
III. DETAILS OF THE OFFER FOR SALE

1. INTRODUCTION

This Prospectus is dated 17 March 2003.

A copy of this Prospectus has been registered by the SC and lodged with the Chief Executive Officer of CCM and neither the SC nor the CCM takes any responsibility for its contents.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the KLSE has prescribed NTHB as a Prescribed Security. In consequence thereof, the Offer Shares offered through this Prospectus will be deposited directly with the MCD and any dealings in these shares will be carried out in accordance with the aforesaid Acts and the Rules of MCD.

An Application will be made to the KLSE within three (3) market days from 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 the listing of and quotation for the entire issued and fully paid-up share capital of NTHB, including the Offer Shares which are the subject of this Prospectus. These ordinary shares will be admitted to the Official List of the Main Board of the KLSE and official quotation will commence upon receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Acceptance of the Applications will be conditional upon permission being granted by the KLSE to deal in and for the listing of and quotation for the entire issued and paid-up share capital of NTHB on the Main Board of the KLSE. Accordingly, monies paid in respect of any Application accepted from the Applications will be returned without interest if the said permission for listing is not granted within six (6) weeks from the date of this Prospectus (or such longer period as may be specified by the SC), provided that NTHB is notified by the KLSE within the aforesaid timeframe.

Pursuant to the SC Guidelines, at least 25% of the issued and paid-up share capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 shares each of which at least 750 shareholders are members of the public who are not employees of the Group at the point of listing. In the event that the above requirement is not met pursuant to the Offer for Sale, the Company may not be allowed to proceed with its listing on the Main Board of the KLSE. In the event thereof, monies paid in respect of all Applications will be returned if the said permission is not granted.

In the case of an Application by way of Application Form, an applicant should state his/her CDS account number in the space provided in the Application Form if he/she presently has such an account. Where an applicant does not presently have a CDS account, he/she should state in the Application Form his/her preferred ADA Code. Where an applicant already has a CDS account, he/she should not complete the preferred ADA Code. In the case of an Application by way of Electronic Share Application, only an applicant who has a CDS account can make an Electronic Share Application and the applicant shall furnish his/her CDS account number to the Participating Financial Institution by keying in his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. A corporation or institution cannot apply for the Offer Shares by way of Electronic Share Application.

No person is authorised to give any information or to make any representation not contained herein in connection with the Offer for Sale and if given or made, such information or representation must not be relied upon as having been authorised by NTHB. Neither the delivery of this Prospectus nor any issue of security 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 NTHB or the Group since the date hereof.

III. DETAILS OF THE OFFER FOR SALE (Cont'd)

This Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to subscribe for any Offer Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Prospectus and the sale of any part of the Offer Shares are subject to Malaysian laws and the Company takes no responsibility for the distribution of this Prospectus and the offer of any part of the Offer Shares outside Malaysia, which may be restricted by law in certain other jurisdictions. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions.

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

2. SHARE CAPITAL

	No. of NTHB Shares	RM
Authorised	2,500,000,000	250,000,000
Issued and fully paid-up	624,000,000	62,400,000
To be offered pursuant to the Offer for Sale	242,980,000	24,298,000

The price of RM0.50 for each Offer Share is payable in full on application.

There is only one (1) class of shares in the Company, being ordinary shares of RM0.10 each. The Offer Shares will rank *pari passu* in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and will be entitled to all rights and dividends and distribution that may be delivered subsequent to the date of this Prospectus.

At any general meeting of the Company, each shareholder shall be entitled to vote in person or by proxy or by attorney and, on a show of hands, every person present who is a shareholder or representative or proxy to a shareholder shall have one (1) vote and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each ordinary share held. A proxy may but need not be a member of the Company.

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

3. OPENING AND CLOSING OF APPLICATIONS

Application will be accepted from 10.00 a.m. on 17 March 2003 to 8.00 p.m. on 31 March 2003 or for such further period or periods as the Directors, the Underwriters and the Offerors may mutually decide. Correspondingly, the application lists for the Offer Shares will open at 10.00 a.m. and will remain open until 8.00 p.m. at the closing date of Application.

