

P R O S P E C T U S



TA ANN HOLDINGS BERHAD

(Company No. 419232-K)

(Incorporated in Malaysia under the Companies Act, 1965)



PUBLIC ISSUE
OF
18,025,000 NEW ORDINARY SHARES
OF
RM1.00 EACH AT
RM3.30 PER ORDINARY SHARE
PAYABLE IN FULL ON
APPLICATION

, Adviser and Managing Underwriter

Placement (Manage)



Arab-Malaysian Merchant Bank Berhad

(23742-V) (Licensed Merchant Bank)
(A Member of the Arab-Malaysian Banking Group)



Arab-Malaysian Securities Sdn. Bhd.

(92977-U) (Member Company of the Kuala Lumpur Stock Exchange and Malaysian
Exchange of Securities Dealing & Automated Quotation Berhad)
(A Member of the Arab-Malaysian Banking Group)

THIS PROSPECTUS IS DATED 15 OCTOBER 1999

THE APPROVAL OF THE SECURITIES COMMISSION (“SC”) SHALL NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE INITIAL PUBLIC OFFERING (“IPO”) OF 18,025,000 NEW ORDINARY SHARES OF RM1.00 EACH IN TA ANN HOLDINGS BERHAD (“TA ANN”) AT RM3.30 PER ORDINARY SHARE. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE IPO.

THE ISSUE PRICE OF RM3.30 PER ORDINARY SHARE WAS ENTIRELY DETERMINED AND AGREED UPON BY THE DIRECTORS OF TA ANN AND ARAB-MALAYSIAN MERCHANT BANK BERHAD AS 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.

THE VALUATION OF THE PROPERTIES APPROVED BY THE SC SHALL ONLY BE UTILISED FOR THE PURPOSE OF THE RESTRUCTURING AND IPO AND SHALL NOT BE CONSTRUED AS AN ENDORSEMENT BY THE SC ON THE VALUE OF THE SUBJECT PROPERTIES FOR ANY OTHER PURPOSES.

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

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 TA ANN OR ITS ORDINARY SHARES.

THIS PROSPECTUS HAS BEEN SEEN AND APPROVED BY THE DIRECTORS OF TA ANN AND THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED HEREIN AND CONFIRM THAT THERE ARE NO FACTS THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT THEREIN MISLEADING.

DEFINITIONS

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

Acquisitions	— The Cash Acquisitions and Share Acquisitions collectively
ADA	— Authorised Depository Agent
ADA Code	— ADA (Broker) Code
Application	— Refers to application for the Public Shares by way of Application Forms or by way of Electronic Share Application
Application Form	— Application for Public Shares by way of a printed Application Form
ATM	— Automated Teller Machine
Arab-Malaysian	— Arab-Malaysian Merchant Bank Berhad
Borneo TSS	— Borneo Tree Seeds and Seedlings Supplies Sdn Bhd
Brilliant Wood	— Brilliant Wood Sdn Bhd
Cash Acquisitions	— Acquisitions by Ta Ann of 14820,000 and 1,971,000 Shares representing 52.9% and 65.7% respectively of the issued and paid-up share capitals of TAP and LSS for a total cash consideration of RM36,731,911
CDS	— Central Depository System
Consolidation of Interest	— Consolidation of interest of 19,591,180 Shares in Ta' Ann by Datuk Wahab bin Haji Dolah, Datuk Abdul Hamed bin Sepawi, Wong Kuo Hea, Tiong Sie Hee, Chai Min Kian, Pui Chin Jang and Upaya Rajang to Mountex which was completed on 1 October 1999
C.S.I.R.O.	— Commonwealth Scientific and Industrial Research Organisation
EPS	— Earnings/loss per share
Electronic Share Application	— Application for Public Shares through a Participating Financial Institution's ATM
FIC	— Foreign Investment Committee
Hariwood	— Hariwood Sdn Bhd, a wholly owned subsidiary of Ta Ann
Initial Public Offering or IPO	— Public Issue of 18,025,000 new Shares in Ta Ann at an issue price of RM3.30 per share to Directors, eligible employees and suppliers of Ta Ann, persons who have contributed to the success of the Ta Ann Group, institutional investors and the Malaysian public
IPO Shares	— The 18,025,000 Shares in Ta Ann which are the subject of the IPO
I T T O	— International Timber Trade Organisation
JAS	— Japanese Agricultural Standard

DEFINITIONS.. . . . cont'd

KLSE	— Kuala Lumpur Stock Exchange
km	— Kilometre
LSS	— Lik Shen Sawmill Sdn Bhd, a wholly owned subsidiary of Ta Ann
LVL	— Laminated Veneer Lumber
m²	— Square metre
m³	— Cubic metre
mm	— Millimetre
MCD or Central Depository	— Malaysian Central Depository Sdn Bhd, a subsidiary of the KLSE
MI	— Minority Interest
MIH or Issuing House	— Malaysian Issuing House Sdn Bhd
MITI	— Ministry of International Trade and Industry
Mountex	— Mountex Sdn Bhd
NGO	— Non-Governmental Organisation
NTA	— Net Tangible Assets
Planted Forests	— A crop of trees planted or maintained on state land or alienated land under a licence issued pursuant to the Sarawak Forests Ordinance 1954 and Forests (Planted Forests) Rules 1997
Placement Manager or AMS	— Arab-Malaysian Securities Sdn Bhd
Placement Shares	— The 10,000,000 IPO Shares reserved for placement to institutional investors
Proposed Listing	— Proposed admission to the Official List and the listing of and quotation for the enlarged issued and paid-up capital of Ta Ann of 100,000,000 Shares on the Main Board of the KLSE
Participating Financial Institution(s)	— The Participating Financial Institutions for Electronic Share Applications as listed in paragraph(o) of Section 15.9 of this Prospectus
PAT	— Profit/(Loss) After Taxation
PBT	— Profit/(Loss) Before Taxation
PE Multiple	— Price earnings multiple
Pasin	— Pasin Sdn Bhd, a wholly owned subsidiary of Ta Ann
Permanent Forests	— All forest reserves, protected forests, communal forests, state land forests, Government reserves and planted forests in the State.

DEFINITIONS..... cont'd

Public Shares	—	The 3,680,000 IPO Shares which will be made available for application by Malaysian citizens, societies, co-operatives and institutions
Questate	—	Questate Sdn Bhd, a wholly owned subsidiary of Ta Ann
Raplex	—	Raplex Sdn Bhd
Reforestation Licence	—	Licence for Planted Forests issued pursuant to the Sarawak Forests Ordinance 1954 and Forests (Planted Forests) Rules 1997
Rights Issue	—	Rights Issue of 22,592,630 new Shares at par on the basis of approximately two(2) new Shares for every five(5) existing Shares held after the Acquisitions
RM and sen	—	Ringgit Malaysia and sen respectively
SC	—	Securities Commission
Share Acquisitions	—	Acquisition by Ta Ann of 13,180,000 shares and 1,029,000 Shares representing 47.1% and 34.3% respectively of the issued and paid-up capitals of TAP and LSS; and the entire issued and paid-up share capitals of Hariwood, Woodley, Questate and Pasin for a total purchase consideration of RM80,166,197 satisfied by the issuance of 59,382,368 Shares in Ta Ann at RM 1.35 per Share
Shares	—	Ordinary shares of RM 1 .00 each
State or State Government	—	State Government of Sarawak
Ta Ann or Company	—	Ta Ann Holdings Berhad
Ta Ann Group or Group	—	Ta Ann and its subsidiaries
TAP	—	Ta Ann Plywood Sdn Bhd, a wholly owned subsidiary of Ta Ann
TDSB	—	Timber Dimension Sdn Bhd
THSB	—	Treasure Hill Sdn Bhd
Upaya Rajang	—	Upaya Rajang Sdn Bhd
USD	—	United States dollar(s)
Woodley	—	Woodley Sdn Bhd, a wholly owned subsidiary of Ta Ann
Zumida	—	Zumida Sdn Bhd

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TA ANN HOLDINGS BERHAD

(4 19232-K)

(Incorporated in Malaysia under the Companies Act, 1965)

1. SUMMARY INFORMATION

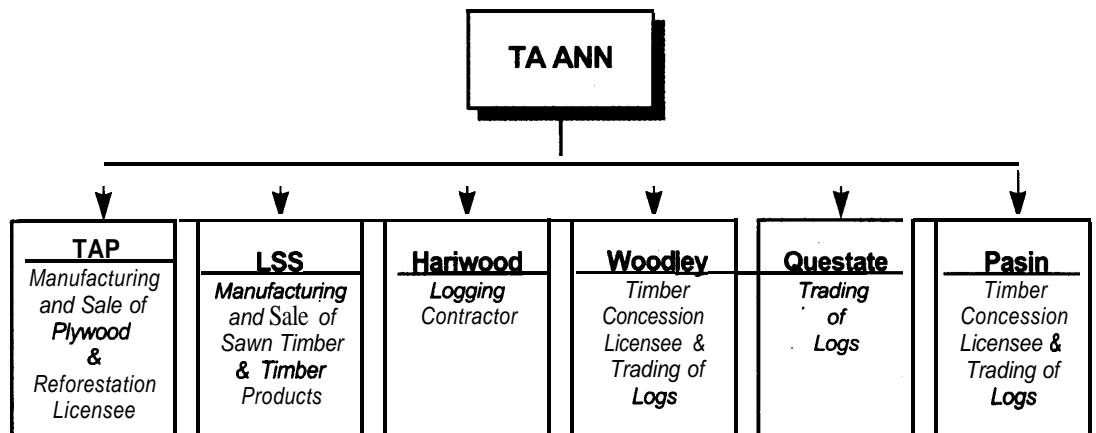
The following is a summary of certain information contained in this Prospectus. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information, including historical and proforma financial statements and notes thereto, appearing elsewhere in this Prospectus.

1.1 Introduction

Ta Ann was incorporated in Malaysia under the Companies Act, 1965 on 3 February 1997 as a public limited company. Its principal activity is investment holding and provision of management services.

The Ta Ann Group was established by Datuk Wahab bin Haji Dolah, **Datuk Abdul Hamed bin Sepawi** and **Wong Kuo Hea** who have developed the Group since the 1980s into a successful integrated timber enterprise.

The Ta Ann Group structure and the principal activities of its wholly-owned subsidiaries are depicted below: -



TAP is the Group's principal operating subsidiary, accounting for approximately 57% of Group turnover for the period ended 30 June 1999. It manufactures plywood for export markets including Japan (92%), United Kingdom (4.5%), and Korea (3.5%). TAP's plywood mill was awarded the JAS certification by the Ministry of Agriculture, Forestry and Fisheries of Japan in November 1996 for its high quality plywood. JAS is the national standard for agricultural and forest products established by the Japanese government under their law concerning standardisation and proper labelling of agricultural and forest products. The JAS certificate awarded to TAP represents an official acknowledgement and endorsement of the export standard of plywood produced by TAP.

The Ta Ann Group owns two(2) forest concessions measuring 508,979 acres in the Kapit District, Sarawak valued by an independent registered valuer in 1997 at RM182 million. TAP is also a licensee of one of the pioneer reforestation projects covering 22 1,738 acres and 32,481 acres located in the Kapit and Sibu Districts, Sarawak, respectively.

1. SUMMARY INFORMATION

1.2 Substantial Shareholders

Based on the Register of Shareholders of Ta Ann as at 9 October 1999, the direct and indirect interest of the substantial shareholders of the issued share capital of the Company before and after the IPO are as follows:-

	Before the IPO (No. of Shares held)				After the IPO (No. of Shares held)			
	Direct	%	Indirect	%	Direct	%	Indirect	%
Datuk Wahab bin Haji Dolah	18,122,615	22.1	¹ 27,044,846	33.0	18,122,615	18.1	¹ 27,044,846	27.0
Datuk Abdul Hamed bin Sepawi	11,877,385	14.5	¹ 27,044,846	33.0	¹ 11,887,385	11.9	¹ 27,044,846	27.0
Wong KuoHea	2,850,352	3.5	² 29,613,287	36.1	² 2,860,352	2.9	² 29,613,287	29.6
Upaya Rajang ⁴	5,368,788	6.5	¹ 27,044,846	33.0	5,368,788	5.4	¹ 27,044,846	27.0
Ngui Ing Chuang	3,902,747		4.8	-	3,902,747	3.9	-	-
Raplex ⁴	2,440.3	13	3.0	-	2,440,313	2.4	-	-
Mountex ⁴	27,044,846	33.0	-	-	27,044,846	27.0	-	-

¹ Deemed interested by virtue of his/its interest in Mountex

² Deemed interested by virtue of his interest in Mountex and through his relatives

³ Including Shares from the pink forms allocation

⁴ Details on the corporate shareholders are set out in Section 14.3 of this Prospectus.

1.3 Financial Records

The following table is a summary of the **proforma** audited consolidated results of the Ta Ann Group for the past **five(5)** financial years ended 31 December 1994 to 1998 and for the **six(6)** month period ended 30 June 1999 which 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.

	Year ended 31 December					6 months ended
	1994	1995	1996	1997	1998	30.6.1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	118,901	136,919	132,930	180,475	138,827	104,267
PBT	13,160	13,913	22,038	37,719	13,329	25,567
Less: Taxation	(3,909)	(3,377)	(4,574)	(5,920)	(3,932)	(127)
PAT	9,251	10,536	17,464	31,799	9,397	25,440
Gross EPS (sen)	22.2	23.4	37.1	63.5	22.4	86.1
Net EPS (sen)	15.6	17.7	29.4	53.6	15.8	85.7
Gross dividend rate (%)	2.1	8.6	31.6	-	18.8	50.9

1. SUMMARY INFORMATION

Notes: -

- a) *The proforma consolidated profit and loss'accounts of the proforma Group have been prepared for illustrative purposes only based on the audited accounts of the component members of the Group after making such adjustments as considered appropriate. For those subsidiary. companies having accounting periods other than 31 December, their audited results have been time-apportioned for inclusion in the proforma Group results.*
- b) *Turnover comprises invoiced value of goods sold.*
- c) *The gross and net EPS set out above have **been** calculated based on the **profit before and after taxation respectively and on 59,382,370 ordinary shares of RM1 each. being the share capital in issue after the acquisition of the subsidiary companies but before the Rights and Public Issues and are annualised for the six (6) month period ended 30 June 1999.***
- d) *There were no exceptional items and **extraordinary items** during the **financial years/period** under review.*

Commentaries:

- a) The increase in sales volume of logs and plywood contributed to the increase in the Group's turnover by RM18 million in 1995 as compared to that of 1994. The higher sales volume of logs was achieved mainly because additional logs were extracted through helilogging, an activity not restricted by the production quota set by the State Forestry Department. The higher sales volume of plywood was achieved as the Group began to establish a steady foothold in the Japanese market.
- b) An additional plywood line was commissioned in 1996. This had enhanced the production and sales volume of plywood. Despite the increase in sales of plywood, turnover of the Group decreased slightly in 1996 compared to 1995 resulting from the cessation of helilogging activity. Consequently, the sales volume and average selling prices of timber logs decreased. However, the profit before tax in 1996 improved mainly due to higher sales of plywood and the cessation of helilogging, a higher cost activity.
- c) The new plywood line commissioned in 1996 was fully operational in 1997. This had further increased the production and sales of plywood. The increase in turnover and profit for 1997 was also contributed by the increase in sales volume and selling prices of export logs. The Group had an additional timber licence in 1997, resulting in a significant increase in sales volume of timber logs.
- d) Turnover and profit of the Group decreased significantly in 1998 as the **export** sales revenue (in USD) of plywood and timber logs were translated at the contracted foreign exchange rates which were lower than the spot rates. (The spot rates were at an average of USD1.00=RM4.00 whereas foreign exchange rates contracted were at average rate of USD1.00=RM2.60. This resulted in a reduction in revenue of RM 1.40 on every USD export revenue earned). The loss in revenue from the translation of foreign exchange contracts during the year amounted to RM20.6 million. The plywood and timber prices were also unfavourable as the timber market was depressed in that year.
- e) The timber market improved in 1999. The Group recorded higher sales volume and better prices for its timber products traded.
- f) The effective tax rates for all the years under review were lower than the statutory tax rates due to tax incentive in the form of pioneer status enjoyed by the Group for the manufacturing of plywood. The tax charge for 1995 was lower than that of 1994 despite higher profits recorded by the Group due to a larger amount of taxable interest income recorded in 1994 than 1995. The lower tax charge **was** also due to deferred taxation of RM207,000 provided in one of the companies in the Group during the year ended 31 December 1994 that was reversed in 1995. There is no tax charge on the income for 1999 in view of the tax waiver for the 1999 financial year in accordance with the Income Tax (Amendment) Bill 1999. Similarly, there is no income tax liability on the income for the six(6) month period ended 30 June 1999. The tax charge for the said period was in respect of deferred taxation liability.

