returned and shall be despatched to the applicant within twenty one (21) days from the date of the final ballot of the Application Lists by registered post at the address shown on the Application Form at the applicant's own risk.
- (9) MIH reserves the right to bank in all application monies from unsuccessful Bumiputera applicants and partially-successful applicants, which would subsequently be refunded without interest by registered post.
- (10) PLEASE DIRECT ALL ENQUIRIES IN RESPECT OF THE FORM OF APPLICATION TO MIH.

14.9 Terms and Conditions for Electronic Share Applications

The procedures for Electronic Share Applications at ATMs of the Participating Financial Institutions are set out on the ATM screens of the relevant Participating Financial Institutions (the "Steps"). For illustration purposes, the procedures for Electronic Share Applications at ATMs are set out in "**Steps for Electronic Share Application through a Participating Financial Institution's ATM**" in Section 14.10 of this Prospectus. The Steps set out the actions that the applicant must take at the ATM to complete an Electronic Share Application. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Share Applications set out below before making an Electronic Share Application. Any reference to the "**applicant**" in the terms and conditions for Electronic Share Applications and the Steps shall mean the applicant who applies for shares through an ATM of any of the Participating Financial Institutions.

In the case of Electronic Share Applications, only an applicant who is an individual with a CDS Account is eligible to utilise the facility.

14. PROCEDURE FOR APPLICATION AND ACCEPTANCE... cont'd

The applicant must have an existing bank account with, and be an ATM cardholder of, one of the Participating Financial Institutions before he can make an Electronic Share Application at an ATM of the Participating Financial Institution. An ATM card issued by one of the Participating Financial Institutions cannot be used to apply for shares at an ATM belonging to other Participating Financial Institutions. Upon the completion of his Electronic Share Application transaction, the applicant will receive a computer-generated transaction slip (“**Transaction Record**”), confirming the details of his Electronic Share Application. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Share Application or any data relating to such an Electronic Share Application by the Company or the Issuing House. The Transaction Record is for retention by the applicant and should not be submitted with any Application Form.

Upon the closing of the offer for the application for the Public Issue Shares on (date) at 8.00 p.m. (“**Closing Date and Time**”), the Participating Financial Institution shall submit a magnetic tape containing its respective customers’ applications for the Public Issue Shares to MIH as soon as practicable but not later than 12.00 p.m. of the 2nd business day after the Closing Date and Time.

An applicant will be allowed to make an Electronic Share Application for shares via an ATM that accepts the ATM cards of the Participating Financial Institution with which he has an account and its branches, subject to the applicant making only one application.

AN APPLICANT MUST ENSURE THAT HE USES HIS OWN CDS ACCOUNT NUMBER WHEN MAKING AN ELECTRONIC SHARE APPLICATION. AN APPLICANT OPERATING A JOINT ACCOUNT WITH ANY PARTICIPATING FINANCIAL INSTITUTION MUST ENSURE THAT HE ENTERS HIS OWN CDS ACCOUNT NUMBER WHEN USING AN ATM CARD ISSUED TO HIM IN HIS OWN NAME. HIS APPLICATION WILL BE REJECTED IF HE FAILS TO COMPLY WITH THE FOREGOING.

The Electronic Share Application shall be made on, and subject to, the terms and conditions contained in Section 14.8 as well as the terms and conditions appearing below:-

- (a) The Electronic Share Application shall be made in connection with and subject to the terms of this Prospectus and the Memorandum and Articles of Association of the Company.
- (b) The applicant is required to confirm the following statements (by depressing pre-designated keys or buttons on the ATM keyboard) and undertake that the following information given is true and correct:-
 - I have attained 18 years of age as at the closing date of the share application.
 - I am a Malaysian citizen residing in Malaysia
 - I have read the relevant Prospectus and understood and agreed with the terms and conditions of this application.
 - This is the only application that I am submitting.
 - I hereby give consent to the Participating Financial Institution and MCD to disclose information pertaining to myself and my account with the Participating Financial Institution and MCD to the Issuing House and other relevant authorities.