III. DETAILS OF THE OFFER FOR SALE (Cont'd)

4. IMPORTANT TENTATIVE DATES

The following events are intended to take place on the following tentative date:

	Events	Dates
(i)	Opening of the Application	17 March 2003
(ii)	Closing of the Application	31 March 2003*
(iii)	Tentative Date for Balloting	7 April 2003
(iv)	Tentative Date for Allotment	21 April 2003
(v)	Tentative Date for Listing of NTHB's entire enlarged issued and paid up share capital on the Main Board of the KLSE	25 April 2003

Note:

- * *The Application for the Offer for Sale will close at the time and dated stated above or such other later date, or dates as the Directors of NTHB, the Underwriters and the Offerors may in their absolute intention mutually decide. Should the closing date of the Application be extended, the dates for the Balloting, allotment of the Offer Shares and listing of and quotation for the entire issued and paid-up share capital of NTHB on the Main Board of the KLSE would be extended accordingly.*

5. PARTICULARS OF THE OFFER FOR SALE

The Offer for Sale is subject to the terms and conditions of this Prospectus and upon acceptance, the Offer Shares will be allocated in the following manner:

- (i) 187,200,000 of the Offer Shares have been reserved for Bumiputera investors approved by the MITI;
- (ii) 19,780,000 of the Offer Shares have been reserved for eligible employees of NTHB Group;
- (iii) 20,000,000 of the Offer Shares will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions; and
- (iv) 16,000,000 NTHB Shares are reserved for private placement to identified investors.

The Offer Shares in respect of item (ii) above are allocated to confirmed employees of NTHB Group as at 31 December 2002. Based on this criteria, there are 1,154 employees who are eligible to take up the reserved Offer Shares. 14,821,000 of the 19,780,000 NTHB Shares have been allocated to eligible employees based on their respective position and number of years of service. The remaining 4,959,000 of the 19,780,000 NTHB Shares together with any of the NTHB Shares in respect of the 14,821,000 NTHB Shares allocated as mentioned above that are not taken up by the eligible employees, will be offered to all the eligible employees for application on a first come first serve basis.

The Offer Shares in respect of items (i) and (ii) above need not be and will not be underwritten. The Offer Shares in respect of item (iv) above will not be underwritten as the identified investors have provided irrevocable undertakings to acquire the said Offer Shares.

III. DETAILS OF THE OFFER FOR SALE (Cont'd)

The Offer Shares made available to the Malaysian public as stipulated in item (iii) above have been fully underwritten. Any Offer Shares in respect of item (ii) not taken up by the eligible employees of NTHB Group will be offered to the Malaysian public.

6. BASIS OF ARRIVING AT THE OFFER PRICE

The Offer Price of RM0.50 per ordinary share is based on market driven pricing and has been arrived at after taking into account, inter-alia, the following factors:

- (i) the Group's operating and financial history and conditions;
- (ii) the prospects of the industry and of NTHB Group as outlined in Section VI(1) and VI(2) of this Prospectus;
- (iii) the prevailing market conditions;
- (iv) the estimate and forecast net PE Multiple before exceptional item of approximately 10.55 times and 9.01 times based on the estimate and forecast net earnings per share of 4.74 sen and 5.55 sen for the two (2) financial years ending 30 April 2003 and 30 April 2004 respectively and the number of shares in issue of 624,000,000 NTHB Shares;
- (v) the proforma consolidated NTA per share of NTHB as at 30 September 2002 of RM0.15 per share based on the consolidated financial statements of NTHB Group for the five-(5) month period ended 30 September 2002 and assuming the Restructuring had been effected on that date; and
- (vi) the estimate and forecast net dividend yield of approximately 1.92% and 3.85% for the two (2) financial years ending 30 April 2003 and 30 April 2004.

Based on the above factors, the Directors of NTHB, the Offerors and Underwriters, have determined and agreed on the Offer Price of RM0.50 per NTHB Share.

Investors should, however, note that the market prices of NTHB Shares upon listing on the KLSE are subject to the vagaries of market forces and other uncertainties which may affect the price the NTHB Shares that are being traded.