1. SUMMARY INFORMATION..... cont'd

1.4 *Principal Statistics Relating to the IPO*

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	
— 1,000,000,000 Shares	RM1,000,000,000
Issued and fully paid-up share capital	
— 81,975,000 Shares	RM8,197,500
To be issued pursuant to the Public Issue	
— 18,025,000 new Shares	RM1,802,500
	<u>RM100,000,000</u>
 IPO PRICE PER SHARE	 RM3.30
 PROFORMA GROUP NTA	
Proforma Group NTA as at 30 June 1999 (after taking into account the Rights Issue, Public Issue and estimated listing expenses of RM3,500,000)	RM16,065,000
Proforma Group NTA per Share based on the enlarged issued and paid-up capital of 100,000,000 Shares	RM1.60

	ESTIMATE		FORECAST	
	Pre-acquisition period from 1.1.1999 to 30.9.1999 RM'000	Post-acquisition period from 1.10.1999 to 31.12.1999 RM'000	Year ending 31.12.1999 RM'000	Year ending 31.12.2000 RM'000
Consolidated PBT	32,804	13,892	46,696	67,528
Taxation	(231)	(104)	(335)	(6,864)
Consolidated PAT	32,573	13,788	46,361	60,664
Gross EPS (sen)		* 20.6	* 69.4	** 67.5
Net EPS (sen)		* 20.5	* 68.9	** 60.7
Gross PE multiple based on the price of RM3.30 per share (times)		16.0	4.8	4.9
Net PE multiple based on the price of RM3.30 per share (times)		16.1	4.8	5.4

^ Estimate for the full financial year ending 31 December 1999 inclusive of pre-acquisition profit, shown for illustrative purposes only

* The gross and net EPS are calculated based on the consolidated profit before and after taxation respectively and on the weighted average number of shares assumed in issue of 67,283,653 Shares on the assumption that the IPO will be effected on 15 November 1999

** The gross and net EPS are calculated based on the consolidated profit before and after taxation respectively and on the enlarged issued and paid up share capital of 100 million Shares

1. SUMMARY INFORMATION... . cont 'd

ESTIMATE AND FORECAST DIVIDEND

	Estimate year ending 31.12.1999	Forecast year ending 31.12.2000
Gross dividend per Share (sen)	10.0	16.9
Net dividend per Share (sen)	10.0	15.0
Gross dividend yield based on the IPO price of RM3.30 per Share (%)	3.0	5.1
Net dividend yield based on the IPO price of RM3.30 per Share (%)	3.0	4.5
Net dividend cover (times)	1.4	4.0

2. CORPORATE INFORMATION

The names, addresses and occupations of the Directors of Ta Ann, all of whom are Malaysians are set out as follows:-

Name	Address	Occupation
YBhg. Datuk Abdul Hamed bin Sepawi <i>Executive Chairman</i>	No. 9 Luak Bay 98000 Miri Sarawak	Director
Wong Kuo Hea <i>Managing Director</i>	38B. Jalan Ipoh 96000 Sibu Sarawak	Director
Sa'id bin Haji Dolah <i>Executive Director</i>	1410 Kenyalang Park 93300 Kuching Sarawak	Director
Pui Chin Jang @ Pui Chin Yam <i>Non-executive Director</i>	Lot 953 Lorong 5 Krokop 98000 Miri Sarawak	Director
YB Awang Beme bin Awang Ali Basah <i>Independent Director</i>	30A Jalan Nibong 96000 Sibu Sarawak	Director
YBhg. Datuk Abang Haji Abdul Karim bin Tun Abang Haji Openg <i>Independent Director</i>	83 Jalan Astana Petra Jaya 93050 Kuching Sarawak	Director

AUDIT COMMITTEE

Name	Responsibility	Directorship
YBhg. Datuk Abang Haji Abdul Karim bin Tun Abang Haji Openg	Chairman of the Committee	Independent and Non-Executive
Sa'id bin Haji Dolah	Member of the Committee	Executive
YB Awang Beme bin Awang Ali Basah	Member of the Committee	Independent and Non-Executive

COMPANY SECRETARIES

— Tong Hie Tung @ Tong Hing Yung
(MAICSA 0744625)
147, 1st Floor, Kampong Nyabor Road
96000 Sibu
Sarawak

Leong Oi Wah (MAICSA 7023802)
Fiona Wong Lai Mann (MIA 12 106)
Room 308, Wisma Bukit Mata Kuching
Jalan Tunku Abdul Rahman
93 100 Kuching, Sarawak

2. CORPORATE INFORMATION...cont'd

REGISTERED OFFICE	-- 147, 3 rd Floor Kampong Nyabor Road 96000 Sib. Sarawak
REGISTRAR and TRANSFER OFFICE	— Signet and Co Sdn Bhd 11 th Floor. Tower Block Kompleks Antarabangsa Jalan Sultan Ismail 50250 Kuala Lumpur
ISSUINGHOUSE	— Malaysian Issuing House Sdn Bhd 27 th Floor. Menara Multi-Purpose Capital Square No. 8. Jalan Munshi Abdullah 50100 Kuala Lumpur
PRINCIPAL BANKERS	— HSBC Bank (Malaysia) Berhad Ground and 1 st Floor. Grand Merdin 131, Kampong Nyabor Road 96000 Sib. Sarawak Standard Chartered Bank (Malaysia) Berhad Blacksmith Road 96000 Sib. Sarawak
AUDITORS and REPORTING ACCOUNTANTS	— KPMG Public Accountants Level 6, Westmoore House Twin Tower Centre, Rock Road 93200 Kuching. Sarawak
SOLICITORS	— Raslan Loong Advocates and Solicit&s 150 Lorong Maarof 59000 Kuala Lumpur
VALUERS	— Hasmi and Associates (Sarawak) Sdn Bhd Level 7, Westmoore House Twin Tower Centre, Rock Road 93200 Kuching, Sarawak
ADVISER AND MANAGING UNDERWRITER	— Arab-Malaysian Merchant Bank Berhad 22 nd Floor, Bangunan Arab-Malaysian 55 Jalan Raja Chulan 50200 Kuala Lumpur
PLACEMENT MANAGER	— Arab-Malaysian Securities Sdn Bhd 15 th Floor Bangunan Arab-Malaysian 55 Jalan Raja Chulan 50200 Kuala Lumpur

2. CORPORATE INFORMATION...cont'd

UNDERWRITERS

— Arab-Malaysian Merchant Bank Berhad
22nd Floor, Bangunan Arab-Malaysian
55 Jalan Raja Chulan
50200 Kuala Lumpur

Arab-Malaysian Securities Sdn Bhd
1 5th Floor Bangunan Arab-Malaysian
55 Jalan Raja Chulan
50200 Kuala Lumpur

Kuala Lumpur City Securities Sdn Bhd
3.07 Level 3, Bangunan Angkasa Raya
Jalan Ampang
50450 Kuala Lumpur

Sarawak Securities Sdn Bhd
619-623, Section 62
Jalan Padungan 93 100
Kuching, Sarawak

Utama Merchant Bank Berhad
27th Floor, Central Plaza
Jalan Sultan Ismail
50280 Kuala Lumpur

LISTING SOUGHT

— Main Board of the KLSE

3. INVESTMENT CONSIDERATIONS

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 Ta Ann's Shares

Prior to the IPO, there has been no public market for Ta Ann's shares. There can be no assurance that an active market for Ta Ann'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 RM3.30 per Share for the IPO Shares has been determined after taking into consideration a number of factors, including but not limited to, the Ta Ann Group's financial and operating history and conditions, its future earnings, its prospects and the prospects of the industry in which the Ta Ann Group operates, the management of the Ta Ann Group, the market prices for shares of companies engaged in businesses similar to that of the Ta Ann Group and prevailing market conditions.

ii) Business Risks

Ta Ann Group is subject to certain risks inherent in the timber industry. These include but are not limited to, labour and raw material shortages, cyclical price fluctuations for its products, increases in the costs of labour and raw materials, changes in general economic, business and credit conditions, fluctuations in foreign exchange rates, entry of new competitors, introduction of new technology and products, new legislation that may impose stringent requirements on participants in the timber industry and publicity from NGOs concerned with the effect of the timber industry on the environment which may affect certain export markets.

The Group seeks to mitigate these risks through, inter-alia, expansion of both existing and new markets, development and introduction of new products, developing and maintaining a diversified market network, investment in automated and semi-automated plant and machinery to improve efficiency, **entering** into long term log supply agreements, venturing into forest plantation and further diversification into downstream activities.

iii) Log Supply

The Group owns **two(2)** timber concessions with an aggregate area of 508,979 acres which will provide the Ta Ann Group with a secured source of logs to meet approximately 60% of the Ta Ann Group's manufacturing requirements. In addition, the Ta Ann Group has **five(5)** long term log supply contracts to ensure sufficiency of raw materials. Details of these long term log supply contracts are set out in Section 10 of this Prospectus.

The Group has also ventured into reforestation in order to ensure a sustainable supply of logs for its downstream timber processing **activities**.

iv) Volatility in Selling Prices

The timber industry is generally known to be subject to fluctuations in selling prices of timber products.

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

Ta Ann Group seeks to mitigate the adverse effect of fluctuations in the selling prices of its products by:-

- a) Diversifying into new markets such as Europe and Australia. The management team makes frequent overseas trips to identify and secure market opportunities for various types of timber products for the housing, construction and industrial sectors. It is envisaged that these efforts, besides providing an impetus to sales growth will expand the Ta Ann Group's customer base, thus minimising reliance on a few major customers:
 - b) The Group is also making continuous efforts to diversify its product base through the introduction of higher value added products such as fancy plywood, film faced plywood, marine plywood, veneer overlay panels and cross-grain floor based plywood. Additionally, the Ta Ann Group plans to expand its product base in the future to include the manufacturing of coated and overlay plywood, particleboard and LVL;
 - c) Continuous improvement in its manufacturing facilities, production efficiency and production yield for its timber products; and
 - d) Production of higher quality products and the provision of prompt and good services to retain consumer confidence and stable buyers from overseas.
- v) Potential Conflict of Interest

Certain Directors and substantial shareholders of Ta Ann Group have interests in companies carrying out similar business activities as the Ta Ann Group ranging from extraction and sale of timber logs, sawmilling and contract logging. In addition, the Ta Ann Group currently has and expects to continue carrying out business transactions with certain companies related to Directors and substantial shareholders of the Ta Ann Group, particularly those involved in extraction and trading of timber logs.

There is therefore potential for conflict of interest situations arising from the Directors and substantial shareholders' interest in these companies. Conflict of interest situations may arise where business decisions are made in favour of these companies leading to negative effects on the performance of the Ta Ann Group.

To mitigate potential conflict of interest situations which may arise from the above, Ta Ann Group has entered into long term log supply agreements with THSB, Raplex, Zumida, Mitsumoku Sdn Bhd and Brilliant Wood from which it purchases logs at prevailing market prices. Details of these contracts are set out in Section 10 of this Prospectus. The signing of log supply agreements serve to secure a consistent and adequate source of raw materials to the Ta Ann Group and also to reduce the possibility of the Ta Ann Group buying logs at inflated prices.

To further reduce the possibility of conflict of interest situations, the executive Directors of Ta Ann and its senior managers will not hold executive directorships and management roles in these private companies with the exception of THSB, Raplex, Zumida, Mitsumoku Sdn Bhd and Kintameru Sdn Bhd.

The Directors and substantial shareholders of Ta Ann will also not venture into any new businesses which will lead to conflict of interest situations with the existing businesses carried out by the Ta Ann Group.

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

Ta Ann's Audit Committee will monitor any related party transactions to ensure that these transactions are carried out on arms length basis and on commercial terms which will not be detrimental to the interest of the Ta Ann Group. Any related transactions will be reported by the Directors in the Company's annual report each year.

Further details on related party transactions and the Directors' and substantial shareholders' interests in similar businesses are detailed in Sections 10 and 14.3 respectively of this Prospectus.

vi) Forecasts

This Prospectus contains the profit forecasts of the Group for the financial years ending 31 December 1999 and 31 December 2000 which are based on certain assumptions deemed reasonable by the Directors of Ta Ann. Due to the subjective judgements and inherent uncertainties of forecasts and because events and circumstances frequently do not occur as expected, there can be no assurance that the forecasts contained herein will be realised and actual results may be materially different from those shown. Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forecasts that is contained herein.

vii) Competition

The Ta Ann Group faces competition from local and foreign competitors. Nonetheless, the Ta Ann Group believes that it has a competitive advantage in its high quality products and by continuously meeting the changing needs of its customers. In line with this, the management, through its research and development efforts continually strives to upgrade its expertise and range of products in order to meet the needs of its customers. With Ta Ann Group's established business track record and experience coupled with its current resources, Ta Ann Group should be well-equipped to maintain its competitive edge. In addition, TAP was granted with a pioneer status tax incentive on 1 January 1994 for five(5) years under the Promotion Act, 1986 for the manufacturing of plywood which has since been extended for a further five(5) years expiring on 31 December 2003.

In addition, there are various barriers of entry in the timber industry such as substantial capital requirements, expertise and availability of timber resources. However, there can be no assurance that competitive pressures in the future will not materially affect the Ta Ann Group's market share and consequently its financial results. Nevertheless, the management of the Ta Ann Group will continually use its best efforts to maintain and expand the Ta Ann Group's market share.

viii) Foreign Exchange Fluctuations

Ta Ann's exposure to overseas markets for both imports and exports subjects the Ta Ann Group to foreign exchange fluctuations. On 1 September 1998, the Malaysian government fixed the exchange rate at RM3.80/USD1 thus minimising foreign exchange risk. However, there can be no assurance that the exchange rate will remain or that future foreign exchange fluctuations will not adversely affect the Ta Ann Group.

3. INVESTMENT CONSIDERATIONS... cont 'd

ix) Dependence on Key Personnel

The Group believes that its continued success will depend to a significant extent upon the abilities and continued efforts of its existing Directors, senior management and its team of technical staff and workers. The Group is also making efforts to groom suitable junior employees to participate in the management of the Ta Ann Group.

x) Millennium Bug

The Millennium Bug or The Year 2000 ("Y2K") problem refers to the situation whereby computers and software programmes may 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 or producing undesirable results. The Board of Directors of Ta Ann is aware of the Y2K problem and has taken action to ensure the Group is Y2K compliant. The Group set up a Y2K Committee under the supervision of the Board of Directors.

The Group's computer equipment and software were certified by their respective vendors to be Y2K compliant on 15 August 1999. 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. As such, the Group's future financial conditions and operational activities will not suffer any disruption as a result of being non Y2K compliant. The upgrading and replacement cost of the computers and software programmes was approximately RM60,000.

There is no known exposure arising from third parties who have dealings with the Group as the computer systems are not linked to any external source. 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 Group does not expect any material legal implications arising from the Y2K issue. In addition, Signet and Co Sdn Bhd, the Share Registrar of Ta Ann confirmed that their Share Registration System was certified by their vendor to be Y2K compliant on 21 September 1998.

After the review of all computer hardware and software in use, the Board of Directors of Ta Ann 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 15 October 1999.

Application will be made to the KLSE within three(3) market days of the date 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 of the entire enlarged issued and fully paid-up share capital of Ta Ann 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.

Acceptance of the applicants will be conditional upon permission being granted to deal in and quotation for all the issued shares of the Company. Monies paid in respect of any application accepted will be returned if the said permission is not granted.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991 and Section 39(1)(i) of the Companies Act, 1965, the KLSE has prescribed Ta Ann as a prescribed security. In consequence thereof, the Shares issued 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 space provided in the Application Form. Where an applicant does not presently have a CDS Account, he should state in the Application Form his preferred ADA Code.

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

No person is authorised to give any information or to make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorised by Ta Ann. Neither the delivery of this Prospectus nor any IPO 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 Ta Ann 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 IPO Shares in any jurisdiction in which such invitation is not authorised or lawful or to any person to whom it is unlawful to make such invitation.

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 — 1,000,000,000 Shares	RM1,000,000,000
Issued and fully paid-up — 81,975,000 Shares	RM8,197,500
To be issued pursuant to the Public Issue — 18,025,000 Shares	RM18,025,000
	RM100,000,000

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 IPO Shares to be issued pursuant to this Prospectus will rank *pari passu* in all respects 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 the 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 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 a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representatives shall have one vote for each Share held.

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

Date of Allotment	No. of Shares	Consideration	Total (RM)
3.02.1997	2	Cash	2
1.10.1999	59,382,368	Share Acquisitions	59,382,370
2.10.1999	22,592,630	Rights Issue	81,975,000

5.2 Details of the Initial Public Offering

The public issue of 18,025,000 Shares at an IPO price of RM3.30 is payable in full on application upon such terms and conditions as set out in this Prospectus.

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

The 18,025,000 Shares arising from the IPO represent approximately 18% of the enlarged issued and paid-up share capital of Ta Ann of 100,000,000 Shares. The IPO Shares will be allocated and allotted at RM3.30 per share in the following manner:-

- (i) 3,680,000 of the IPO 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) 4,345,000 of the IPO Shares have been reserved for Directors, employees and suppliers of the Ta Ann Group and persons who have contributed to the success of the Group; and
- (iii) 10,000,000 of the IPO Shares have been reserved for placement by the Placement Manager to institutional investors.

The Shares in respect of paragraphs (i) and (ii) have been fully underwritten. Any Shares in respect of paragraph (ii) not subscribed for by the eligible Directors, employees and suppliers of the Ta Ann Group and persons who have contributed to the success of the Ta Ann Group will be made available for application by the Malaysian public.

AMS has been appointed by the Company as Placement Manager who will ensure that the Placement Shares are fully placed out to institutional investors, failing which they will be underwritten by the Placement Manager.

The final number of Public Shares and Placement Shares will be dependent upon the level of demand for the Public Shares. In accordance with Section 10.06 of the SC's Policies and Guidelines on the Issue/Offer of Securities, in the event of oversubscription for the Public Shares, such number of Shares equal to the lower of 6,320,000 Shares (representing 10% of the enlarged issued and paid-up share capital of 100 million Shares and deducting the Public Shares) or the number of oversubscribed Shares will be clawed back from the Placement Shares and made available to the applicants of the Public Shares.

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 Ta Ann Group to participate in the equity and continuing growth of the Ta Ann Group;
- (ii) to enable the Ta Ann Group to gain access to the capital markets for funds for its future expansion and growth; and
- (iii) to obtain a listing of and quotation for Ta Ann's entire enlarged issued and paid-up share capital of 100,000,000 Shares on the Main Board of the KLSE.

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

5.4 Basis of arriving at the IPO Price

The IPO price of RM3.30 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 estimate and forecast net PE multiples of 4.8 and 5.4 times based on the estimate and forecast net EPS of 68.9 and 60.7 sen for the financial years ending 31 December 1999 and 2000 respectively, the issue price of RM3.30 per Share and the weighted average issued and paid-up share capital of 67,283,653 Shares for the year ending 31 December 1999 and the enlarged paid-up share capital of 100 million Shares for the year ending 31 December 2000;
- ii) the future plans of the Ta Ann Group as outlined in Section 6 of this Prospectus; and
- iii) the audited proforma consolidated NTA per Share of Ta Ann as at 30 June 1999 of RM1.60 per Share.