14. PROCEDURE FOR APPLICATION AND ACCEPTANCE... cont'd

The application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless the applicant completes all the steps required by the Participating Financial Institution. By doing so, the applicant shall be treated as signifying his confirmation of each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 97 of the Banking and Financial Institutions Act 1989 and Section 45 of the Securities Industry (Central Depositories) Act 1991 to the disclosure by the relevant Participating Financial Institution or MCD, as the case may be, of any of the applicant's particulars to the relevant Issuing House, or any relevant regulatory bodies.

- (c) THE APPLICANT CONFIRMS THAT HE IS NOT APPLYING FOR SHARES AS NOMINEE OF ANY OTHER PERSON AND THAT ANY ELECTRONIC SHARE APPLICATION THAT HE MAKES IS MADE BY HIM AS BENEFICIAL OWNER. THE APPLICANT SHALL ONLY MAKE ONE ELECTRONIC SHARE APPLICATION AND SHALL NOT MAKE ANY OTHER APPLICATION FOR THE SAID SHARES, WHETHER AT THE ATMS OF ANY PARTICIPATING FINANCIAL INSTITUTION OR ON THE PRESCRIBED APPLICATION FORMS.
- (d) The applicant must have sufficient funds in his account with the relevant Participating Financial Institution at the time he makes his Electronic Share Application, failing which his Electronic Share Application will not be completed. Any Electronic Share Application which does not strictly conform to the instructions set out on the screens of the ATM through which the Electronic Share Application is being made will be rejected.
- (e) The applicant agrees and undertakes to subscribe for or purchase and to accept the number of shares applied for as stated on the Transaction Record or any lesser number of shares that may be allotted or allocated to him in respect of his Electronic Share Application. In the event that the Company decides to allot or allocate any lesser number of such shares or not to allot or allocate any shares to the applicants, the applicant agrees to accept any such decision as final. If the applicant's Electronic Share Application is successful, his confirmation (by his action of pressing the designated key on the ATM) of the number of shares applied for shall signify, and shall be treated as, his acceptance of the number of shares that may be allotted or allocated to him and to be bound by the Memorandum and Articles of Association of the Company.
- (f) The Company reserves the right to reject any Electronic Share Application or accept any Electronic Share Application in part only without assigning any reason therefor. Due consideration will be given to the desirability of allotting or allocating the shares to a reasonable number of applicants with a view to establishing an adequate market for the shares.
- (g) Where an Electronic Share Application is not successful or successful in part only, the relevant Participating Financial Institution will be informed of the non-successful or partially successful applications. Where an Electronic Share Application is not successful, the relevant Participating Financial Institution will credit the full amount of the application monies without interest into the applicant's account with that Participating Financial Institution within two(2) market days after the receipt of confirmation from MIH. MIH shall inform the Participating Financial Institutions of the non-successful or partially successful applications within two(2) market days of the balloting date. The applicant may check their accounts on the fifth market day from the balloting date.

14. PROCEDURE FOR APPLICATION AND ACCEPTANCE... cont'd

Where an Electronic Share Application is successful in part only, the relevant Participating Financial Institution will credit the balance of the application monies without interest into the applicant's account with that Participating Financial Institution within two(2) market days after the receipt of confirmation from the Issuing House. A number of applications will, however, be held in reserve to replace any successfully balloted applications which are subsequently rejected. For such applications which are subsequently rejected, the application monies without interest will be refunded to applicants by MIH by way of cheques issued by MIH. The cheques will be issued not later than 21 days from the day of the final ballot of the application list.

Should applicants encounter any problems in their applications, they may refer to the Participating Financial Institutions.

- (h) The applicant requests and authorises the Company:-
 - (i) to credit the shares allotted or allocated to the applicant into the CDS account of the applicant; and
 - (ii) to issue share certificate(s) representing such shares allotted or allocated in the name of MCD Nominees Sdn Bhd and send the same to MCD.
- (i) The applicant, acknowledging that his Electronic Share Application is subject to the risks of electrical, electronic, technical and computer-related faults and breakdowns, fires and other events beyond the control of the Company, the Issuing House or the Participating Financial Institution, irrevocably agrees that if:-
 - (i) the Company or MIH does not receive the applicant's Electronic Share Application;
 - (ii) data relating to the applicant's Electronic Share Application is wholly or partially lost, corrupted or not otherwise accessible, or not transmitted or communicated to the Company or MIH,

the applicant shall be deemed not to have made an Electronic Share Application and the applicant shall not claim whatsoever against the Company, MIH or the Participating Financial Institutions for the shares applied for or for any compensation, loss or damage.