7. PURPOSES OF THE OFFER FOR SALE

The purposes of the Offer for Sale are as follows:

- (i) to enable NTHB to enhance Bumiputera equity participation in NTHB so as to comply with the aspirations of the National Vision Policy and to comply with the equity conditions imposed by the MITI which required at least 30% of the shares of the company to be held by Bumiputera investors for the purpose of the listing;
- (ii) to provide an opportunity for eligible employees of NTHB Group and the Malaysian public to participate in the equity and in the continuing growth of the Group;
- (iii) to enable NTHB to gain recognition and certain stature through its listing status for the future expansion of NTHB Group's operations especially to the global market;
- (iv) to enable NTHB to gain access to the capital market to source funds for future expansion and continued growth of NTHB Group; and

III. DETAILS OF THE OFFER FOR SALE (Cont'd)

- (v) to obtain listing of and quotation for the entire issued and fully paid-up ordinary shares of NTHB on the Main Board of the KLSE.

8. BROKERAGE AND UNDERWRITING COMMISSION

Brokerage relating to the Offer Shares will be paid by the Offerors at the rate of one percentum (1.0%) of the Offer Price of RM0.50 per share in respect of successful Applications bearing the stamp of CIMB, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIDFCCS.

The Underwriters have agreed to underwrite 20,000,000 NTHB Shares which are made available for the Application by the Malaysian public. The underwriting commission relating to the said NTHB Shares are payable by the Offerors at the rate of two percentum (2.0%) of the Offer Price of RM0.50 per share for each of the 20,000,000 Offer Shares being underwritten, equivalent to an underwriting commission of RM200,000.

9. DETAILS OF THE UNDERWRITING AGREEMENT

An Underwriting Agreement was entered into between the Company, Offerors and the Underwriters on 20 February 2003 to underwrite the 20,000,000 Offer Shares which are made available for application by the Malaysian public ("Underwritten Shares"). The salient terms of the Underwriting Agreement are as follows:

- (a) The obligations of each of the Underwriters and the Managing Underwriter under the Underwriting Agreement are conditional upon:
 - (i) the issuance of the Prospectus within two (2) months from the date of the Underwriting Agreement;
 - (ii) there having been on or prior to the last date for receipt of application for the Underwritten Shares being a date which shall not be later than three (3) calendar months from the date of the Underwriting Agreement or on any later date as the Company, the Offerors and the Underwriters may mutually agree upon ("Closing Date") neither any adverse change nor any development reasonably likely to result in any adverse change in the condition (financial or otherwise) of the Company or its subsidiaries, which is material in the context of the Offer for Sale from that set forth in the Prospectus, nor the occurrence of any event which makes any of the representations and warranties contained in Clause 3 of the Underwriting Agreement in the opinion of the Underwriters (which opinion is final and binding) untrue and incorrect in any material respect as though they had been given and made on such date with reference to the facts and circumstances then subsisting, nor the occurrence of any breach of the undertakings contained in Clause 3 of the Underwriting Agreement;
 - (iii) the delivery to the Underwriters prior to the date of the registration of the Prospectus of:
 - (aa) a copy certified as a true copy by an authorised officer of the Company of all the resolutions of the Directors of the Company and the shareholders in general meeting approving the Underwriting Agreement, the Prospectus, the Offer for Sale and authorising the execution of the Underwriting Agreement and the issuance of the Prospectus; and