5.5 Proceeds of the Public Issue and Rights Issue

The gross proceeds of RM82.1 million accruing to the Ta Ann Group from the IPO Shares and the Rights Issue will be utilised as follows:-

	Notes	RM'000
Proceeds raised from IPO		59,483
Proceeds raised from Rights Issue		22,592
		82,075
Utilisation:-		
- Plant and machinery	(a)	35,900
— Reforestation Project	(b)	30,000
— Working capital		7,875
— Listing expenses	(c)	3,500
— Corporate office	(d)	2,300
— Repayment of borrowings	(e)	1,500
— Computer software and equipment	(f)	1,000
TOTAL		82,075

Notes:-

(a) Plant and Machinery

Approximately RM34.2 million ~~will be~~ utilised to purchase plant and machinery for TAP and LSS as detailed in the following table. This ~~will~~ enable the Group to increase its production capacity, recovery rate and range of products. The Directors expect to purchase the machinery in the 4th quarter of 1999 and installation will commence in the 1st quarter of 2000.

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

	Quantity	Total (RM)
<u>NEW PLYWOOD LINE</u>		
1. Auto Rotary	1	1 1-083.335
2. Core Builders	9	6 539.040
3. Arison Clippers	4	924.665
4. Hot and Cold Press machines	3	1 821.340
3 Glue Mixer and Spreader	1	145.160
6. 4D Roller Dryer	1	2 394.000
7. Steam Deaerating System	1	456.000
8. Transformer and Cable	1	5 70.000
9. Log Cutting System	1	1 74 1.540
10. Miscellaneous including:-		1. 124.920
- Table Lifter		
- Factory Piping		
- Water Treatment Tank		
- Hoist Steel Structure		
- Block Live Roll Con. Extension		
- Block in Feed Conveyor		
SUB-TOTAL		26,800,000
<u>NEW PLYWOOD COATING LINE</u>		
1. Conveyors	44	1 853.000
2. Input Pusher	1	79.110
3. Coating Machines .	4	4 18.400
4. Jet Zone Dryer (8 Section)	2	1 292.700
5. Suction Stackers	2	3 16.500
6. Belt Sander (2 head)	1	379.400
7. Electric Panel and Output Side Material		91 1.610
8. Design fee and other related costs	-	670.760
9. <i>Miscellaneous</i>		78.520
SUB-TOTAL		6,000,000
<u>NEW MOULDING SECTION AND KILN DRYING</u>		
1. Kiln Drying Equipment and Chambers	4	585.372
2. Construction of Warehouse	1	173.280
3. Automatic End Machine	1	192.788
4. Hydraulic Rotary Composcr	1	279.273
5. Miscellaneous including:-		169.287
- Zinalume. Climseal Fasteners		
- 1 unit Jumping Cross Cut		
- Kanefusa Tungsten Carbide		
- Tip Saw		
- High Marker. CIF Charges		
- Installation and Supervision Charges		
- Moulder		
- Tenoner		
- 12AL W/Long Table		
SUB-TOTAL		1,400,000
TOTAL		34,200,000

With the installation of a new plywood line, TAP's total annual production capacity will increase by 25% from 120,000 m³ to 150,000 m³. Production output will also increase by 25% from 114,000 m³ to 142,500 m³. The new plywood line will be capable of processing smaller diameter logs which will improve its recovery rate.

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

The Group also plans to install a coating and overlay processing line which will enable the Ta Ann Group to produce coated plywood which is used for concrete forming. As compared to normal plywood, coated plywood is more durable and can be re-used many times. The 'annual production capacity and output of the new coating line is estimated at 39,600 m³ and 36,000 m³ and would run on two(2)12-hour shifts per day.

The remaining RM1.7 million will be utilised for extension of the existing plywood factory and associated infrastructure cost for the new plywood line and recoating line. The breakdown of the estimated extension and infrastructure cost is shown in the table below:-

FACTORY EXTENSION AND INFRASTRUCTURE COST	
	RM'000
Factory slab	350
Steel frame	350
Machinery foundation and plinths	300
Piling work	200
Metal roofing, skylights and wall cladding	200
Pathway and drainage	150
Levelling and mobilisation	100
Foundation and ground beams	50
TOTAL	1,700

(b) Ta Ann Group's Reforestation Project

TAP was issued with a Reforestation Licence on 8 December 1998 for a period of sixty(60). years expiring on 7 December 2058.

Approximately RM30 million will be utilised for the reforestation project over the next two(2) years. The reforestation Project involves planting of fast growing genetically improved timber species such as *Acacia species* in particularly *Acacia Mangium*, *Gmelina arborea*, *Paraserianthes falcataria*, *Shorea macrophylla*, *Sentang* and rubber trees over a period of 10- 15 years.

A summary of the major costs involved is as follows:-

Particulars	RM'000
Seedlings	10,090
Site preparation	9,800
Planting/lining	3,300
Infrastructure	2,100
Vehicle and machinery	1,050
Labour and administrative	900
Land premium	760
Planning and Operations	700
Weeding and Pruning	500
Fertilising	500
Insecticides	300
TOTAL	30,000

Further details on the reforestation project can be found in Section 6.7 of this Prospectus.

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

(c) Listing Expenses

Estimated listing expenses of RM3.5 million include underwriting commission, brokerage fees, advisers' fees, authorities' fees and other costs associated with the listing exercise as shown in the following table below:-

	RM'000
Advisory and Professional fees	1.300
Underwriting and brokerage fees	1.000
Printing and advertising fees	400
Authorities fees	150
Issuing House fees and expenses	150
Miscellaneous	500
TOTAL	3.500

(d) Corporate Office

The Group plans to acquire 324 m² of existing office space located on the 6th floor, Custodev Twin Tower, Rock Road, Kuching, Sarawak to be used as a corporate office. The purchase consideration is approximately RM2.3 million. The establishment of a corporate office in the capital of Sarawak will enable the management to have better access to government offices and to service their corporate clients.

(e) Repayment of Borrowings

Approximately RM1.5 million will be utilised to repay interest-free borrowings incurred by LSS from Nagasaki Mukozai Ltd. and Oakpark Sdn Bhd to purchase sawmill and moulding machinery in 1990 and 1994.

(f) Computer Software and Equipment

Approximately RM 1.0 million will be utilised to upgrade and improve the Ta Ann Group's computer systems to meet its information technology requirements in the areas of production, financial and accounting systems and logging operations.

5.6 Underwriting Commission and Brokerage

The Underwriters mentioned earlier in this Prospectus have agreed to underwrite the **8,025,000** IPO Shares to be issued to the Malaysian public, **Directors, employees**, suppliers and persons who have contributed to the success of the, Ta Ann Group. Underwriting commission is payable by the Company at **1.00%** of the IPO price of RM3.30 per share for the Shares allocated to the Directors, employees and suppliers and persons who have contributed to the success of the Ta Ann Group and **1.75%** of the IPO price of RM3.30 per share for Shares to be made available for subscription by the Malaysian public.

A placement fee of **1.00%** of the IPO price of RM3.30 per share is payable to the Placement Manager in respect of **1,500,000** Placement Shares and **1.75%** of the IPO price of **RM3.30 per** share in respect of any subsequent TAH Shares successfully placed out.

Brokerage is payable in respect of the IPO Shares by the Company at the rate of **1.0%** of the IPO price of RM3.30 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.

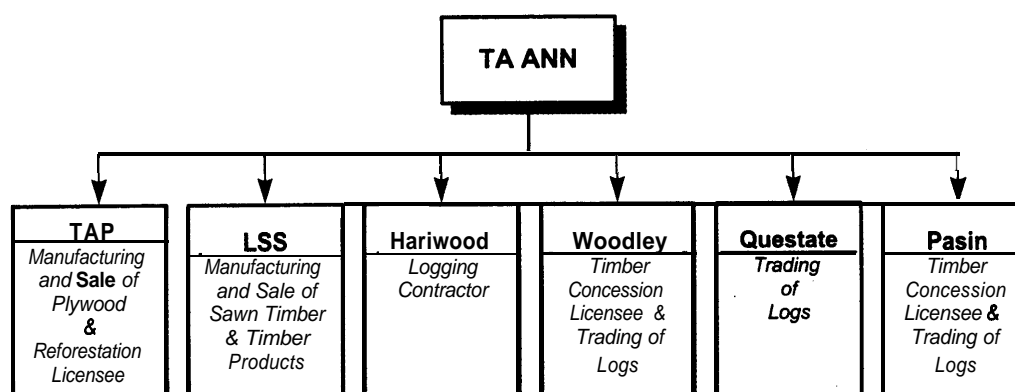
6. INFORMATION ON TA ANN GROUP

6.1 *History and Business Overview*

The Ta Ann Group began with timber extraction from a 257,604 acre timber concession located in the Kapit District, Sarawak which was awarded to **Pasin** in 1985. Hariwood was subsequently established in 1987 to extract timber from the concession.

In response to the Sarawak Government's initiative to develop the timber downstream industry, LSS was established in 1991 to carry out sawmilling operations. The Ta Ann Group then ventured further downstream with the establishment of TAP to produce plywood in 1993 and LSS producing higher value wood products. Due to the expansion of operations, the Ta Ann Group secured another timber concession through Woodley and began studies on carrying out sustainable forest management to ensure the long term supply of logs for the Group.

The Ta Ann Group structure and the principal activities of its wholly-owned subsidiaries is depicted below:-



For the six month period ended 30 June 1999, 57.2% of the proforma Group's turnover was derived from the production and sale of plywood. All plywood produced was exported, of which 93.7% of the said sales were to trading companies in Japan while the remaining 6.3% were exported mainly to trading companies in Europe and South Korea. All other products are exported with the exception of logs used internally by the Group.

The production of timber products and contribution to the Ta Ann Group turnover is shown in the following table:-

	1994		1995		1996		1997		1998		Jan-June 1999	
	Turnover RM'000 m ³	%	Turnover RM'000 m ³	%	Turnover RM'000 m ³	%	Turnover RM'000 m ³	%	Turnover RM'000 m ³	%	Turnover RM'000 m ³	%
Plywood	36,447 35,139	30.6	68,398 66,945	50.0	79,653 75,259	59.9	112,411 105,260	62.3	83,420 106,237	60.1	59,644 59,774	57.2
Logs	32,073 143,194	27.0	44,580 144,662	32.5	36,209 130,341	27.3	46,518 345,020	25.7	39,387 241,438	28.3	37,465 88,556	35.9
Sawn timber	15,875 16,902	13.4	13,162 13,873	9.6	10,699 12,564	8.0	14,534 15,019	8.1	13,477 16,238	9.7	5,705 6,816	5.5
Moulding			648 392	0.5	2,727 1,546	2.1	3,881 1,947	2.2	2,461 1,538	1.8	1,396 928	1.3
Veneer	34,509 29,690	29.0	10,131 10,045	7.4	3,642 3,776	2.7	3,131 3,514	1.7	82 87	0.1	57 48	0.1
TOTAL	118,904	100.0	136,919	100.0	132,930	100.0	180,475	100.0	138,827	100.0	104,267	100.0

6. INFORMATION ON TA ANN GROUP... *cont'd*

The contribution to the Ta Ann Group PBT by product is shown in the following table:-

	1994		1995		1996		1997		1998		Jan-June 1999	
	PBT RM'000	%	P B T RM'000	%	PBT RM'000	%	PBT RM'000	%	PBT RM'000	%	PBT RM'000	%
Plywood and Veneer	(1,094)	(8.3)	3,412	24.5	9,184	41.7	16,450	43.6	2,367	17.8	10,600	41.4
Logs	13,377	101.6	11,714	84.2	14,383	65.3	20,492	54.3	11,616	87.5	14,147	55.3
Sawn timber	877	6.7	(904)	(6.5)	(1,306)	(5.9)	331	0.9	(564)	(4.2)	909	3.6
Moulding			(309)	(2.2)	(223)	(1.1)	446	1.2	(151)	(1.1)	(89)	(0.3)
TOTAL	13,160	100.0	13,913	100.0	22,038	100.0	37,719	100.0	13,268	100.0	25,567	100.0

The current annual production capacity, production output, number of production lines and number of working shifts per day for the Group's main products and processes are shown in the table below:-

	Annual Production Capacity (m ³)	Annual Production output (m ³)	No. of Production Lines	No. of Shifts per day
Plywood	120,000	108,000	4	2
Logs	290,000	270,000	n/a	n/a
Sawn Timber	20,000	17,200	1	1
Moulding	4,000	3,000	n/a	1
Kiln drying	5,000	4,000	n/a	n/a
Finger joiner	1,500	900	n/a	1

The table below shows the percentage and export destinations of the Group's main products for the six(6) month period ended 30 June 1999:-

	Japan (%)	Korea (%)	India (%)	UK/Europe (%)	China (%)	Australia (%)	USA (%)
Plywood	92			-	-	-	-
Logs	42	21	37	-	-	-	-
Sawn timber	22	19		9	31	-	-
Moulding	17			9	18	28	23

Japan is the largest plywood importer in the world with Sarawak being one of its largest suppliers as shown in the following table:-

JAPANESE PLYWOOD IMPORTS				
Year	From TAP (m ³)	From Sarawak (m ³)	(%)	Total (m ³)
1997	98,783	872,255	16.4	5,326,000
1998	87,110	970,730	25.1	3,872,000

Source: Japan Lumber Reports and Sarawak Timber Association ("STA") Review.

The Group exports logs sourced from its own concessions and also trades in logs from external sources. The Group adheres strictly to the current statutory restrictions imposed by the Government whereby log exports are restricted to a maximum of 40% of total logs extracted. Typically, only logs of certain species and quality are exported to Japan, India and the Republic of Korea while the balance is supplied to the Ta Ann Group's processing mills.

6. INFORMATION ON TA ANN GROUP... *cont'd*

6.2 **Restructuring Scheme**

In conjunction with and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of Ta Ann on the Main Board of the KLSE, Ta Ann undertook a restructuring scheme as follows:-

) Incorporation of Revaluation Reserve

Hasmi and Associates (Sarawak) Sdn Bhd, a firm of registered professional valuers valued the landed properties of TAP and LSS on 20 January 1997 and 30 April 1997 respectively (updated on 8 January 1999) based on the Depreciated Replacement Method. A revaluation surplus amounting to **RM15.085** million arising from the difference between the audited net book value and their respective open market values as approved by the SC will be incorporated into the revaluation reserve account of the audited accounts of TAP and LSS for the financial year ending 31 December 1999.

Company	Open market value as appraised by the valuer (RM'000)	Open market value as approved by the SC (RWO00)	Audited net book value as at 31.12.1997 (RM'000)	Valuation surplus (RM'000)
TAP	27.824	25.000	16.862	8.138
LSS	12,299	11,000	4,053	6,947
TOTAL	40.123	36,000	20,915	15,085

Further details on the landed properties of the Group, together with their respective open market values are set out in Sections 6.5 and 13 of this Prospectus.

ii) Cash Acquisitions

- a) Acquisition of 14820,000 Shares representing 52.9% of the issued and paid-up capital of TAP from **Questate** and **Pasin** for a total cash consideration of RM31,155,564. The purchase consideration was based on TAP's audited NTA of **RM58,787,835** as at 31 December 1997 after adjusting for the revaluation surplus of **RM8.1** million; and
- b) Acquisition of **1,971,000** Shares representing 65.7% of the issued and paid-up capital of LSS from **Questate** and **Pasin** for a total cash consideration of **RM5,616,347**. The purchase consideration was based on LSS's audited NTA of **RM8,548,477** as at 31 December 1997 after adjusting for the revaluation surplus of **RM6.9** million.

The following table shows the particulars of the Cash Acquisitions which were completed on 1 October 1999:-

Vendor	TAP (RM)	LSS (RM)	Total (RM)
Questate	28,806,041	2,564,541	31,370,582
Pasin	2,309,523	3,051,806	5,361,329
TOTAL	31,115,564	5,616,347	36,731,911

The rationale of the Cash Acquisitions was to eliminate cross shareholdings in the Ta Ann Group.

6. INFORMATION ON TA ANN GROUP... *cont'd*

iii) Share Acquisitions

- a)** Acquisition of **13,180,000** Shares representing 47.1% of the issued and paid-up share capital of TAP for a total consideration of **RM27,672,271** from the respective vendors as shown in the following schedule based on the audited adjusted NTA of TAP as at 31 December 1997. The purchase consideration was satisfied by the issuance of **20,497,979** new Shares in Ta Ann at RM 1.35 each;
- b)** Acquisition of **1,029,000** Shares representing 34.3% of the issued and paid-up share capital of LSS for a total consideration of **RM2,932,130** from the respective vendors as shown in the following schedule based on the audited adjusted NTA of LSS as at 31 December 1997. The purchase consideration was satisfied by the issuance of **2,171,948** new Shares in Ta Ann at RM 1.35 each;
- c)** Acquisition of 500,000 Shares representing the entire issued and paid-up share capital of Hariwood from the respective vendors as shown in the following schedule based on the audited NTA of Hariwood as at 31 December 1997 for **RM4,778,868**. The purchase consideration was satisfied by the issuance of **3,539,902** new Shares in Ta Ann at RM 1.35 each;
- d)** Acquisition of 125,000 Shares representing the entire issued and paid-up share capital of Woodley for a total consideration of RM5,978,458 from the respective vendors as shown in the following schedule based on the audited NTA of Woodley as at 31 December 1997. The purchase consideration was satisfied by the issuance of 4,428,486 new Shares in Ta Ann at RM 1.35 each;
- e)** Acquisition of 100,000 Shares representing the entire issued and paid-up share capital of **Questate** for a total consideration of RM32,888,985 from the respective vendors as shown in the following schedule based on the audited NTA of **Questate** as at 31 December 1997. The purchase consideration was satisfied by the issuance of 24,362,212 new Shares in Ta Ann at RM 1.35 each; and
- f)** Acquisition, of 200,000 Shares representing the entire issued and paid-up share capital of **Pasin** for a total consideration of **RM5,915,485** from the respective vendors as shown in the following schedule based on the audited NTA of **Pasin** as at 31 December 1997. The purchase consideration was satisfied by the issuance of 4,381,841 new Shares in Ta Ann at RM 1.35 each.