- (j) All particulars of the applicant in the records of the relevant Participating Financial Institution at the time he makes his Electronic Share Application shall be deemed to be true and correct and the Company, MIH and the relevant Participating Financial Institution shall be entitled to rely on the accuracy thereof.
- (k) The applicant shall ensure that his personal particulars as recorded by both MCD and the relevant Participating Financial Institution are correct and identical. Otherwise, his Electronic Share Application is liable to be rejected. The applicant must inform MCD promptly of any change in address failing which the notification letter of successful allotment or allocation will be sent to his registered address last maintained with MCD.

14. PROCEDURE FOR APPLICATION AND ACCEPTANCE... cont'd

- (l) By making and completing an Electronic Share Application, the applicant agrees that:-
- (i) in consideration of the Company agreeing to allow and accept the making of any application for shares via the Electronic Share Application facility established by the Participating Financial Institutions at their respective ATMs, his Electronic Share Application is irrevocable;
 - (ii) the Company, the Participating Financial Institutions, MCD and MIH shall not be liable for any delays, failures or inaccuracies in the processing of data relating to his Electronic Share Application to the Company due to a breakdown or failure of transmission or communication facilities or to any cause beyond their control;
 - (iii) notwithstanding the receipt of any payment by or on behalf of the Company, the acceptance of the offer made by the applicant to subscribe and purchase the shares for which the applicant's Electronic Share Application has been successfully completed shall be constituted by the issue of notices of successful allotment for prescribed securities, in respect of the said shares;
 - (iv) the applicant irrevocably authorises MCD to complete and sign on his behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue or transfer of the shares allotted or allocated to the applicant; and
 - (v) the Company agree that, in relation to any legal action or proceedings arising out of or in connection with the contract between the parties and/or Electronic Share Application Scheme and/or terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that the Company irrevocably submits to the jurisdiction of the Courts of Malaysia.
- (m) The Directors of the Company reserve the right to require any successful applicant to appear in person at the registered office of MIH within fourteen (14) days of the date of the notice issued to him/her to ascertain the regularity of propriety of the application. The Directors of the Company shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by the successful applicant for the purpose of complying with this provision.
- (n) The Directors of the Company reserve the right to reject applications which do not conform to these instructions.
- (o) Electronic Share Applications may be made through an ATM of the following Participating Financial Institutions and their branches:-
- ARAB-MALAYSIAN BANK BERHAD;
 - ARAB-MALAYSIAN FINANCE BERHAD;
 - BANK BUMIPUTRA MALAYSIA BERHAD; (at selected branches in Klang Valley only)
 - HSBC BANK MALAYSIA BERHAD;
 - MALAYAN BANKING BERHAD;

14. PROCEDURE FOR APPLICATION AND ACCEPTANCE... cont'd

- MAYBAN FINANCE BERHAD;
 - OCBC BANK (MALAYSIA) BERHAD;
 - ORIENTAL BANK BERHAD;
 - STANDARD CHARTERED BANK MALAYSIA BERHAD. (at selected branches only)
- (p) A surcharge of RM2.50 per Electronic Share Application will be charged by the respective Participating Financial Institution.

14.10 Steps for Electronic Share Application through a Participating Financial Institution's ATM

- (a) Applicant must have an account with a Participating Financial Institution and an ATM card issued by that Participating Financial Institution to access the account.
- (b) Applicant must have a CDS account.
- (c) Applicant is to apply for the IPO Share via the ATM of the Participating Financial Institution by choosing the Electronic Share Application option. Mandatory statements required in the application is set out on Section 14.9 of the Terms and Conditions for Electronic Share Applications. Applicant is to enter at least the following information through the ATM where the instructions on the ATM screen at which he enters his Electronic Share Application requires him to do so:-
- Personal Identification Number (PIN).
 - Share Issue Number.
 - CDS Account Number.
 - Number of Shares applied for and/or the Ringgit amount to be debited from the account.
 - Confirmation of several mandatory statements.