III. DETAILS OF THE OFFER FOR SALE (Cont'd)

- (bb) a certificate, in the form or substantially in the form contained in the Third Schedule of the Underwriting Agreement, dated the date of the Prospectus signed by duly authorised officer(s) of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in Clause 2.3.2 of the Underwriting Agreement;
 - (iv) the delivery to the Underwriters on the Closing Date of such reports and confirmations dated the Closing Date from the Board of Directors of the Company as the Underwriters may reasonably require to ascertain that there is no material change subsequent to the date of the Underwriting Agreement that will adversely affect the performance or financial position of the Company or its subsidiary companies;
 - (v) the Company receiving on or prior to the Closing Date the approval in principle of the KLSE for the listing and quotation of the entire issued and paid-up share capital of the Company on the Main Board of the KLSE which is unconditional or subject to such conditions which are acceptable to the Underwriters and the Underwriters being reasonably satisfied that such listing and quotation will be granted three (3) clear Market Days after the notice of allotment of the Underwritten Shares have been issued and despatched to entitled holders and the Prospectus being in the form and substance satisfactory to the Underwriters;
 - (vi) the Underwriters having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 15 of the Underwriting Agreement;
 - (vii) the Offer for Sale not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia;
 - (viii) the Underwriters having been satisfied that the Company having complied and that the Offer for Sale is in compliance with the policies, guidelines and requirements of the SC and all revisions, amendments and/or supplements thereto; and
 - (ix) the acceptance for registration by the SC and the lodgement with the Chief Executive Officer of the CCM of the Prospectus and such other documents as may be required in accordance with the Securities Commission Act, 1993 and the Act in relation to the Offer for Sale on or before their release under the Offer for Sale.
- (b) If any of the conditions set out in Clause 2.3 of the Underwriting Agreement is not satisfied by the Closing Date, the Underwriters shall thereupon be entitled to terminate the Underwriting Agreement and in that event except for the liability of the Company for the payment of costs and expenses as provided in Clause 15 incurred prior to or in connection with such termination there shall be no further claims by the Underwriters against the Company, and the parties to the Underwriting Agreement shall be released and discharged from their respective obligations hereunder provided that the Underwriters may at their discretion with respect to its own obligations waive compliance with any of the provisions of Clause 2.3 of the Underwriting Agreement.

III. DETAILS OF THE OFFER FOR SALE *(Cont'd)*

- (c) The Underwriters shall have the right to terminate the Underwriting Agreement by notice in writing served by the Underwriters on the Company in the event that the approval in principle of the KLSE for the admission of the Company to the Official List of the KLSE or for the listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Board of the KLSE is withdrawn or not procured or procured but subject to conditions not acceptable to the Underwriters and upon such termination the liabilities hereto of the Company and the Underwriters shall become null and void (except for the liability of the Company in respect of the payment of the costs and expenses referred to in Clause 15 of the Underwriting Agreement incurred prior to and in connection with such termination) and none of the parties of the Underwriting Agreement shall have a claim against each other save that each party shall return any monies paid to the other or others under the Underwriting Agreement within forty-eight (48) hours of the receipt of such notice.
- (d) Notwithstanding anything contained in the Underwriting Agreement, the Underwriters may at any time before the Closing Date, by notice in writing to the Company, propose to terminate its obligations under this Agreement if in its reasonable opinion there shall have been such a change in national or international monetary, financial, political or economic conditions or in market condition (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regards to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or exchange control legislation or regulations or currency exchange rates or an occurrence as a result of an act or acts of God as would in its reasonable opinion materially prejudice the success of the offering of the Underwritten Shares and their distribution or sale (whether in the primary market or in respect of dealings in the secondary market) or in the event of national disorder, outbreak of war in the region or the world or the declaration of a state of national emergency.
- (e) Notwithstanding anything contained in the Underwriting Agreement but subject to Clause 12.3 of the Underwriting Agreement, the Underwriters may by notice in writing to the Company given at any time before the Closing Date, terminate and cancel and withdraw its underwriting commitment if:
- (i) in the reasonable opinion of the Underwriters there shall have occurred, happened or come into effect any of the following circumstances:
 - (aa) any material breach by the Company of any of the representations, warranties or undertakings contained in Clause 3 of the Underwriting Agreement (which, if capable of remedy, is not remedied within three (3) Market Days after notice of such breach shall have been given to the Company by the Managing Underwriter and/or the Underwriters (as the case may be), or by the Closing Date, whichever is the earlier);
 - (bb) there is failure on the part of the Company to perform any of its obligations contained in the Underwriting Agreement;
 - (cc) any change in circumstances as stipulated in Clause 11.1 of the Underwriting Agreement;
 - (dd) any material change in any law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriters (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents); or

III. DETAILS OF THE OFFER FOR SALE (Cont'd)

- (ee) the average KLSE Composite Index for five (5) consecutive market days falls below and remain below 500 points on or before Closing Date;

which, in the reasonable opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group taken as a whole, and/or on the Company, and/or on the success of the Offer for Sale; or