The Share Acquisitions were completed on 1 October 1999.

6. INFORMATION ON TA ANN GROUP... *cont'd*

In respect of the Share Acquisitions disclosed in (a) to (f) above, certain corporate vendors, namely Goldmakers Sdn Bhd, Merlin Development Sdn Bhd, Bayway Development Sdn Bhd, Firstrate Sdn Bhd, Plusin Sdn Bhd, Syarikat Chung Lim Sdn Bhd, Future Home Development Sdn Bhd, Woodplus Sdn Bhd, WHS Sdn Bhd, Oakpark Sdn Bhd and Merbatu Sdn Bhd renounced their rights to the new Ta Ann's Shares to their respective ultimate beneficial individual shareholders. Details on the Share Acquisitions are shown in the following table:-

Vendors	TAP			LSS			HARIWOOD			WOODLEY			QUESTATE			PASIN		
	%	No of Shares held	No of Ta Ann Shares issued	%	No of Shares held	No of Ta Ann Shares issued	%	No of Shares held	No of Ta Ann Shares issued	%	No of Shares held	No of Ta Ann Shares issued	%	No of Shares held	No of Ta Ann Shares issued	%	No of Shares held	No of Ta Ann Shares issued
Datuk Wahab bin Haji Dolah	5.00	1,400,000	2,177,328	3.43	102,900	217,194	24.50	122,500	867,216	35.00	43,750	1,549,970	24.50	24,500	5,968,741	50.00	100,000	2,190,920
Datuk Abdul Hamed bin Sepawi	1.78	500,000	777,618	3.43	102,900	217,194	24.50	122,500	867,276	-	-	-	24.50	24,500	5,968,741	50.00	100,000	2,190,921
Wong Kuo Hea	7.60	2,127,989	3,309,521	4.32	129,654	273,666	7.65	38,250	270,803	4.88	6,094	215,900	7.65	7,651	1,864,065	-	-	-
Tiong Sie Hee	2.53	709,330	1,103,175	1.44	43,218	91,221	2.55	12,750	90,268	1.62	2,031	71,966	2.55	2,550	621,192	-	-	-
Wong Siew Ee	1.27	354,665	551,586	0.72	21,609	45,611	1.28	6,375	45,134	0.81	1,016	35,984	1.27	1,275	310,596	-	-	-
Wong Sik Onn	1.26	354,665	551,586	0.72	21,609	45,611	1.27	6,375	45,134	0.81	1,016	35,984	1.28	1,275	310,596	-	-	-
Chai Min Kian	5.29	1,481,034	2,303,353	3.43	102,900	217,195	2.55	12,750	90,267	1.63	2,031	71,967	2.55	2,550	621,192	-	-	-
Upaya Rajang	-	-	-	-	-	-	22.95	114,750	812,407	14.62	18,280	647,621	22.95	22,950	5,591,128	-	-	-
Chong Vui Tong	2.08	581,034	903,613	1.71	51,450	108,598	2.55	12,750	90,267	1.63	2,031	71,967	2.55	2,550	621,192	-	-	-
Ngui Ing Chuang	-	-	-	-	-	-	9.18	45,900	324,963	5.85	7,313	259,081	9.18	9,179	2,236,292	-	-	-
Shozo Tsumuraya	-	-	-	-	-	-	1.02	5,100	36,107	0.65	813	28,787	1.02	1,020	248,477	-	-	-
Tang Tiong Kin	-	-	-	3.13	102,900	217,195	-	-	-	-	-	-	-	-	-	-	-	-
Wong Kuok Kai	1.61	450,000	699,855	3.43	102,900	217,195	-	-	-	-	-	-	-	-	-	-	-	-
Wong Ung Tee	0.57	161,929	251,838	3.43	102,900	217,195	-	-	-	-	-	-	-	-	-	-	-	-
Sia Ngai Huong	-	-	-	3.13	102,900	217,195	-	-	-	-	-	-	-	-	-	-	-	-
Pu Shuh Ann	-	-	-	0.69	20,580	43,439	-	-	-	-	-	-	-	-	-	-	-	-
Tezuka Tomoe	-	-	-	0.69	20,580	43,439	-	-	-	-	-	-	-	-	-	-	-	-
Pui Chin Jang @ Pui Chin Yam	0.87	242,722	377,489	-	-	-	-	-	-	26.00	32,500	1,151,407	-	-	-	-	-	-
Pui Kian Sin	-	-	-	-	-	-	-	-	-	6.50	8,125	287,852	-	-	-	-	-	-
Pui Sim Tam	0.21	60,680	91,372	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lau Hie Ping	1.61	450,000	699,855	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ling Chu Leong	0.92	257,091	399,836	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lim Kui Yu	1.57	110,527	685,121	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pui Chin Kim	0.58	161,929	251,838	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pui Kien Nyap	0.58	161,929	251,838	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chin Kon Chung	0.66	183,436	285,286	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Yong Soon Ngow	0.21	59,500	92,536	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shim Shui Moi @ Rose Shim	0.21	59,500	92,536	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pui Tin Soon	0.22	60,680	91,372	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pui Chin Foh	0.22	60,680	94,372	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pui Chin Chiat	0.22	60,680	94,372	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Raplex	10.00	2,800,000	4,354,653	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	47.07	13,180,000	20,497,979	34.30	1,029,000	2,171,948	100.00	500,000	3,539,902	100.00	125,000	4,428,486	100.00	100,000	24,362,212	100.00	200,000	4,381,841
ISSUED AND PAID-UP CAPITAL		<u>28,000,000</u>			<u>3,000,000</u>			<u>500,000</u>			<u>125,000</u>			<u>100,000</u>			<u>200,000</u>	

6. INFORMATION ON TA ANN GROUP... *cont'd*iv) Renouncement of Shares

Upon completion of the Acquisitions, certain vendors of TAP, LSS, Hariwood, Woodley, **Questate** and **Pasin** renounced 10,358,673 Shares in favour of Datuk Wahab bin Haji Dolah, Datuk Abdul **Hamed** bin Sepawi, Ngui Ing Chuang, Shozo Tsumuraya, Pui Kian Sin, Pui Sin Tam and Upaya Rajang. This was undertaken in recognition of the contribution of these individuals to the growth and success of the Ta Ann Group.

In addition, Datuk Wahab bin Haji Dolah, Datuk Abdul **Hamed** bin Sepawi, Wong Kuo **Hea**, Tiong Sie Hee, Chai Min Kian, Pui Chin Jang and Upaya Rajang undertook a consolidation of interest by renouncing 19,591,180 Shares in Ta Ann for a purchase consideration of RM 19,591,180 satisfied by the issuance of 19,591,180 shares of RM 100.00 each in Mountex in proportion to their respective shareholdings. Mountex was established as an investment holding company.

The renouncement of Shares in Ta Ann to Mountex pursuant to the consolidation of interest is shown in the table below:-

	Before Consolidation of Interest		Consolidation of Interest	After Consolidation of Interest and before Rights Issue	
	No. of Shares in Ta Ann	% in Ta Ann*		No. of Shares in Ta Ann	No. of Shares in Ta Ann
Datuk Wahab bin Haji Dolah	17,901,072	17.9	(4,773,121)	13,127,951	13.1
Datuk Abdul Hamed bin Sepawi	14,648,581	14.6	(6,044,650)	8,603,931	8.6
Wong Kuo Hea	4,930,657	4.9	(2,865,873)	2,064,784	2.1
Tiong Sie Hee	1,250,653	1.2	(1,250,653)		
Chai Min Kian	1,761,994	1.8	(792,517)	969,477	0.9
Pui Chin Jang	1,524,108	1.5	(685,450)	838,658	0.8
Upaya Rajang	7,068,045	7.1	(3,178,916)	3,889,129	3.9
Mountex			19,591,180	19,591,180	19.6
TOTAL	49,085,110	49.0	-	49,085,110	49.0

* *Based on the enlarged share capital of RM100 million shares*

The renouncement of Shares was completed on 1 October 1999.

v) Rights Issue

On 2 October 1999, a rights issue of 22,592,630 new Shares at par on the basis of approximately two(2) new Shares for every five(5) existing Shares held was completed.

6.3 *Initial Public Offering*

Pursuant to the IPO, Ta Ann will issue 18,025,000 new Shares or 18.02% of its enlarged issued and paid-up capital at an issue price of RM3.30 per Share as detailed in Section 5.2 of this Prospectus.

6. INFORMATION ON TA ANN GROUP... *cont'd*6.4 **Information on Subsidiaries**

A summary of the details on the subsidiaries of Ta-Ann is set out in the table below:

Same	Date and place of incorporation	Issued and paid-up share capital (RM)	Effective equity interest (%)	Year of commencement of core business	Principal activity
TAP	29.11.1990 Malaysia	28,000,000	100	1993	Manufacturing and Sale of Plywood & Reforestation Licensee
LSS	15.11.1989 Malaysia	3,000,000	100	1991	Manufacturing and Sale of Sawn Timber and Timber Products
HARIWOOD	5.1.1987 Malaysia	500,000	100	1988	Logging Contractor
WOODLEY	2.6.1989 Malaysia	125,000	100	1993	Timber Concession Licensee & Trading of Logs
QUESTATE	11.12.1992 Malaysia	100,000	100	1990	Trading of logs
PASIN	24.7.1981 Malaysia	200,000	100	1988	Timber Concession Licensee & Trading of Logs

TAPa) History and Business

TAP was incorporated on 29 November 1990 in Malaysia under the Companies Act, 1965 as a private limited company. The company's principal activity is manufacturing and selling plywood.

TAP is also one of the pioneers to be awarded a Reforestation Licence by the State Government which will grant them the right to carry out reforestation in forest concessions which have been logged. TAP's Reforestation Licence covers a total area of 254,219 acres in the Sibul and Kapit Districts, Sarawak for a period of 60 years commencing 8 December 1998 and expiring on 7 December 2058. The total area for tree re-plantation is approximately 202,333 acres or 79.6% of the total area allocated under the Reforestation Licence. Harvesting of the planted trees would begin approximately 12-15 years after the planting, depending on the tree species.

TAP commenced commercial production in June 1993 with three(3) production lines and is located on a 25 acre site at the left bank of Batang Igan, about 3.9 km north-west of the Sibul Town Centre. It now has four(4) production lines and was awarded the prestigious JAS certificate by the Ministry of Agriculture, Forestry and Fisheries of Japan in November 1996 for its high quality plywood.

6. INFORMATION ON TA ANN GROUP... cont'd

The plywood mill is operating at approximately 90% of installed capacity producing approximately 110,000 m³ per annum and runs on two 12-hour shifts per day. It is equipped with warehouses, workshops, stores, boiler shed, engineering room, water treatment facilities pump shed, clinic, canteen and staff quarters. As at 30 June 1999, TAP has invested more than RM77.1 million on its fixed assets. About 80% of the plywood produced by the Ta Ann Group consist of high value plywood with thickness ranging from 7.5 mm to 11.5 mm.

There are eight stages in the plywood production process comprising of log peeling, drying, composing, gluing, pressing, sanding, grading and packing.

Veneer production forms the first stage of the production of plywood which is peeled from selected logs on rotary peelers. After peeling, the green veneer is fed through a dryer to obtain a constant moisture content before passing through the automatic transverse clippers to cut the veneer to specific sizes.

The next process is composing, where the veneers are edge-jointed to form plies of standard sizes. Sorted veneers are then conveyed to the gluing section. These core veneers selected for spreading with glue are passed through glue spreaders. The glued laid-up veneers are assembled in packs according to the number of plies which are then pressed. This is to ensure a proper bond using the full potential of the adhesive.

After the pressing process, the panels are trimmed to precise dimensions and then sanded to give a smooth level finish. The next process is grading, where each board is inspected to ensure that the manufacturing quality is appropriate to the grade being produced. They are then ready for packing and shipment.

TAP was acquired by Ta Ann on 1 October 1999 and currently has over 700 employees. It has no subsidiary or associated companies.

b) Share Capital

The present authorised share capital of TAP is **RM40,000,000** while the issued and paid-up share capital is **RM28,000,000** comprising Shares. Details of changes in issued and paid-up share capital of TAP since incorporation are as follows:-

Date of allotment	No. of Shares allotted	Consideration	Cumulative issued and paid-up share capital (RM)
29.1.1990	3	Subscriber Shares	3
30.5.1992	17,999,997	Cash	18,000,000
20.8.1993	10,000,000	Cash	28,000,000

6. INFORMATION ON TA ANN GROUP... *cont'd*c) Profit and Dividend Record

The audited profit and dividend record of TAP for the two(2) financial years ended 30 September 1995, **fifteen**(15) months ended 31 December 1996, two(2) financial years ended 31 December. 1998 and six(6) month period ended 30 June 1999 are set out below:-

	Year ended		15 months ended	Year ended		6 months ended
	30.9.1994	30.9.1995	31.12.1996	31.12.1997	31.12.1998	30.6.1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	69.890	79.028	104.119	115.542	83.502	60.038
PBT	(1,954)	1,488	1,480	16,450	2,367	10,600
Taxation	5	(2)	(24)	(51)	(73)	-
Profit/loss after taxation	(1,949)	1,486	1,456	16,399	2,294	10,600
No. of shares in issue ('000)	28,000	28,000	28,000	28,000	28,000	28,000
Gross EPS (RM)	(0.1)	0.1	^ 0.3	0.6	0.1	^ 0.8
Net EPS (RM)	(0.1)	0.1	^ 0.3	0.6	0.1	^ 0.8
Gross dividend (%)	-		12.5		3.3	37.9

^ Annualised

Notes:-

- a) In early 1994, TAP commenced producing plywood for the Japanese market and established a steady foothold in the Japanese market. by the later part of 1994 although the net operating results in the year was not satisfactory.
- b) An additional line was commissioned in 1996 and was in **full** operation by 1997. The enhanced production capacity enabled TAP to increase its production and sales volume. Further increase in production and sales volume in 1997 and the improvement in production **recovery** rate contributed to the higher profit recorded in that year.
- c) The average selling prices of plywood dropped in 1998. Export sales revenue was transacted at a contracted rate which was lower than the spot rate. (The spot rates were at an average of **USD1.00=RM4.00** whereas foreign exchange were contracted at average rate of **USD1.00=RM2.60**. This resulted in a reduction in revenue of **RM1.40** on every **USD** export revenue translated). The loss in **revenue from** the conversion of foreign exchange contracts during the year amounted to **RM16.0** million. The **plywood** prices were also unfavourable as the plywood market was depressed. These factors had resulted in the drop in TAP's turnover and PAT for 1998.
- d) The plywood market improved **significantly** in the first **half of** 1999 as compared to that of 1998. TAP increased its production volume in response to the increase in demand. The increase in turnover and PAT in **1999** was due to the improvement in the plywood market.
- e) The tax charge for the financial **periods/years** ended 30 September 1994 to 30 September 1995, 31 December 1994 to 31 December 1998 and 30 June 1999 are in respect of interest income earned. TAP was granted a pioneer status tax incentive on 1 January 1994 for **five(5)** years under The Promotion Act, 1986 **for** the **manufacturing** of plywood which has been extended for a **further five(5)** years to expire on 31 December 2003.
- f) There were no exceptional items and extraordinary items during the years/period under review.

6. INFORMATION ON TA ANN GROUP... *cont 'd***LSS**a) History and Business

LSS was incorporated on 15 November 1989 in Malaysia under the Companies Act, 1965 as a private limited company. The Company's principal activities are sawmilling and the manufacture of timber products.

The factory is located on a 15 acre piece of industrial land next to TAP at the left bank of Batang Igan, about 3.9km north-west of the Sibu Town Centre. Commercial production of sawn timber began in 1991.

- Sawmilling

The logs used for sawmilling operations are mainly sourced from the Ta Ann Group's own timber concessions. The sawn timber produced include *Meranti, Kapur, Keruing* and *Selangan Batu* and are cut according to different customer and market requirements.

LSS is equipped with modern sawmilling machinery including a breakdown band saw, two pony saws, three auto table saws, two bandmill saws, one double-edged saw and eight chambers for kiln drying.

As the logs pass through the sawmill line, the bark and ends are trimmed away. After trimming, the timber is cut according to customer specifications. The sawn timber may be kiln dried or air dried and is then packed according to length, width and grade after quality inspections and is then ready for export.

- Kiln Drying

Kiln drying is an essential procedure carried out before the sawn timber can be further processed into finished wood products. It is necessary to prevent shrinking, warping and fungus attacks. Kiln drying is a value-added process where the sawn timber is artificially force dried in chambers, where temperature and moisture content are regulated throughout the drying period.

LSS has a fully automated kiln-drying facility with eight chambers with an annual capacity of approximately 5,000m³.

- Moulding

LSS has an annual production capacity of 5,000 m³ of moulded products which include a variety of value added products comprising flooring and wall panels, door jambs and frames, decking, window components, architraves and door stiles.

6. INFORMATION ON TA ANN GROUP... *cont'd*

- Finger Joinery

Finger-jointed timber, is also one of the products produced by LSS which converts **falldown** timber into marketable timber products. In addition, finger-jointed timber commands a premium over normal sawn timber as it is more stable than the normal sawn timber and the length of jointed timber can be specifically tailored to meet the needs of the end user as compared to normal **sawn timber** which depends on the log length.

The **production of** finger-joinery then involves the feeding of short timber into the auto finger-cutting and auto composer machines to join short pieces into longer pieces. The finger-jointed timber can further undergo lamination to form wider timber pieces. The annual production capacity of finger-jointed timber and laminated board is 1.500 m'.

The current annual production capacity, production output, number of production lines and number of working shifts per day of LSS is shown in Section 6.1 of this Prospectus.