- (ii) the Company and/or the Offerors withholds any information of a material nature from the Underwriters, which, in the opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group taken as a whole, the success of the Offer for Sale, or the distribution or sale of the Shares in relation to the Offer for Sale;
 - (iii) a supplemental prospectus is issued with the SC's approval subsequent to the issue of the Prospectus in which there shall have been events which have occurred detailed in Clause 12.1.1 in the Underwriting Agreement, which in the opinion of the Underwriters, would have or can reasonably be expected to have, a material adverse effect on, and/or materially prejudice the business or the operations of the Company and/or its subsidiaries, the success of the Offer for Sale or the distribution or sale of the Offer Shares, or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its term pursuant to the underwriting thereof.
- (f) Upon such notice being given, the Underwriters shall be released and discharged of its obligations without prejudice to its rights and where the Underwriters have terminated or cancelled or withdrawn its Underwriting Commitment pursuant to Clause 12.1 of the Underwriting Agreement, the Underwriting Agreement shall be of no further force or effect and no party of the agreement shall be under any liability to any other in respect of the agreement, except that the Company shall remain liable in respect of any of its obligations and liabilities under Clause 3 and Clause 15 of the Underwriting Agreement for the payment of the costs and expenses already incurred up to the date on which such notice was given.
 - (g) Notwithstanding any provisions contained in the Underwriting Agreement, the Underwriters shall not be entitled to give such notice in respect of occurrence of any of the circumstances set out in Clause 12.1.1(b) or 12.1.1(c) of the Underwriting Agreement unless the Company shall be in agreement to the giving of such notice by that Underwriters whose agreement should not be unreasonably withheld.
 - (h) The obligations of the Underwriters herein shall lapse after the expiry of three (3) months from the date of the Underwriting Agreement unless the Underwriter(s) have consented to an extension of time beyond such period.
 - (i) The Underwriters, the Offerors and the Company may however, subject to the consent of the Underwriters, confer with a view to deferring the issuance of the Offer for Sale or amending its term or the terms of the Underwriting Agreement, enter into a new underwriting agreement accordingly. However, neither the Company, the Offerors nor any of the Underwriters shall be under any obligation to make a fresh agreement.

III. DETAILS OF THE OFFER FOR SALE *(Cont'd)*

10. LISTING EXPENSES

Details of the estimated listing expenses are as follows:

	RM 000
Professional fees	850
Printing, advertisement and publicity	750
KLSE's fees	40
SC's fees	67
Issuing House fees and expenses	200
Contingencies	593
	<hr/> <u>2,500</u> <hr/>

IV. RISK FACTORS

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

1. NO PRIOR PUBLIC MARKET FOR NTHB SHARES

Prior to this Offer for Sale, there has been no public market for NTHB Shares. There can be no assurance that an active market for NTHB Shares will develop upon its listing on the Main Board of the KLSE or, if developed, that such market will be sustained. The Offer Price of RM0.50 per Offer Share has been determined after taking into consideration a number of factors including, but not limited to, the Group's financial and operating history and conditions, its future prospects and the prospects for the industry in which the Group operates, the prevailing market conditions at the time of this Offer for Sale and the financial position and future financial results and dividends of the Group. There can be no assurance that the Offer Price will correspond to the price at which NTHB Shares will trade on the Main Board of the KLSE upon or subsequent to its listing or that an active market for NTHB's shares will develop and continue upon or subsequent to its listing.

2. COMPETITION IN THE TISSUE PAPERS, TOILET ROLLS AND PAPER RELATED PRODUCTS INDUSTRY IN MALAYSIA

NTHB Group faces competition from other tissue papers, toilet rolls and paper related products manufacturers. NTHB Group is currently one of the two (2) major players in the tissue papers, toilet rolls and paper related products industry in Malaysia. The other major player is Kimberly. In addition, NTHB Group also faces competition from other existing smaller manufacturers and potential new entrants in the local tissue papers, toilet rolls and paper related products industry. Based on the Back Data Report for Year 2000, 2001 and 2002 by ACNielsen Retail Measurement Services, NTHB Group is the market leader in the industry with over 50% market share (in sales value and volume) in the tissue and toilet rolls market in Peninsular Malaysia in year 2002 through its popular brandnames such as "Premier" and "Cutie" which were both rank first in terms of sales value and volume in year 2002 in the tissue and toilet rolls market respectively. The Directors of NTHB believe that the success of these products are mainly due to the product quality, attractive pricing, good distribution network and brand awareness. NTHB Group's strength in this industry is evidenced by it being the market leader in the tissue paper and toilet rolls market and its products having become household names in Malaysia.