LSS was acquired by Ta Ann on 1 October 1999 and currently has over 100 employees. It has no subsidiary or associated companies.

b) Share Capital

The present authorised, issued and paid-up share capital of LSS is RM3,000,000 comprising Shares. Details of changes in the issued and paid-up capital of LSS since its incorporation are as follows:-

Date of allotment	No of Shares allotted	Consideration	Cumulative issued and paid-up share capital (RM)
15.11.1989	4	Subscriber Shares	4
1.12.1989	999,996	cash	1,000,000
13.12.1989	500,000	cash	1,500,000
12.12.1991	1,500,000	Cash	3,000,000

6. INFORMATION ON TA ANN GROUP... cont 'd

c) Profit and Dividend Record

The audited profit and dividend record of LSS for the five(5) financial years ended 31 December 1998 and six(6) month period ended 30 June 1999 are set out in the following table:-

	Year ended					6 months
	31. 12. 1994	31. 12. 1995	31. 12. 1996	31. 12. 1997	31. 12. 1998	ended 30. 6. 1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	16.166	14.438	13.662	18.415	16.533	7.288
PBT	878	(1.213)	(1.529)	776	(715)	820
Taxation	(208)	208	-	(5)	5	-
PAT	670	(1.005)	(1.529)	771	(710)	820
No. of shares in issue ('000)	3.000	3.000	3.000	3.000	3.000	3.000
Gross EPS (RM)	0.3	(0.4)	(0.5)	0.3	(0.2)	^0.6
Net EPS (RM)	0.2	(0.3)	(0.5)	0.3	(0.2)	^0.6
Gross dividend (%)			-		-	

A Annualised

Notes:-

- a) Turnover of LSS was, mainly derived from the sale of sawn timber initially. Exports were mostly made to Japan and Korea. The sawn timber market was on an upward trend in 1994. However, the market slowed down towards the second half of 1995. Market demand was gradually diverted away from sawn timber towards other higher value-added timber products (e.g. moulding products). As a result, turnover decreased from RM16 million to RM14 million, as compared to 1994. The bearish sawn timber market continued into 1996, which recorded a further drop in sales volume and also a drop in selling prices. The net operating result also deteriorated in 1995 and 1996.
- b) From the later part of 1995, the company diversified downstream and started the 'moulding' section.
- c) In 1997, the company was able to fetch better prices and demand for its sawn timber through selective sawing of sawn timber species which were in higher demand. Consequently, the company turned around in 1997.
- d) Turnover of the company in 1998 decreased from RM18.4 million to RM16.5 million, as compared to 1997 which mainly resulted from the decrease in average selling price of both sawn timber and moulding products. To maintain its export volume, sales were also made to China, although the Chinese market offers less favourable prices than its main export market, Japan.
- e) The sawn timber market recovered in the first half of 1999. Average selling prices improved significantly. This together with the favourable (lower) logs input prices (purchased from companies within the Group) have contributed to a profit before and after taxation of RM820,000 as compared to a loss in 1998. However turnover for 1999 (pro-rated) is lower than 1998 mainly due to the lower proportion of moulding products sold in the period (which fetched higher prices).
- f) The deferred taxation provided in the year ended 31 December 1994 was reversed in 1995 as losses were made in that year. There was no tax charge for the year ended 31 December 1996 due to losses incurred by the company during the year. The tax charge for 1997 was in respect of rental income derived by the Company which was reversed in 1998 in accordance with the tax assessment finalised. There is no tax charge on the income for 1999 in view of the tax waiver for the 1999 financial year in accordance with the Income Tax (Amendment) Bill 1999.
- g) There were no exceptional items and extraordinary items during the financial years/period under review.

6. INFORMATION ON TA ANN GROUP... *cont'd***HARIWOOD**a) History and Business

Hariwood was incorporated on 5 January 1987 in Malaysia under the Companies Act, 1965 as a private limited company. The company's principal activity is extracting timber logs. Its main revenue is derived from the **contract** fees in respect of the extraction of timber logs from **Pasin's** timber concession. The volume of timber logs extracted per annum is subject to the quota set by the Sarawak State government. At present, the allowable extraction volume per annum is 164,400 m³.

Hariwood owns a fleet of **modern** logging equipment, vehicles and machinery which include 23 units of logging trucks, 46 units of tractors and 10 units of wheel loaders. To date, Hariwood has invested approximately RM18.2 million in fixed assets.

Hariwood was acquired by Ta Ann on 1 October 1999 and currently has over 300 employees. It has no subsidiary or associated companies.

b) Share Capital

The present authorised share capital of Hariwood is **RM1,000,000** comprising Shares while the issued and paid-up share capital is **RM500,000** comprising Shares. Details of changes in the issued and paid-up capital of Hariwood since its incorporation are as follows:-

Date of allotment	No. of Shares allotted	Consideration	Cumulative issued and paid-up share capital (RM)
5.1.1987	2	Subscriber Shares	2
20.2.1987	99,998	Cash	100,000
10.3.1989	400,000	Cash	500,000

c) Profit and Dividend Record

The audited profit and dividend record of Hariwood for the two(2) financial years ended 31 March 1996, nine(9) month period ended 31 December 1996, two(2) financial years ended 31 December 1998 and six(6) month period ended 30 June 1999 are set out below:-

	Year ended		9 months ended	Year ended		6 months ended
	31.3.1995	31.3.1996	31.12.1996	31.12.1997	31.12.1998	30.6.1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	26,620	35,169	19,333	24,796	22,211	15,221
Profit/(loss) before taxation	2,561	7,095	4,936	3,755	2,631	3,607
Taxation	(549)	(2,254)	(1,530)	(1,018)	(954)	(12)
Profit/(loss) after taxation	2,012	4,841	3,406	2,737	1,677	3,595
No. of shares in issue ('000)	500	500	500	500	500	500
Gross EPS (RM)	5.1	14.2	13.2	7.5	5.3	14.4
Net EPS(RM)	4.0	9.7	9.1	5.5	3.4	14.4
Gross dividend (%)		1,000	1,000	-	466	719

6. INFORMATION ON TA ANN GROUP... cont'd

^ Annualised

Notes:-

- a) *The production volume for the respective years/period was dependent on the production quota imposed by the Sarawak State Government.*
- b) *Helilogging was undertaken by liariwood in the years ended 31 March 1993 and 31 March 1996 and this contributed to the increase in turnover of the Company for the said years. **The** helilogging activity was discontinued subsequent to the year ended 31 March 1996 due to its high cost structure.*
- c) **The** *fluctuation in the results in the financial year ended 31 March 1996 and the nine(9) months ended 31 December 1996 are solely due to changes in logs production quota. There was no material variation between the annualised production for the nine(9) months ended 31 December 1996 and that of the year ended 31 December 1997.*
- d) *The profit margin was lower in 1997 due to higher repair, maintenance and other costs. Turnover decreased in 1998 due to slight drop in production and sales volume of timber logs.*
- e) *Production volume decreased slightly in 1998 and coupled with high repair and maintenance cost. This has resulted in a reduction in net operating profit for the year. Turnover decreased in 1998 due to a slight drop in production and sales volume of timber logs in that year.*
- f) *Turnover in 1999 (pro-rated) is higher mainly due to the increase in volume of logs extracted. The Company incurred lower repair and maintenance, fuel, oil and lubricant costs, despite operating at a higher activity level. **This** had also contributed to the increase in profit for 1999.*
- g) *The taxation charge for 1999 was in respect of the provision for deferred taxation.*
- h) *There were no exceptional items and extraordinary items during the financial years/period under review.*

WOODLEY

a) **History and Business**

Woodley was incorporated on 2 June 1989 in Malaysia under the Companies Act, 1965 as a private limited company. The company's principal activity is trading of logs and it is a timber concession licensee. It was granted a 25 1,375 acre timber concession on 17 June 1997 and expiring on 16 June 2007. The timber concession is located in the Kapit District, Sarawak. Based on the Timber Assessment Report prepared by R&G Consultant Sdn Bhd, an independent forestry consultant in 1997, the timber concession has an estimated 643,000 m³ of harvestable timber. The volume of timber logs extracted per annum is subject to the quota set by the Sarawak State government. At present, the allowable extraction volume per annum is 92,400 m³.

Woodley was acquired by Ta Ann on 1 October 1999 and currently has five (5) employees. It has no subsidiary or associated companies.

6. INFORMATION ON TA ANN GROUP... cont'd

b) Share Capital

The present authorised, issued and paid-up share capital of Woodley is RM 125,000 comprising Shares. Details of changes in the issued and paid-up capital of Woodley since its incorporation are as follows:-

Date of allotment	No of Shares allotted	Consideration	Cumulative issued and paid-up share capital (RM)
2.6.1989	2	Subscriber Shares	2
28.9.1989	99,998	cash	100,000
22.5.1990	24,998	cash	124,998
28.12.1991	2	cash	125,000

c) Profit and Dividend Record

The audited profit and dividend record of Woodley for the two(2) financial years ended 30 June 1996, six(6) month period ended 31 December 1996, two(2) financial years ended 31 December 1998 and six(6) month period ended 30 June 1999 are set out below:-

	Year ended		6 months ended		6 months ended	
	30.6.1995	30.6.1996	31.12.1996	31.12.1997	31.12.1998	30.6.1999
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Turnover	15,739	15,934	11,685	28,685	22,155	16,542
Profit/(Loss) before taxation	2,502	1,451	1,635	4,146	3,806	5,674
Taxation	(699)	(443)	(490)	(1,261)	(1,408)	(115)
Profit/(Loss) after taxation	1,803	1,008	1,145	2,885	2,398	5,559
No of shares in issue ('000)	125	125	125	125	125	125
Gross EPS (RM)	20.0	11.6	^ 26.2	33.2	30.4	^ 90.8
Net EPS (RM)	14.4	8.1	^ 18.3	23.1	19.2	^ 88.9
Gross dividend (%)	1,000		2,286		1,876	4,447.6

^ Annualised

Notes:-

- Poor selling price of logs from end 1995 to early 1996 accounted for the low profit for the period ended 30 June 1996. Turnover for the six(6) month period ended 31 December 1996 (pro-rated) was higher than that of the year ended 30 June 1996 due to the higher volume of timber logs sourced from its supplier and better selling prices.
- During the year 1997, Woodley commenced its operation in the trading of logs upon obtaining a timber licence, but ceased its operation in the transportation of logs. The log trading business resulted in significant increase in sales.
- The average selling price of logs increased in 1997 as the company commenced exporting logs during the year through Questate, the marketing arm for the Ta Ann Group. Previously all the logs were sold to local customers.
- The lower profit before tax in 1998 was due to the drop in timber extraction volume and selling prices of logs.
- The demand for timber logs improved in 1999. Higher sales volume and better prices were recorded.
- There were no exceptional items and extraordinary items during the financial years/periods under review.

6. INFORMATION ON TA ANN GROUP.. . *cont'd***QUESTATE**a) History and Business

Questate was incorporated on 11 December 1992 in Malaysia under the Companies Act, 1965 as a private limited company. The company's principal activity is trading timber logs.

Questate was acquired by Ta Ann on 1 October 1999 and has ten (10) employees. It has no subsidiary or associated companies.

b) Share Capital

The present authorised, issued and paid-up share capital of **Questate** is **RM100,000** comprising Shares. Details of changes in the issued and paid-up capital of **Questate** since its incorporation are as follows:-

Date of allotment	No. of Shares allotted	Consideration	Cumulative issued and paid-up share capital (RM)
11.12.1992	2	Subscriber Shares	2
13.12.1992	99,998	Cash	100,000

c) Profit and Dividend Record

The audited profit and dividend record of **Questate** for the **five(5)** financial years ended 31 December 1998 and six(6) month period ended 30 June 1999 are set out below:-

	Year ended					6 months ended
	31.12.1994	31.12.1995	31.12.1996	31.12.1997	31.12.1998	30.6.1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	20,511	17,017	23,758	56,101	51,017	46,166
PBT	7,412	1,495	4,642	10,986	4,070	8,931
Taxation	(2,230)	(473)	(1,015)	(3,110)	(1,092)	-
PAT	5,182	1,022	3,627	7,876	2,978	8,931
No. of shares in issue ('000)	100	100	100	100	100	100
Gross EPS (RM)	74.1	14.9	46.4	109.9	40.7	[^] 178.6
Net EPS (RM)	51.8	10.2	36.3	78.8	29.8	[^] 178.6
Gross dividend(%)	-	-	2,857		3,961	8,930.6

[^] Annualised

Notes:-

- Good selling prices for timber logs in 1994 accounted for the high profit made in that year.*
- Profit for 1995 was lower compared to other years due to lower selling prices for timber logs and high costs incurred for helilogging activity which ceased in 1996. Profit made in 1996 was better than 1995 even though the average selling prices were lower because of the cessation of helilogging activity, a higher cost activity. Turnover for 1996 increased compared to 1995 despite lower selling prices mainly due to higher sales volume.*

6. INFORMATION ON TA ANN GROUP... *cont'd*

- c) *Sales and profit increased significantly during the financial year ended 31 December 1997 as the company started to be involved in export sales. Previously-, the company only involved in the marketing logs for the local market.*
- d) *The average selling prices of logs dropped in 1998. Export sales revenue was transacted at a contracted rate which was lower than the spot rate. (The spot rates were at an average of USD1.00=RM4.00 whereas foreign exchange were contracted at average rate of USD1.00=RM2.60. This resulted in a reduction in revenue of RM1.40 on every USD export revenue translated). The loss in revenue from the conversion of foreign exchange contracts during the year amounted to RM6.6 million. The log prices were also unfavourable due to the depressed timber market. These factors had resulted in the drop of the Company's turnover and PAT for 1998.*
- e) *The timber market improved in 1999. The Company recorded a higher (pro-rated) sales volume and better prices for the period. The profitability of the operation returned to that of the 1997's level.*
- f) *There were no exceptional items and extraordinary items during the financial years/period under review.*

PASINa) History and Business

Pasin was incorporated on 24 July 1981 in Malaysia under the Companies Act, 1965 as a private limited company. It was granted a 257,604 acre timber concession on 14 January 1985 expiring on 13 January 2015 located in the Kapit District, Sarawak. Based on the Timber Assessment Report prepared by R&G Consultant Sdn Bhd, an independent forestry consultant in 1997, the timber concession has an estimated 2,073,000 m³ of harvestable timber. The volume of timber logs extracted per annum is subject to the quota set by the Sarawak State government. At present, the allowable extraction volume per annum is 164,400 m³.

Pasin was acquired by Ta Ann on 1 October 1999 and has five (5) employees. It has no subsidiary or associated companies.

b) Share Capital

The present authorised, issued and paid-up share capital of Pasin is RM200,000 comprising Shares. Details of changes in issued and paid-up capital of Pasin since its incorporation are as follows:-

Date of allotment	No. of Shares allotted	Consideration	Cumulative issued and paid-up share capital (RM)
24.7.1981	2	Subscriber share	2
15.8.1984	199,998	Cash	200,000

6. INFORMATION ON TA ANN GROUP... *cont'd*c) Profit and Dividend Record

The audited profit and dividend record of **Pasin** for the past **five(5)** financial years ended 31 December 1998 and six(6) month period ended 30 June 1999 are set out below:-

	Year Ended					6 months
	31. 12. 1994	31. 12. 1995	31. 12. 1996	31. 12. 1997	31. 12. 1998	ended 30. 6. 1999
	RM 000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	35,475	52,827	37,667	37,967	33,829	23,271
Profit/(Loss) before taxation	1,208	2,280	2,425	1,605	1,595	1,546
Taxation	(349)	(706)	(735)	(475)	(412)	-
Profit/(Loss) after taxation	859	1,574	1,690	1,130	1,183	1,546
No. of shares in issue ('000)	200	200	200	200	200	200
Gross EPS (RM)	6.0	11.4	12.1	8.0	8.0	^ 15.5
Net EPS (RM)	4.3	7.9	8.4	5.7	5.9	^ 15.5
Gross dividend (%)		-	2,000		815	773.0

^ *Annualised*

Notes:-

- a) *The sales volume of timber logs for the respective years was dependent on the production quota set by the State Forestry Department.*
- b) *The sales volume in 1995 was higher than the other years because of helilogging activity for which the extraction volume was not restricted by production quota, imposed by the government. The selling prices for 1995 were higher than the other years under review because of helilogging logs which fetched better selling prices but also higher cost,*
- c) *Turnover for 1996 dropped significantly following the cessation of helilogging, resulting in the drop in both sales volume and average selling price. Profit for the year however, has improved due to a lower unit cost of extraction upon cessation of helilogging activities.*
- d) *Turnover for 1997 increased slightly in line with the increase in production and sales volume of logs. Despite the increase in turnover, profit dropped compared to 1996 due to a lower rate of royalty rebate granted, hence a higher unit cost of extraction.*
- e) *The performance both in volume and profitability slid in 1998 because of the down-turn in the economy which affected the timber market.*
- f) *The timber market has improved in 1999, resulting in sales volume (pro-rated) and timber prices increased significantly for the period. Turnover and PBT also increased correspondingly.*
- g) *There was no tax charge for the period ended 30 June 1999 in view of the tax waiver for the 1999 financial year.*
- h) *There were no exceptional items and extraordinary items during the financial years/period under review.*

6. INFORMATION ON TA ANN GROUP... cont'd.

6.5 Landed Properties

The landed properties owned by the Ta Ann Group, all of which are located in Sarawak are as follows:-

Location/Title	Registered Owner	Description/ existing use	Land area (acres/Age of building (years)/ Built up area	Tenure/ Lease expiry	Audited Net Book Value as at 30.6.1999 (RM)	Audited Net Book Value as at 31.12.1997 (RM)	Open Market value (RM)	Value approved by SC (RM)	Revaluation surplus approved by SC# (RM)
Lot 270-272, Block 10 Engkilo Land District, Sibul	TAP	Plywood factory 1 Block-1 storey	11.9 6 years 25,598 m ²	60 years lease, expiring in 2055*	11,719,301	12,295,159)))
Lot 273-274, Block 10 Engkilo Land District, Sibul	TAP	Workers quarters 8 Blocks-1 storey 1 Block-4 storeys	11.3 6 years 5 years 16,005 m ²	60 years lease, expiring in 2055	3,488,562	3,826,001) 27,824,000) 25,000,000) 8,137,903
Grant 2075 Rajang Residency, Sibul	TAP	Log yard	3.5	99 years lease, expiring in 2017	705,006	740,937)))
Lot 269 Block 10 Engkilo Land District, Sibul	LSS	Sawmill factory 1 Block-1 storey	2.2 9 years*** 8,869 m ²	60 years lease, expiring in 2054	2,383,139	2,456,548) 12,299,000) 11,000,000) 6,947,268
Lot 267-268 Block 10 Engkilo Land District, Sibul and Sibu Occupation Ticket 36458	LSS	Workers quarters 10 Blocks-1 storey Moulding factory 1 Block-1 storey	13.1 10 years 5 years 7,120 m ²	60 years lease, expiring in 2054**	1,513,976	1,596,184)))
TOTAL					19,809,984	20,914,829	40,123,000	36,000,000	5,085,171

Note:-

* Lease for Lot 270 is for 60 years expiring in 2054

** Lease for Sibu Occupation Ticket 36458 is for 99 years expiring in 2045

*** Consist of 3 sheds of which 1 shed is 6 years old

Based on net book value as at 31.12.1997

6. INFORMATION ON TA ANN GROUP... *cont'd*

Some of the salient terms of TAP's Reforestation Licence are as follows:-

- i) The tree planting plan must be approved by the Forestry Department of Sarawak and prior approval is needed for any amendments to the plan;
- ii) Prior approval for sourcing and procurement of the seeds, seedlings and other materials must be obtained from the Forestry Department of Sarawak;
- iii) The tree planting program is subject to an Environmental Impact Assessment Report in accordance with the Natural Resources and Environmental Ordinance; and
- iv) Transfer of the 'Licence is only allowed with prior approval from the Minister and the State Forestry Department.

A tree planting plan was submitted by TAP to the State Government in its application for the Reforestation Licence and was subsequently included as an integral part of the Reforestation Licence. Approximately 75% or 190,664 acres of TAP's reforestation area has been deemed arable and will be used to cultivate timber and oil palm on a ratio of 4: 1.

Ta Ann plans to cultivate oil palm for one cycle of 25 years which will allow faster returns due to the shorter gestation period as compared to timber.

Currently, TAP has incurred about RM4.7 million for development in the oil palm plantation area and purchase of motor vehicles and equipment. A total of 2,470 acres of land has been cleared and the expected commencement date of planting is April 2000. The management expects to harvest the fruits in January 2003.

The area designated for timber will be planted with genetically improved timber species such as *Acacia mangium*, *Acacia hybrids*, *Gmelina arborea*, *Hevea brasiliensis* (rubber tree), *Shorea macrophylla* (Meranti Species), *Azadirachta excelsa* (Sentang), *Kapur and Keruing*.

The Ta Ann Group is currently working closely with two companies, namely Zumida and Borneo TSS which are related through certain shareholders of the Ta Ann Group, as detailed in Section 10 of this Prospectus.

Zumida also holds a Reforestation Licence and has set up a tree improvement project on 16,235 acres located in Bintulu, Sarawak. The tree improvement project encompasses tree breeding, research centre and forest trial plantations and aims to develop genetically improved trees.

Borneo TSS serves essentially as a research centre, conducting research on the breeding and improvement of tree species. It is a joint venture company between certain shareholders of Ta Ann Group and the Forestry Department of Sarawak. C.S.I.R.O., a world-renowned Australian research agency in forestry-related activity serves as a Technical Adviser. Borneo TSS's research activities are conducted within Zumida's licensed area.

6. INFORMATION ON TA ANN GROUP... *cont'd*

The initial step involves planting provenance and genetic gain trials such as *Acacia mangium*, *Acacia hybrids*, *Gmelina arborea*, *Hevea brasiliensis* (rubber tree), *Shorea macrophylla* (*Meranti Species*), *Azadirachta excelsa* (*Sentang*), *Kapur* and *Keruing*. These provenance trials will be used for matching the species to soil type and will utilise the latest available breeding technology and molecular genetics to develop trees in which their stem forms are solid wood and their wood residues are suitable for re-constituted wood products and paper making. The genetically improved trees will be replicated using proven vegetative propagation techniques in the future plantation areas including the Ta Ann reforestation project. The vegetative propagation techniques involves a process whereby selected improved tree cuttings are to be rooted and raised until planting stage.

b) Integrated Timber Complex

The existing timber complex of Ta Ann Group consists of a modern 4-line plywood mill and a sawmill located on a site measuring approximately about 42 acres fronting the Batang Igan River.

The Ta Ann Group aims to transform the present site into a fully integrated timber complex, equipped with modern industrial production facilities within the next ten (10) years. This will involve expanding its current facilities to include :-

- a coating and overlay processing line;
- a LVL plant;
- a particleboard plant; and
- a glue manufacturing plant.

The Group will be installing a coating and overlay processing line with proceeds from the IPO as detailed in Section 5.5 of this Prospectus.

In the following years the Group plans to build a LVL plant. LVL is a panel product where the veneers are laminated **within** the grain parallel to one another, unlike plywood where the veneers are laminated within the grain perpendicular to one another. As such, the structural tension strength in LVL is higher than sawn timber and plywood. LVL commands a higher price compared to plywood due to its special characteristics.

Following the establishment of the coating and overlay processing line and a LVL plant, the Group also plans to construct a particleboard plant. As particleboard is primarily composed of wood residues, it allows for higher log recovery and a use for wood residues which is normally burnt. Particleboard is produced using wood residues, hardener, urea and glue resin. The manufacturing process involves the chipping and flaking of wood residues before drying and screening them into core layer and surface layer flakes. The flakes are then blended with resin, formed into the desired shapes and pressed. The raw particleboard is then trimmed, cut to size, sanded and packed for delivery.

Particleboard has become a product of growing importance to the furniture and housing industries and is also environmentally friendly as the main raw materials for its production are **sourced** from wood residues.

6. INFORMATION ON TA ANN GROUP... *cont'd*

Currently the **Group uses** glue for manufacturing plywood which is purchased from local suppliers. Glue is the next most important raw material after timber for the production of plywood, laminated products, LVL and particleboard. In view of the expected increase in glue consumption by the Group, producing glue is expected to result in significant cost savings.

7. DIRECTORS, SENIOR MANAGEMENT, EMPLOYEES AND AUDIT COMMITTEE

7.1 Board of Directors

YBHG. DATUK ABDUL **HAMED** BINSEPAWI, aged 50, was appointed Ta Ann's Group Executive Chairman on 2 October 1999. He attended Malay College in Kuala Kangsar from 1966-7 and graduated with a Bachelor's degree in Science from University of Malaya in 1971. He then pursued undergraduate studies in forestry at the National University of Australia in 1974-75 and later obtained a Masters degree in Forest Products from Oregon State University in 1978. He also attended special training on wood-based panels in Finland in 1975.

He worked as a Production and Planning Executive with Sarawak Timber Industry Development Corporation in 1979. In addition, he has held many senior executive positions with Sarawak Plywood Sdn Bhd, Sarawak Pulp Industries Sdn Bhd, Rimbunan Hijau Plywood Industries Sdn Bhd, Whitaker Ltd (Australia) and United Timber Industries Ltd (Shanghai, China). From 1984 onwards, he ventured into timber-related businesses and is also one of the key founding members of the Ta Ann Group.

He is a qualified and experienced forester and has been involved in forest management and manufacturing of forest products for the last 15 years. In the past 6 years, he has been involved in activities relating to forest plantations in Australia and Sarawak.

He is also a member of the National Economic Consultative Council II and was awarded the title of **Panglima Gemilang Bintang Kenyalang** on 11 September 1999.

WONG **KUO HEA**, aged 48, was appointed as Ta Ann's Group Managing Director on 2 October 1999. Upon completion of his education in 1970, he joined Borneo United Sawmills Sdn Bhd, a well established trading house of sawn timber and logs in Sarawak. In 1977, he was promoted to branch manager. Thereafter in 1983, he ventured into the timber business and later went on to set up LSS and TAP in the early 1990s.

He has more than 25 years of experience in the timber industry; both in Malaysia and overseas.

He has been the Managing Director of most of the companies in Ta Ann Group. His market networking and hands-on technical expertise is a valuable asset to Ta Ann.

SA'ID BIN HAJI **DOLAH**, aged 37, was appointed as an Executive Director of Ta Ann on 2 October 1999. He graduated with a Bachelor of Civil Engineering (Hons) degree from the University of Malaya in 1987. He obtained a MBA from Edith **Cowan** University from Western Australia in 1998.

He was a director in Jurutera Minsar Consult **Sdn** Bhd, a private engineering firm from 1988 for seven(7) years before furthering his studies in Australia in 1995 for two years. He joined TAP in 1998 as an Executive Director.

PUI CHIN JANG @ PUI CHIN YAM, aged 57, was appointed as a Director of Ta Ann on 2 October 1999. He graduated with a Bachelor of Commerce (Hons) degree from Nanyang University, Singapore in 1966 and has since then been managing his family business which encompasses timber extraction and logging, property development and construction, transportation and property investment. Details of the timber related companies are shown in Sections 10 and 14.3 of this Prospectus.

7. DIRECTORS, SENIOR MANAGEMENT, EMPLOYEES AND AUDIT COMMITTEE... *cont'd*

He has extensive experience in timber-related operations and property-based activities. He is a respected figure in the local timber industry and was the Chairman of STA from 1982- 1983.

He has been involved with the Ta Ann Group since 1991.

YBHG. DATUK **ABANGHAJI** ABDUL **KARIM** BIN TUN **ABANG** HAJI OPENG, aged 53 was appointed as an independent director of Ta Ann on 2 October 1999. He graduated with a Bachelor of Economics (Hons) from the University of Malaya in 1971 and a Masters degree in Management from the Asian Institute of Management, Philippines in 1977. He is a prominent corporate figure in the Sarawak financial sector. He is an advisor to the Association of Finance Companies of Malaysia and Association of Hire Purchase Companies of Malaysia and Sarawak Regional Committees. He is a member of the National Council of Economic and Financial Management Committee, Sarawak Development Institute. Currently, he is **also** the President of Sarawak Bumiputra Chamber of Entrepreneurs, Deputy Chairman of Sarawak Chambers of Commerce and Industry and President of Institute of Management, Sarawak. He is also the First Chairman of BIMP-EAGA Malaysia Business Council. He has also recently been appointed as a member of the National Economic Consultative Council II.

He is also a well respected figure in government circles for his advisory expertise. He sits on the board of Amanah Saham Sarawak and Sarawak Electricity Supply Corporation. He is also the Chairman of Brooke Dockyard and Engineering Works Corporation and Merdeka Palace Hotel and Suites.

He is also active in the social community works, being an advisor to the Malaysian Red Crescent Society, Kuching District and a member of the Kuching Muslim Welfare Board.

He has been the Chief Executive Officer and Executive Director of Interfinance Berhad, a licensed finance company since 1988.

YB **AWANG** BEMEE BIN **AWANGALI** BASAH, aged 40, was appointed as an Independent Director of Ta Ann on 2 October 1999.

He graduated with a Bachelor of Laws degree (Hons) from the University of Malaya in 1983 and since then has been a practising advocate and solicitor of the High Court of Borneo. After graduation, **he** joined Battenberg and Talma, Sibul as a legal assistant and was the Managing Partner of Jaini Merdi and Associates from September 1991 to October 1993. He has been the Managing Partner of **Awang, Lai and Co** since October 1993.

He is a member of the Sarawak Advocates Association and a councillor with the Sibul Municipal Council. He is also the Sarawak State Council Negeri member for N43 (Nangka) since September 1996.

He is the Chairman of Kuching Port Authority since January 1998 and sits on the board of Ngiu Kee Corporation (M) Bhd.

7. DIRECTORS, SENIOR MANAGEMENT, EMPLOYEES AND AUDIT COMMITTEE... *cont'd*

7.2 ***Management Team***

TANG TIONG KIN, aged 47, was appointed Group General Manager on 1 March 1999. He graduated with a Bachelor of Science (Hons) in Chemistry from Imperial College. University, of London in 1976.

After his graduation, he joined Borneo United Sawmills Sdn Bhd, a well established trading house of sawn timber and logs in Sarawak for more than 10 years before taking up the position of General Manager in **Regaland** Sdn Bhd from 1987 to 1991. He joined LSS in 1992 and was in charge of marketing and operations and was subsequently promoted to General Manager of TAP in 1996.

He has more than 20 years of experience in the timber industry.

LAU HIE PING, aged 43, was appointed as Production Manager of the Group on 2 October 1999.

He joined the timber industry immediately after leaving school. He worked through rank and file and acquired his working experience and knowledge of the timber business over the last 25 years.

He has been the Managing Director of Hariwood since 1989.

JE JUNG MIN, aged 63, was appointed as the Factory Manager of TAP in 1994. He graduated with a Bachelor of Science (Mechanical Engineering), Korea in 1962 and was an engineer with the Korea Navy Shipyard until 1964. Later, he joined Sung Chang Plywood, Korea as a factory Manager for about 18 years. He has also worked in two plywood factories in Indonesia, namely Djajanti Group and in Austral Byra Plywood for about 5 years. Upon returning from Indonesia, he joined Samling Plywood (Baramas) Sdn Bhd as a Factory Manager in 1991. He joined TAP as a Factory Manager in 1994.

CHANG LEE MING, aged 43, has been the Assistant Factory Manager of TAP for the last 5 years. He completed his education in 1975 and later joined Hock Lee Sawmill Sdn Bhd as a Log Grader in April 1980 and was promoted to Shipping Manager in May 1985. He then became the representative of Eagon Industries Co. Ltd., Korea, a company involved in timber marketing in February 1988. He joined Sumilinsa Sdn Bhd in 1990 as its Marketing Manager. He was promoted to Assistant Factory Manager of TAP in January 1994.

WONG KA HIAP, aged 32, was appointed as Marketing Manager of TAP in 1997. He completed his education in 1985. Prior to joining Ta Ann, he worked as a shipping clerk for a related company of the Group for 8 years.

He is experienced in trading and has acquired good marketing skills over the years. He is also fluent in the Japanese language.

7. DIRECTORS, SENIOR MANAGEMENT, EMPLOYEES AND AUDIT COMMITTEE... *cont'd*

TAN **SOK** CHENG, aged 36, was appointed as Group Financial Controller in 1997. She graduated with a Bachelor degree in Science (Accountancy and Computer Science) from Monash University in 1990. She is a member of the Australian Society of Certified Public Accountants. Upon her graduation, she joined Brian Bay and Co. an accountancy firm in Australia until December 1992. In 1993, she joined TAP as an Accountant.

She is responsible for the strategic financial planning and overall accounting functions of the Ta Ann Group,

AUGUSTINE TING PANG TUANG, aged 39, was appointed as Ta Ann Personnel and Human Resource Manager on 2 October 1999. He graduated with a Diploma in Commerce (Financial Accounting) from Tunku Abdul Rahman College in 1985. He joined Andrew Peatie and Co., Public Accountants as an Audit Assistant in 1986 for one year and then moved to Hii and Lee, Public Accountants until 1990. He then took up the position of Accounts Manager in Tanahmas Hotel, Sibul for three years.

He joined the Group in 1993 as Accounts Manager of TAP and was promoted to the Group's Internal Auditor in 1995.

CHENG **AH TECK**, aged 45, was appointed as Senior Business Development Manager on 2 October 1999. He graduated with a Bachelor of Arts (Hons) in Economics from Lanchester Polytechnic, England in 1980. He then joined Standard Chartered Bank as a Covenanted Officer and served in various capacities until 1991. He moved to HSBC (Malaysia) Berhad as its Corporate Business Development Manager for the Sarawak Region for 2 years before he took up the position of Chief Operating Officer of Earthmover Solomon Ltd., a timber group from 1993 to 1996. He joined the Ta Ann Group as a Corporate Planner in January 1997.

He sits on the board of Quality Concrete Holdings Berhad.

7.3 *Employees*

The Group presently has over 1,000 staff under its employment. The management of the company enjoys a good relationship with the employees. The employees do not belong to any union.

7.4 *Audit Committee*

Ta Ann set up an Audit Committee on 2 October 1999 which comprises the following Board members:-

Directors	Responsibility	Directorship
YBhg. Datuk Abang Haji Abdul Karim bin Tun Abang Haji Openg	Chairman of the Committee	Independent and Non-executive
Sa'id bin Haji Dolah	Member of the Committee	Execulivc
YB Awang Bemei bin Awang Ali Basah	Member of the Committee	Independent and Non-executive

7. DIRECTORS, SENIOR MANAGEMENT, EMPLOYEES AND AUDIT COMMITTEE... *cont'd*

The main functions of the Audit Committee include the review of related party transactions, review of audit plans and audit reports with the Auditors, review of Auditors' evaluation of internal accounting controls, review of the assistance given by the Company's officers to the auditor, review of the scope of internal audit procedures, review of balance sheets and profit and loss accounts and thereafter to submit them to the directors of the Company and nomination of Auditors.

7.5 *Family Relationship*

Lau Hie Ping and Wong Ka Hiap are the brother-in-law and nephew of Wong Kuo Hea respectively. Saved as disclosed, no other Directors or Senior Management of the Ta Ann Group are related to each other.

8. INDUSTRY OVERVIEW

8.1 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 in 1998, 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. In 1999, the United States real GDP growth is expected to be sustained at close to the potential level of 2.8% (1998:3.9%).

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)

The Japanese economy has hit bottom and is unlikely to erode any further. It is expected that the government's fiscal packages and tight monetary policy pursued by the Bank of Japan will prevent the economy from further weakening.

(Source: Japan Economic Planning Agency, March 1999 Report)

The Japanese economy grew 1.9% for the 1st quarter of 1999. Construction starts for new private homes in Japan rose 13% in April after climbing 19% in March and 9% in February. The Construction Ministry data also shows that total construction orders from the public sector soared 59% in April 1999.

(Source ITTO Tropical Timber Market Report, 1-15 June 1999)

8.2 The Malaysian Economy

The Malaysian economy's real GDP growth contracted by 6.7% in 1998 (1997:+ 7.7%). This was due 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.

Malaysian'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, 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(6) months as restructuring of the financial and corporate sector intensify.