However, no assurance that the Group will be able to increase or maintain its existing market share in the future.

3. BUSINESS RISKS

NTHB Group faces certain risks inherent in the tissue papers, toilet rolls and paper related products industry. These include increases in operating costs, constraint in labour supply, changes in business and credit conditions, changes in consumer preferences and purchasing power, brand loyalty, general economic conditions and reliance on suppliers, distributors, stockists, wholesalers, retailers and customers for sales of its products.

(i) Fluctuation in the Raw Material Prices

One of the risks faced by NTHB Group is the fluctuation in the raw material prices. As NTHB Group's main raw material costs consist of approximately 55% wastepaper and 2% paper pulp, the Group is subject to fluctuations in the prices of these raw materials to a certain extent.

IV. RISK FACTORS (Cont'd)

Although the paper industry in general is exposed to the risk of fluctuation in pulp prices, the tissue papers, toilet rolls and paper related products manufacturers such as NTHB Group, is unlikely to be greatly affected by the fluctuations of world pulp prices since pulp constitutes only approximately 2% of the raw material costs used for production. While the fluctuation in pulp prices may affect the prices of wastepaper and recycled pulp, but the effect is to a smaller extent compared to the fluctuation of pulp prices. Therefore, even if there were an increase in pulp prices, NTHB Group would not be severely affected.

Based on past experience, NTHB Group has proven that its exposure to the risk in relation to the fluctuation in paper prices is considerably limited as NTHB Group is one of the largest consumers of the mixed white A and black white type of wastepaper in Malaysia. As such, NTHB Group is able to control to a certain extent the fluctuation of the prices of wastepaper purchased.

Furthermore, NTHB Group has been embarking on various effective cost savings programmes which will enable the Group to minimise its operating costs in order to enjoy a high profit margin such as introducing more effective wastepaper sorting methods and wider sourcing channels.

In addition, the Group also seeks to limit these risks through, inter-alia, a more prudent stockholding policy and with wastepaper and paper pulp having a turnover period of approximately two (2) months.

(ii) Risk of Production Stoppage

Apart from the above, as the Group's production facilities are located in one area, the risk of production stoppage due to unforeseen circumstances (such as fire and flood) beyond management control can have a material adverse effect on the Group's operation. However, the Group has taken reasonable precautionary steps to minimise the occurrence and risk of fire and flood such as the construction of fire resistance walls, setting up its own fire prevention unit with members formerly from the fire brigade to oversee the fire control procedures, storing its raw materials and finished products in separate sites/buildings and improving its drainage system to avoid the risk of flood.

In addition, the Group has purchased insurance coverage on inter-alia, fire, fire consequential loss and plant and machinery.

(iii) Risk of Increase in Cost of Labour and Labour Strike

As the end-of-line production processes of the NTHB Group are still labour intensive, the Group is subject to the risk of increase in cost of labour and labour strike. In this aspect, the Group has taken steps to minimise the risk by maintaining a good labour relationship with its workers through its collective agreement with the Paper and Paper Products Manufacturing Employees Union which was renewed for a period of 3 ½ years with effect from 1 July 2001 as well as through close relationship between the management and the employees. At the same time, the Group is continuously upgrading its machinery and investing in production equipment to slowly phase out the manual operation through introduction of automated production processes in order to reduce the dependence on manual labour and cost of labour.

In short, the Group seeks to limit its business risks through, inter-alia, sourcing from reliable suppliers, continuously embarking on various effective cost savings programmes, using semi to fully automated operation process, maintaining good relationship with its employees, expanding its export markets and developing new products, new packaging and new designs.

However, no assurance can be given that any change to these factors will not have a material adverse effect on the Group's business.