(Source: Bank Negara 1998 Annual Report)

The improved economic condition is reflected by the significant moderation in contraction in real GDP to 1.3% in the 1st quarter of 1999 (decreased 10.3% in the 4th quarter of 1998). The performance in the 1st quarter reflects the turnaround in manufacturing output which increased by 4.6% in February and March, partially offsetting the decline in January. Hence overall, GDP for February and March 1999 actually showed a positive growth rate of 1.4% compared with the same period in 1998.

(Source: Bank Negara Malaysia Report, 23 June 1999)

8. INDUSTRY OVERVIEW... cont'd

8.3 The Malaysian Timber Industry

The timber industry has played an important role in the Malaysian economy for many years, particularly in providing employment opportunities and in terms of its output value. In the last two(2) decades, it has been transformed into a major foreign exchange earner. In 1980, the timber industry brought in RM4.4 billion in revenue and by 1990, doubled to RM8.9 billion and continued to increase to RM 10.9 billion in 1997.

(Source : Asian Timber, July 1997 and Economic Report 1998/99)

During the first seven(7) months of 1998, output of wood-based products (excluding furniture) declined by 7.3% (January-July 1997: +2.2%) due largely to sharp drop in production of plywood and veneer, hard board and particle board in response to the softer domestic demand and weaker export market as a result of the regional economic turmoil. Subsequently, its share to total output of the manufacturing sector shrank marginally to 5.79% (January - July 1997: 5.8%).

(Source : Economic Report 1998/99)

However, for the first four(4) months of 1999, the recovery of timber prices and an increase in demand for logs and timber products have boosted Malaysia's export of timber by 16.5% to RM879.4 million. Export volume in the same period rose 23% to 835,739 tonnes from 681,802 tonnes previously.

(Source The Star, 17 July 1999)

8.4 Sarawak Economy and Timber Industry

Sarawak chalked up a trade surplus of RM 11.9 billion in 1998, an increase of 20.0% from that of the corresponding figure in 1997. Total exports for the whole year was RM20.1 billion while the imports was only RM8.2 billion.

Liquefied natural gas was the biggest revenue earner contributing 29.72% (RM5.98 billion) of the total exports. The second largest revenue earner, crude petroleum, brought in RM3.6 billion making up 18% of the total exports.

Exports receipt from the timber sector amounted to RM3.72 billion (18.50% of the total exports).

Japan remained as Sarawak's leading trading partner purchasing 28% of its total exports. Other main buyers were South Korea (8%), Peninsular Malaysia (23%), Taiwan (5%), Singapore (5%) and United States of America (5%).

It is projected that Sarawak will conservatively achieve a GDP growth of 5% in 1999. This is not an optimistic projection considering that the current year's rate is 4%. With an expected improvement in demand for the export products, improved liquidity in the local banking system, lower interest rates and greater access to lending, the recovery process is expected to be accelerated.

(Source : Sarawak State 1999 Budget Speech, 6 November 1998)

8. INDUSTRY OVERVIEW... cont'd

The major export destinations of Sarawak plywood during the 1st quarter of 1999 are as shown below:-

EXPORT OF SARAWAK PLYWOOD FROM JANUARY TO MARCH 1999		
Country of destination	Volume (m ³)	% of total exports (%)
Japan	2 17.983	43.3
Hong Kong	67.667	13.4
USA	52.259	10.4
China	52.112	10.4
Taiwan	25.264	5.0
Singapore	22.028	4.4
United Kingdom	13.366	2.7
Peninsular Malaysia	10.716	2.0
Korea, Republic	7.484	1.5
Other countries	34.527	6.9
TOTAL	503,406	100.0

(Source : STA Review, May 1999)

The table above shows that Japan remains the largest buyer of Sarawak plywood (43.3%) for the first three(3) months of 1999, followed by Hong Kong (13.4%) and China (10.4%).

8.6 Forest Plantation

Malaysia adheres strictly to the policy of sustainable forest management by committing to maintain 50% of her land area under forest cover. Of Malaysia's total land area of 32.9 million hectares, 18.9 million hectares are under natural forest cover. Of this, 14.1 million hectares have been designated as Permanent Forest Estate. An additional 3.4 million hectares have been allocated for protection forests in the form of national parks, wildlife sanctuaries and 'nature reserves. To augment timber resources from natural forests, 17 1,060 hectares have been developed as forest plantations, of which 61.1% is in Sabah and the remainder in Peninsular Malaysia. A further 200,000 hectares is earmarked in Sarawak to plant fast-growing timber species. Another measure to increase the supply of timber resources is through reforestation. In 1996, 15,985 hectares have been reforested with some 13,000 hectares earmarked each year for 1997 and 1998. The development of forest plantations and reforestations are further measures to increase the supply of timber resources.

(Source : Economic Report 1997/98)

The Sarawak State Government has set the target of 1 million hectares for planted forests in the next 15 to 20 years.

(Source : The Sarawak Tribune, 16 February 1998).

Planted forests with fast growing trees will help to ensure future sustainable growth and supply of raw materials to the timber industry. The forest plantation industry holds great promise to the states which are highly dependent on the timber industry for their economic development, such as Sarawak, as it will no doubt have a significant impact on the state's socio-economic development through the transformation of, idle land and subsequently the future well-being of the rural population.

(Source: The Sarawak Tribune, 16 February 1998)

9. FINANCIAL INFORMATION

9.1 *Profit Record*

The following table is a summary of the proforma audited consolidated results of the Ta Ann Group for the past five(5) financial years ended 31 December 1994 to 1998 and for the six(6) month period ended 30 June 1999 which 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.

	Year ended 31 December					6 months ended
	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	30.6.1999 RM'000
Turnover	118,904	136,919	132,930	180,475	138,827	104,267
PBT	13,160	13,913	22,038	37,719	13,329	25,567
Less: Taxation	(3,909)	(3,377)	(4,574)	(5,920)	(3,932)	(127)
PAT	9,251	10,536	17,464	31,799	9,397	25,440
Gross EPS (sen)	22.2	23.4	37.1	63.5	22.4	86.1
Net EPS (sen)	15.6	17.7	29.4	53.6	15.8	85.7
Gross dividend rate (%)	2.1	8.6	31.6		18.8	50.91

Notes: -

- a) *The proforma consolidated profit and loss accounts of the proforma Group have been prepared/or illustrative purposes only based on the audited accounts of the component members of the Group after making such adjustments as considered appropriate. For those subsidiary companies having accounting periods other than 31 December, their audited results have been time-apportioned for inclusion in the proforma Group results.*
- b) *Turnover comprises invoiced value of goods sold.*
- c) *The gross and net EPS set out above have been calculated based on the profit before and after taxation respective@ and on 59,382,370 ordinary shares of RM1 each, being the share capital in issue after the acquisition of the subsidiary companies but before the Rights and Public Issues and are annualised for the six(6) month period ended 30 June 1999.*
- d) *There were no exceptional items and extraordinary items during the financial years/period under review.*

Commentaries:

- a) The increase in sales volume of logs and plywood contributed to the increase in the Group's turnover by RM 18 million in 1995 as compared to that of 1994. The higher sales volume of logs was achieved mainly because additional logs were extracted through helilogging, an activity not restricted by the production quota set by the State Forestry Department. The higher sales volume of plywood was achieved as the Group began to establish a steady foothold in the Japanese market.
- b) An additional plywood line was commissioned in 1996. This had enhanced the production and sales volume of plywood. Despite the increase in sales of plywood, turnover of the Group decreased slightly in 1996 compared to 1995 resulting from the cessation of helilogging activity. Consequently, the sales volume and average selling prices of timber logs decreased. However, the profit before tax in 1996 improved mainly due to higher sales of plywood and the cessation of helilogging, a higher cost activity.

 9. FINANCIAL INFORMATION... *cont'd*

- c) The new plywood line commissioned in 1996 was fully operational in 1997. This had further increased the production and sales of plywood. The increase in turnover and profit for 1997 was also contributed by the increase in sales volume and selling prices of export logs. The Group had an additional timber licence in 1997, resulting in a significant increase in sales volume of timber logs.
- d) Turnover and profit of the Group decreased significantly in 1998 as the export sales revenue (in USD) of plywood and timber logs were translated at the contracted foreign exchange rates which were lower than the spot rates. (The spot rates were at an average of USD1.00=RM4.00 whereas foreign exchange rates contracted were at average rate of USD1.00=RM2.60. This resulted in a reduction in revenue of RM 1.40 on every USD export revenue earned). The loss in revenue from the translation of foreign exchange contracts during the year amounted to RM20.6 million. The plywood and timber prices were also unfavourable as the timber market was depressed in that year.
- e) The timber market improved in 1999. The Group recorded higher sales volume and better prices for its timber products traded.
- f) The effective tax rates for all the years under review were lower than the statutory tax rates due to tax incentive in the form of pioneer status enjoyed by the Group for the manufacturing of plywood. The tax charge for 1995 was lower than that of 1994 despite higher profits recorded by the Group due to a larger amount of taxable interest income recorded in 1994 than 1995. The lower tax charge was also due to deferred taxation of RM207,000 provided in one of the companies in the Group during the year ended 31 December 1994 that was reversed in 1995. There is no tax charge on the income for 1999 in view of the tax waiver for the 1999 financial year in accordance with the Income Tax (Amendment) Bill 1999. Similarly, there is no income tax liability on the income for the six(6) month period ended 30 June 1999. The tax charge for the said period was in respect of deferred taxation liability.

9.2 *Working Capital, Borrowings and Contingent Liabilities*

The Directors are of the opinion that, after taking into account the **cashflow** forecasts and projections and banking facilities available, the Ta Ann Group **will** have adequate working capital for its present and foreseeable future requirements.

As at 3 October 1999 (being the last practicable date on which such amounts could be calculated prior to printing of this Prospectus), the total borrowings of the Ta Ann Group amounted to RM9.6 million comprising of bank overdrafts, term loans, bankers acceptances and hire purchase.

As at 3 October 1999 (being the last practicable date on which such amounts could be calculated prior to the printing of this Prospectus), the Ta Ann Group has no contingent liabilities.

9. FINANCIAL INFORMATION... *cont'd*9.3 **Consolidated Profit Estimate and Forecast for the Years Ending 31 December 1999 and 2000 and Principal Assumptions**

(Prepared for inclusion in this Prospectus)

The Directors of Ta Ann Holdings Berhad and the subsidiary companies estimate and forecast that, barring unforeseen circumstances and on the bases and assumptions set out below, the profit before and after taxation of the Group for the years ending 31 December 1999 and 2000 will be as follows:-

	ESTIMATE		FORECAST	
	Pre-acquisition period from 1.1.1999 to 30.9.1999 RM'000	Post-acquisition period from 1.10.1999 to 31.12.1999 RM'000	^Year ending 31.12.1999 RM'000	Year ending 31.12.2000 RM'000
Consolidated, PBT	32.804	13.892	46.696	67.528
Taxation	(231)	(104)	(335)	(6.864)
Consolidated PAT	32.573	13.788	46.361	60.661
Gross EPS (sen)		* 20.6	* 69.4	** 67.5
Net EPS (sen)		* 20.5	* 68.9	** 60.7
Gross PE multiple based on the price of RM3.30 per share (times)		16.0	4.8	4.9
Net PE multiple based on the price of RM3.30 per share (times)	-	16.1	4.8	5.4

^ Estimate for the full financial year ending 31 December 1999 inclusive of pre-acquisition profit, shown for illustrative purposes only

* The gross and net EPS are calculated based on the consolidated profit before and after taxation respectively and on the weighted average number of shares assumed in issue of 67,283,653 Shares on the assumption that the IPO will be effected on 15 November 1999.

** The gross and net EPS are calculated based on the consolidated profit before and after taxation respectively and on the enlarged issued and paid up share capital of 100 million Shares.

The principal assumptions upon which the above profit estimate and forecast have been prepared are appended below. Nevertheless, in light of the current Malaysian and regional economic environment, the assumptions made by the Directors in arriving at the estimate and forecast may differ significantly from the situations to be actually encountered and this may materially impact the estimated and forecasted profit before and after taxation.

1. There will be no material changes in the structure and principal activities of the pro-forma Group.
2. There will be no material changes to the prevailing Malaysian and world economic conditions which may directly or indirectly have a material effect on the pro-forma Group.
3. The demand for, and the selling prices of products manufactured/processed and marketed by the pro-forma Group will be achieved as estimated and forecasted, on the assumption that there will not be significant changes in the market conditions.

9. FINANCIAL INFORMATION... *cont'd*

The selling prices per cubic metre of the various products manufactured/processed and marketed by the Group are estimated and forecasted to be as follows:-

	1999 USD/m ³	2000 USD/m ³
Plywood	315	316
Veneer	220	220
Sawn timber	239	241
Moulding products	451	360
Export logs	122	122

4. Sales growth as estimated and forecasted will be achieved.
5. The production volume and the recovery rates of the products of the Group will not be adversely affected to a material extent by unfavourable operational conditions.
6. There will be no major disruption to the supply of raw materials to the Group from outside sources. The cost of raw materials will be maintained at levels estimated and forecasted by the directors.
7. There will be no major disruption to the supply of labour to the Group.
8. There will be no significant changes in operating costs, transportation costs, factory overheads and administrative costs.
9. There will be no major **breakdowns** in the operations or disruptions to the manufacturing facilities of the Group arising from machine failures, industrial disputes, labour shortage, climatic conditions, economic, political and technological changes and any abnormal circumstances.
10. The log production quota on the volume of timber to be extracted, taken, felled and removed within the timber concession areas of the Group and their principal log suppliers remain at the same level as that approved by the Forestry Department of Sarawak for the period from 1 July 1999 to 30 June 2000.
11. The log reservation quotas for local use or processing are estimated and forecasted to be 57.5% and 62.5% respectively of the total log production quota of **the Group** for the years ending 31 December 1999 and 31 December 2000.
12. Royalty and premium to be borne by the Group will remain at the current rates and there will be no significant changes to the incentive rebate scheme on royalty granted by the Sarawak Timber Industry Development Corporation in the period/year covered by the estimate and forecast.
13. There will be no major policy changes to the management of timber resources in Sarawak by the State Government.
14. The forecasted extraction volume from the re-entry concession area for the year 2000 will be 60,000 m³.
15. The required financing facilities will be available and there will be no major adverse fluctuations in interest rates. The interest rates will be at 10% per annum for overdrafts and term loans and 5.65% to 7.5% flat per annum for hire purchase loans.

9. FINANCIAL INFORMATION... *cont'd*

16. There will be no significant changes in the existing management structure, accounting and operating policies of the Group.
17. There will be no material changes in the present legislation or governmental regulations that will adversely affect the activities of the Group or the market in which it operates.
18. There will be no significant fluctuations in the rate of inflation and foreign exchange. The exchange rate assumed for the purpose of the profit estimate and forecast, other than those amounts already contracted for, will not be materially different from the following level:-

USD1: RM3.77

19. The existing terms and conditions of contracts and agreements entered into by the Group will continue to remain in force.
20. Capital expenditure will be incurred and reforestation project will be carried out according to plans planned programmes and there will be no material changes to such plans and programmes.
21. There will be no significant changes to the rates and bases of taxation. **Income tax** on the 1999 income will be waived, in accordance with the Income Tax (Amendment) Bill, 1999. Those subsidiaries which have been granted tax incentives will continue to enjoy such incentives until the expiration thereof as specified in their respective approval letters.

The Group has obtained an extension of tax incentive in the form of pioneer status for one of the subsidiaries for another five years from 1 January 1999, under the Promotion of Investments (Extension of Tax Relief Period) (Amendment) Order 1998.

22. The Public Issue of 18,025,000 new ordinary shares of RM 1.00 each at an issue price of RM3.30 per share will be completed on 15 November 1999.

9. FINANCIAL INFORMATION... *cont'd*

- 9.4 *Auditors' Letter on the Consolidated Profit Estimate and Forecast of the Ta Ann Group for the Financial Years Ending 31 December 1,999 and 31 December 2000*
(Prepared for inclusion in this Prospectus)

Our Ref: cck/jl/lk/tah/99

KPMG
Level 6, Westmoore House
Twin Tower Centre
Rock Road
93200 Kuching
Sarawak

9 October 1999

The Board of Directors
Ta Ann Holdings Berhad
No. 147, 3rd Floor
Kampong Nyabor Road
96000 Sibu
Sarawak

Gentlemen

CONSOLIDATED PROFIT ESTIMATE AND FORECAST FOR THE YEARS
ENDING 31 DECEMBER 1999 AND 31 DECEMBER 2000

We have reviewed the accounting policies and calculations for the consolidated profit estimate and forecast of Ta Ann Holdings Berhad (Company No. 419232-K) and its subsidiary companies ("**the Group**") for the years ending 31 December 1999 and 31 December 2000, for which the Directors are solely **responsible** as set out in the Prospectus to be dated 15 October, 1999 in connection with the public issue of 18,025,000 new ordinary shares of RMI .00 each at an issue price of RM3.30 per ordinary share and the listing and quotation of the Company's entire issued and paid-up share capital on the Main Board of the Kuala Lumpur Stock Exchange.

In our opinion, the consolidated profit estimate and 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 and are presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully

K P M G
Firm No. 0758
Public Accountants

CHIN CHEE KONG
Partner
Approval No. 1481/1/01(J)

9. FINANCIAL INFORMATION... *cont'd*9.5 *Dividend Estimate and Forecast*

Based on the consolidated profit estimate and forecast for the years ending 31 December 1999 and 31 December 2000, the Directors of Ta Ann anticipate that they will be in a position to propose a gross dividend of 10% and 16.9% respectively, based on the enlarged issued and paid-up share capital of RM1 00,000,000 comprising 100,000,000 Shares for the financial years ending 31 December 1999 and 31 December 2000.

It is the policy of the Directors of Ta Ann in recommending dividends to allow the shareholders to participate in sharing the profits of the Group as well as leaving adequate reserves for the future growth of the Group.