IV. RISK FACTORS (Cont'd)

4. ENVIRONMENTAL FACTORS

Approximately 55% of the raw materials used in the manufacturing process of NTHB Group consist of recycled wastepaper. While recycling paper reduces the problem of waste disposal and is more environment friendly, the treatment and recycling process of wastepaper result in waste discharge which are pollutants and hazardous to the environment and need to be properly treated before disposal. This exposes NTHB Group to potential environmental issues. The Department of Environment constantly carries out inspections to ensure that the discharge of waste are properly managed. In this respect, NTHB Group places great emphasis on its waste treatment facilities to ensure that it adheres to the regulations of the Department of Environment. Through the waste water treatment plant, chemicals which are used during the de-inking process in the manufacturing of the paper products and the discharge from the process are treated and solidified before being disposed at a local council's designated dump site while the water discharge which has been neutralised is recycled and is re-used in its paper mill operations. This enables the Group to not only minimise the risk of not conforming to the environmental regulations but at the same time allows the Group to maximise the benefits of recycling such as cost savings.

Although NTHB Group has conscientiously addressed environmental concerns, the nature of the operations are such that there can be no assurance that such environmental concerns and/or any change in the current laws and/or regulation on environmental matters will not have an adverse impact on the future operations of the Group.

5. FOREIGN EXCHANGE RISK

For the (5)-five month period ended 30 September 2002, approximately 30.4% of the Group's products are sold overseas, mainly in Singapore and Hong Kong as well as South Africa, Australia, New Zealand, Bangladesh, Nepal, India, China, Zimbabwe, Taiwan, Kuwait, Turkey and Netherlands. Meanwhile, approximately 30.3% of its pulp and wastepaper requirements are imported from US, Singapore and also Japan. Settlement for these sales and purchases are usually made in USD and SGD. This exposes the Group to foreign exchange risk. Any fluctuations in these currencies against the RM due to the timing differences of these settlements could have a material effect on the Group's financial results.

Previously, in the financial year ended 30 April 1998, the Group experienced a loss before taxation of approximately RM4.8 million mainly due to unfavourable foreign exchange effects on sales and purchases settlements as a result of foreign exchange forward contracts entered into, and foreign exchange losses arising from the translation of foreign currency denominated offshore foreign currency loan.

Currently, the pegging of RM against USD has allowed the Group to minimise the foreign exchange risk. Nonetheless, the Group has adopted a more prudent approach by undertaking the following measures as part of the Group's internal control policies:

- (i) to hedge its net foreign exchange exposure by entering into short term forward currency contracts which are based on the net expected foreign currency cashflow for a three-month period;
- (ii) tightening of the control procedures for foreign currency transactions such as ensuring that approvals are obtained prior to entering into any foreign currencies contracts according to the following procedures:
 - (a) approval of the Managing Director only for transactions below RM1.0 million;

IV. RISK FACTORS (Cont'd)

- (b) approval of the Managing Director and one (1) other Director for transactions between RM1.0 million to RM5.0 million; and
 - (c) approval of the Board for transactions above RM5.0 million.
- (iii) designated personnel to perform continuous monitoring of foreign currency contracts and foreign currency movements and to provide periodic reports on the foreign currency exposure of the Group for monthly management meetings.

At the same time, the Audit Committee will undertake the following responsibilities:

- (a) to determine and review procedures annually including addition of new procedures, where applicable, together with the Board;
- (b) to review the internal audit reports on a quarterly basis with the Board to ascertain that the guidelines and procedures established to monitor the foreign exchange exposure have been complied with; and
- (c) to review the foreign currency denominated transactions to determine irregularities and exposure of the Group.

The Board believes that the above internal control policies should be able to minimise the Group's foreign currency exposure even if the pegging of RM to USD be removed in the future and will also assist the Group to prepare itself for the future expansion of its business operations to other overseas market. However, no assurance can be given that any adverse movement in the foreign exchange rate(s) will not have an adverse impact on the Group's business.

6. GLOBALISATION OF THE MALAYSIAN ECONOMY

In line with the implementation of AFTA in 2003, the Malaysian economy will be opened to challenges from other Asean countries. Therefore, NTHB Group will be subject to the risk of other international competitors competing for its existing as well as its potential market share in the tissue papers, toilet rolls and paper related products industry. In preparing itself to face the globalisation of the industry, throughout the years, NTHB Group has adopted a strategy to concentrate on the domestic front by absorbing the domestic market share from other smaller competitors thus building a stronger local base. With its strong domestic market position, the management of NTHB Group believes that even with the opening of the domestic market under AFTA in 2003, foreign competitors will face difficulty in entering in the industry and competing with NTHB Group which has already established a very strong position and customer base coupled with good distribution network in the Malaysian market.