The intended appropriation of the consolidated profit estimate and forecast in respect of the financial years ending 31 December 1999 and 31 December 2000 are as follows:-

	Estimate year ending 31.12.1999 RM'000	Forecast year ending 31.12.2000 RM'000
Consolidated PBT	46.696	67.518
Taxation	(335)	(6.864)
Consolidated P A T	46.361	60.664
Pre-acquisition PAT	(32.573)	—
Post-acquisition consolidated PAT	13.788	60.664
Less: Proposed dividend		
- tax exempt	(10.000)	(10.000)
- gross dividend of 6.9% less tax at 28%		(5.000)
Retained profit of the Group for the year	3.788	45.664
Gross dividend yield based on the issue price of RM3.30 per Share (%)	3.0	5.1
Net dividend yield based on the issue price of RM3.30 per Share (%)	3.0	4.5
Net dividend cover (times)	1.4	4.0

9. FINANCIAL INFORMATION... cont 'd

9.6 Proforma Consolidated Balance Sheets of Ta Ann Group
 (Prepared for inclusion in this Prospectus)

The Pro-forma Consolidated Balance Sheets of Ta Ann and its subsidiary companies ("**pro-forma Group**") at 30 June 1999 as set out below, are prepared for inclusion in this Prospectus and are provided for illustration purposes only.

	Balance sheet as at 30.6.1999 RM'000	Pro-forma balance sheet after revaluation surplus and acquisition of subsidiaries (stage 1) RM'000	Pro-forma balance sheet after rights issue (stage 2) RM'000	Pro-forma balance sheet after public issue (stage 3) RM'000
Fixed assets	-	**84.070	**84.070	**84.070
Current assets	-	63.027	85.620	141.602
Current liabilities	(965)	(62.689)	(62.689)	(62.689)
	(965)	84.408	107.001	162.983
Deferred expenditure	965	997	997	997
Development expenditure	-	941	941	941
	-	86.346	108.939	164.921
Financed by:-				
Share capital	*-	59.382	81.975	100.000
Share premium	-	20.784	20.784	62.241
Less: Listing expenses	-	-	-	(3.500)
	-	20.784	20.784	58.741
Unappropriated profit	-	2.195	2.195	2,195
Reserves on consolidation	-	126	126	126
Long-term liabilities	-	3.859	3,859	3.859
	-	86.346	108,939	164.921
Net tangible assets per share (RM)	(482.706)	1.37	1.27	1.60

* RM2 paid-up share capital.

** Including revaluation surplus of RM15,085,171

NOTES TO PRO-FORMA CONSOLIDATED BALANCE SHEETS

- The Pro-forma Consolidated Balance Sheets are prepared based on the audited accounts at 30 June 1999 of Ta Ann and its subsidiary companies.
- The Pro-forma Consolidated, Balance Sheets have been prepared on accounting principles and bases consistent with those previously adopted by the pro-forma Group in the preparation of its audited financial statements.

9. FINANCIAL INFORMATION... cont 'd

3. The Pro-forma Consolidated Balance Sheets incorporate the following transactions as if they were effected on 30 June 1999:-

3.1 **Stage 1**

- (a) Proposed **revaluation** of the landed properties of two of the subsidiary companies, Ta Ann Plywood Sdn Bhd and Lik Shen Sawmill Sdn Bhd resulting in a revaluation surplus of RM15,085,171.
- (b) Proposed acquisition of the following subsidiary companies (collectively with Ta Ann the "**pro-forma Group**") by cash consideration of RM36,731,911 and the issuance of 59,382,368 ordinary shares of RM 1 each at RM 1.35 per share based on the fair value of the net tangible assets of the subsidiary companies at 31 December 1997 after taking into account the revaluation surplus as explained in item 3.1 (a).

Name	Consideration to be satisfied		% of shares acquired
	in cash (RM)	by issuance of shares	
Ta Ann Plywood Sdn Bhd	31,115,564	20,497,979	100
Lik Shen Sawmill Sdn Bhd	5,616,347	2,171,948	100
Hariwood Sdn Bhd	-	3,539,902	100
Questate Sdn Bhd	-	24,362,212	100
Woodley Sdn Bhd	-	4,428,486	100
Pasin Sdn Bhd	-	4,381,841	100
TOTAL	36,731,911	59,382,368	

3.2 **Stage 2**

Proposed rights issue of 22,592,630 ordinary shares of RM1.00 each at par for cash.

3.3 **Stage 3**

Proposed public issue of 18,025,000 new ordinary shares of RM1.00 each at an issue price of RM3.30 per share for cash pursuant to the scheme for the listing of and quotation for the entire issued and paid-up share capital of Ta Ann Holdings Berhad on the Main Board of Kuala Lumpur Stock Exchange ("KLSE").

Set-off of the estimated listing expenses of RM3,500,000 against the share premium account.

9. FINANCIAL INFORMATION... *cont'd*

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

Our Ref: cck/jl/lk/tah/99

KPMG
Level 6, Westmoore House
Twin Tower Centre
Rock Road
93200 Kuching
Sarawak

9 October 1999

The Board of Directors
Ta Ann Holdings Berhad
No. 147, 3rd Floor
Kampong Nyabor Road
96000 Sibul
Sarawak

Gentlemen

PRO-FORMA CONSOLIDATED BALANCE SHEETS AT 30 JUNE 1999

We have examined the presentation of the Pro-forma Consolidated Balance Sheets of Ta Ann Holdings Berhad and its subsidiary companies ("**pro-forma Group**") for which the Directors are solely responsible, at 30 June 1999 together with the notes thereon as set out in the Prospectus to be dated 15 October 1999 in connection with the public issue of **18,025,000** new ordinary shares of RM 1.00 each at an issue price of **RM3.30** per ordinary share and the listing and quotation of its entire issued and paid-up share capital on the Main Board of the Kuala Lumpur Stock Exchange.

In our opinion, the abovementioned Pro-forma Consolidated Balance Sheets together with the notes thereon, which are provided for illustration purposes only have been presented on accounting principles and bases consistent with those previously adopted by the pro-f&ma Group and are in a form **suitable** for inclusion in the said Prospectus.

Yours faithfully

KPMG
Firm No. 0758
Public Accountants

CHIN CHEE KONG
Partner
Approval No. 1481/1/01 (J)

10. BUSINESS TRANSACTIONS WITH RELATED COMPANIES

The table below shows the companies that are not part of the Ta Ann Group but have ongoing business transactions with the Group.

	DATUK WAHAB BIN HAJI DOLAH		DATUK ABDUL HAMED BIN SEPAWI		WONG KUO HEA		PUI CHIN JANG @ PUI CHIN YAM		CHAI MIN KIAN		NGUI ING HUANG		SA'ID BIN HAJI DOLAH		UPAYA RAJANG		Issued and paid- up capital Shares	Principal activities
	% equity		% equity		% equity		% equity		% equity		% equity		% equity					
	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect				
Brilliant Wood		-		-				-	50.00								10,000	Timber trading
Ekodaya Sdn Bhd									99.90								100,000	Timber trading
Mitsumoku Sdn Bhd	50.00	-							50.00					Q 50.00			100,000	Timber trading
THSB			5.00	-					52.00			8.00	30.00			25.00	100,000	Timber trading
WHK Enterprise Sdn Bhd	33.30	-	33.30	-					33.40					33.30			150,000	Timber trading and investment in corporate securities
Ecobay Sdn Bhd					5.00				75.00			5.00	70.00				500,000	Timber extraction
Kintameru Sdn Bhd							20.00		43.50								1,000,000	Timber extraction
Perkapalan Pelayaran Sdn Bhd									443.50								1,000,000	Timber contractor and transportation
Raplex		57.00		57.00					57.00			32.00	57.00			57.00	1,000,000	Timber extraction and trading
Sarawak Woodchip Sdn Bhd				96.26													1,000,000	Manufacturing and exporting of woodchips
TDSB		30.00		30.00					90.00					Q30.00			250,000	Sawmilling
Hatinco Sdn Bhd									32.0								750,000	Sales of spare parts
Key-Orient Sdn Bhd		22.5							30.0					22.5			1,000	Canteen operator
Fonwell Shipping Sdn Bhd																	217,500	Transportation of timber related products
Pelangi Acres (M) Sdn Bhd									80.0								50,000	Transportation of timber related products
Riveron Shipping Sdn Bhd									44.0			2.0	37.0				1,000,000	Transportation of timber related products

10. BUSINESS TRANSACTIONS WITH RELATED COMPANIES... cont'd

	DATUK WAHAB BIN HAJI DOLAH		DATUK ABDUL HAMED BIN SEPAWI		WONG KUEHEA		PUI CHIN JANG @ PUI CHIN YAM		CHAI MIN KIAN		NGUI INC HUANG		SA'ID BIN HAJI DOLAH		UPAYA RAJANG		Issued and paid- up capital	Principal activities
	% equity Direct	% equity Indirect	% equity Direct	% equity Indirect	% equity Direct	% equity Indirect	% equity Direct	% equity Indirect	% equity Direct	% equity Indirect	% equity Direct	% equity Indirect	% equity Direct	% equity Indirect	% equity Direct	% equity Indirect		
Ribu Hijau Sdn Bhd						# 32.1			5.3								500,000	Transportation of timber related products
Yenmaster Sdn Bhd					31.2	*68.8											80,000	Management company
Zumida		*35.0	5.0	#70.0	2.5	*45.0			#10.0						● 35.0		300,000	Licence of Planted Forest

Notes:

- # Deemed interested by virtue of his interest in Timbaru Sdn Bhd, a company which has interest in Key Orient Sdn Bhd; and also by virtue of his relative's interest in Key Orient Sdn Bhd.
- @ Deemed interested by virtue of his relationship with Datuk Wahab bin Haji Dolah, who is his brother.
- Deemed interested by virtue of his interest in **Woodhead** Sdn Bhd, a company which has interest in Raplex.
 - Deemed interested by virtue of his interest in WHK Enterprise Sdn Bhd, a company which has interest in TDSB.
 - Deemed interested by virtue of his interest in WHK Enterprise Sdn Bhd, a company which has interest in Zumida.
 - Deemed interested by virtue of his interest in **Woodhead** Sdn Bhd, a company which has interest in Raplex.
 - Deemed interested by virtue of his family's interest in Syarikat Jasa Sarawak Sdn Bhd, a company which has interest in Sarawak **Woodchip** Sdn Bhd.
 - Deemed interested by virtue of his interest in WHK Enterprise Sdn Bhd, a company which has interest in TDSB.
 - Deemed interested by virtue of his interest in WHK Enterprise Sdn Bhd and Custodev Sdn Bhd, both **companies** which have interest in Zumida.
 - Deemed interested by virtue of his interest in **Oakpark** Sdn Bhd, a company which has interest in Ekodaya Sdn Bhd.
 - Deemed interested by virtue of his and his family's interest in Goldmakers Sdn Bhd, a company which has interest in **Mitsumoku** Sdn Bhd.
 - Deemed interested by virtue of his and his family's interest in Merbatu Sdn Bhd and Timber Glory Sdn Bhd, both companies which have interest in THSB.
 - Deemed interested by virtue of his and his family's interest in Goldmakers Sdn Bhd, a company which has interest in WHK Enterprise Sdn Bhd.
 - Deemed interested by virtue of his and his family's interest in Perkapalan Pelayaran Sdn Bhd, a company which has interest in Ecobay Sdn Bhd; and also by virtue of his **brother-in-law's** interest in Ecobay Sdn Bhd.

10. BUSINESS TRANSACTIONS WITH RELATED COMPANIES... cont'd

13. *Deemed interested by virtue of his and his family's interest in Oakpark Sdn Bhd, a company which has interest in Kintameru Sdn Bhd, and also by virtue of his brother-in-law's interest in Kintameru Sdn Bhd.*
14. *Deemed interested by virtue of his and his family's interest in Kian Kuo Enterprise Sdn Bhd and WKK and Sons Sdn Bhd, both companies which have interest in Perkapalan Pelayaran Sdn Bhd.*
15. *Deemed interested by virtue of his and his family's interest in Woodhead Sdn Bhd, a company which has interest in Raplex.*
16. *Deemed interested by virtue of his and his family's interest in WHK Enterprise Sdn Bhd and Oakpark Sdn Bhd, both companies which have interest in TDSB.*
17. *Deemed interested by virtue of his family's interest in Pelangi Acres (M) Sdn Bhd, a company which has interest in Hatinco Sdn Bhd.*
18. *Deemed interested by virtue of his and his family's interest in Goldmakers Sdn Bhd, a company which has interest in Key Orient Sdn Bhd.*
19. *Deemed interested by virtue of his family's interest in Pelangi Acres (M) Sdn Bhd.*
20. *Deemed interested by virtue of his and his family's interest in Perkapalan Pelayaran Sdn Bhd, a company which has interest in Riveron Shipping Sdn Bhd.*
21. *Deemed interested by virtue of his, and his family's interest in Goldmakers Sdn Bhd, a company with interest in Ribu Hijau Sdn Bhd.*
22. *Deemed interested by virtue of his and his family's interest in Yenmaster Sdn Bhd.*
23. *Deemed interested by virtue of his, his family's and relative's interest in WHK Enterprise Sdn Bhd and Ecobay Sdn Bhd, both companies which have interest in Zumida.*
24. *Deemed interested by virtue of his and his family's interest in Enderlin Sdn Bhd, a company which has interest in Brilliant Wood.*
25. *Deemed interested by virtue of his and his family's interest in Mark Avenue Sdn Bhd, a company which has interest in Raplex.*
26. *Deemed interested by virtue of his interest in Timber Glory Sdn Bhd, a company which has interest in THSB.*
27. *Deemed interested by virtue of his and his wife's interest in Perkapalan Pelayaran Sdn Bhd, a company which has interest in Ecobay Sdn Bhd.*
28. *Deemed interested by virtue of his interest in Kian Kuo Enterprise Sdn Bhd, a company which has interest in Perkapalan Pelayaran Sdn Bhd, and also by virtue of his wife's interest in Perkapalan Pelayaran Sdn Bhd.*

10. BUSINESS TRANSACTIONS WITH RELATED COMPANIES 'd

29. *Deemed interested by virtue of his interest in Woodhead Sdn Bhd, a company which has interest in Raplex.*
30. *Deemed interested by virtue of his and his wife's interest in Perkapalan Pelayaran Sdn Bhd, a company which has interest in Riveron Shipping Sdn Bhd.*
31. *Deemed interested by virtue of his and his wife's interest in Ecobay Sdn Bhd, a company which has interest in Zamida.*
32. *Deemed interested by virtue of his interest in Nerbaru Sdn Bhd, a company which has interest in THSB.*
33. *Deemed interested by virtue of his interest in Woodhead Sdn Bhd, a company which has interest in Raplex.*
34. *Deemed interested by its interest in Woodhead Sdn Bhd, a company which has interest in Raplex.*

10. BUSINESS TRANSACTIONS WITH RELATED COMPANIES... cont 'd

- Timber Trading

Woodley and Questate presently carry out timber trading. An average of approximately 28% or RM39 million per annum of the Ta Ann Group's proforma turnover for the past five years are attributable to timber trading.

TAP presently supplies wood residue to Sarawak Woodchip Sdn Bhd on commercial terms.

- Sawmilling

LSS carries out sawmilling contributing an average of approximately 11% to the Ta Ann Group's proforma turnover and PAT for the past five years.

Ta Ann sells low grade logs to TDSB on commercial terms. The sawn timber produced by TDSB is not comparable to that produced by LSS as it only utilises **unpeelable/rejected** logs. Therefore it would not be in direct competition with LSS which utilises high grade logs for production of its sawn timber.

- Directorships

To further reduce the possibilities of conflict of interest situations arising, the Executive Directors of Ta Ann and its Senior Managers will not hold executive Directorships in the companies as shown in the previous table in this Section of the Prospectus with the exception of THSB, Raplex, Zumida, Kintameru Sdn Bhd and Mitsumoku Sdn Bhd.

THSB, Raplex, Zumida and Mitsumoku Sdn Bhd are suppliers of logs to TAP. Wong Kuo Hea will remain as a director in THSB, Mitsumoku Sdn Bhd, Raplex and Zumida while Datuk Abdul Hamed bin Hj Sepawi will retain his directorships in Raplex and Zumida. Pui Chin Jang will retain his directorships in Kintameru Sdn Bhd and Raplex. Similarly, Sa'id Dolah will retain his directorships in Mitsumoku Sdn Bhd and Raplex.

In view of the log supply agreements entered into between THSB, Raplex, Zumida, Mitsumoku Sdn Bhd and TAP and log extraction agreement between Kintameru Sdn Bhd and Woodley as detailed above, a conflict of interest situation as a result of their directorships is considered unlikely.

The Directors and substantial shareholders of Ta Ann will not venture into any new businesses which will lend to any potential conflict of interest with the existing business carried out by the Ta Ann Group.

- Audit Committee

Ta Ann's Audit Committee will monitor any related transactions to ensure that these transactions are carried out on arms length basis and on commercial terms which will not be detrimental to the Ta Ann Group. Any related transactions will be reported by the Directors in the Company's annual report each year.

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

KPMG
Public Accountants
Level 6, Westmoore House
Twin Tower Centre
Rock Road
93200 Kuching
Sarawak

9 October 1999

The Board of Directors
Ta Ann Holdings Berhad
No. 147, 3rd Floor
Kampong Nyabor Road
96000 Sibu
Sarawak

Gentlemen

This report has been prepared for inclusion in the Prospectus to be dated 15 October 1999 in connection with the public issue of 18,025,000 new ordinary shares of RM 1.00 each in Ta Ann Holdings Berhad (“**Ta Ann**”) at an issue price of RM3.30 per ordinary share and the listing of and quotation for its entire issued and paid-up share capital on the Main Board of the Kuala Lumpur Stock Exchange (KLSE).

1. GENERAL INFORMATION

1.1 Background

Ta Ann was incorporated in Malaysia under the Companies Act, 1965 on 3 February 1997 as a public limited company.

1.2 Share Capital

1.2.1 The authorised and issued and paid-up capitals of Ta Ann at the date of this report are as follows:-

	No. of ordinary shares of RM1.00 each	Total RM
Authorised	1,000,000,000	1,000,000,000
Issued and fully paid-up	81,975,000	81,975,000