Instead, the Directors of NTHB believe that the globalisation of the Malaysian economy presents an opportunity for NTHB Group to expand its market coverage to other Asean countries in order to widen its existing customer base. Over the years, NTHB Group has also taken steps to gradually expand its export market in order to establish its name in the overseas market. The Group has established agency relationships around Asean countries such as in Thailand, Myanmar, Cambodia, Philippines and Brunei in order to service the respective local markets. With the implementation of AFTA in 2003, NTHB Group will be able to further capitalise its expansion through its regional offices to serve new market segments under its own distribution network and its own brand names. Nevertheless, there is no assurance that NTHB Group will be able to penetrate into new markets, increase and/or maintain its existing or new market share in Malaysia or other Asean countries.

IV. RISK FACTORS (Cont'd)

7. PRODUCTS BRAND NAME AND BRAND LOYALTY

Brand name plays a very important role in consumer products including generic products such as tissue papers, toilet rolls and paper related products. Thus, the business of NTHB Group is dependent on the goodwill associated with the brand name of its products which in turn is a result of the quality of the products offered and the perception of consumers. Consumers would often buy a product of an established brand name due to factors such as reliability, quality and pricing. Therefore, if the perception of the consumer on the brand names offered by NTHB Group changes, NTHB Group's market share may be directly affected. In view of this, NTHB Group is constantly introducing better quality of the products offered through continuous research and development as well as offering attractive pricing for its products. However, no assurance can be given that the goodwill in relation to brand loyalty on the brands owned by NTHB Group will persist and any change in the brand loyalty of brands owned by NTHB Group will not have an adverse impact on the Group business.

8. 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 and Senior Management. Hence, the loss of any of the key members of the Board and Senior Management could adversely affect the Group's continued ability to maintain and/or improve on its performance. Measures and precautions have been taken in recruiting and grooming the new and existing younger members of Senior Management to slowly take over more responsibility to ensure a smooth transition in the management team. The Directors believe that the Group's future success will also depend upon its ability to attract and retain skilled personnel. As such, they have taken steps to ensure that the employees are given recognition for their contribution to the success of the Group and continuous incentives are given to the employees to help the Group in fulfilling its objectives.

9. INFLUENCE BY SUBSTANTIAL SHAREHOLDERS

Upon completion of the Offer for Sale, approximately 35.16% of the share capital of NTHB will be held by the Lee Family, directly and indirectly.

As a result, it is likely that the Lee Family will be able to influence the outcome of certain matters requiring shareholders' approval including election of directors and approval of certain mergers or other business transactions unless they are required to abstain from voting by law and/or the relevant authorities.

10. POLITICAL, ECONOMIC AND REGULATORY CONSIDERATIONS

Like all other business entities, changes in political, economic and regulatory condition in Malaysia and the world could materially and adversely affect the financial and business prospects of NTHB Group. These political, economic and regulatory uncertainties include but not limited to the changes in political leadership, risks of war, expropriation, nationalisation, nullification of existing contracts, changes in rates of interest, methods of taxation and currency exchange rules. There can be no assurance that such adverse political and economic factors will not materially affect NTHB Group.

IV. RISK FACTORS (Cont'd)

11. ACHIEVABILITY OF PROFIT FORECAST AND ESTIMATE

It should be noted that the profit estimate and forecast are based on various assumptions with respect to the levels and timing of revenues, cost, interest rates, exchange rates and various other matters of an operational or financial nature, which assumptions are believed by the Directors of NTHB to be reasonable. These assumptions are nevertheless subject to uncertainties and contingencies. Because of the subjective judgements and inherent uncertainties of estimate and forecast and because of the events and circumstances may not occur as expected, no assurance can be given that such assumptions and the resultant estimate and forecast results will be realised, and actual results may be materially different from that shown. Potential investors should note carefully the bases and assumptions to the profit estimate and forecast as well as the comments by the Reporting Accountants in their letter on the consolidated profit estimate and forecast as set out in Section VIII(5) of this Prospectus.

12. FORWARD LOOKING STATEMENTS

Certain statements in this Prospectus are based on historical data which may not be reflective of the future results, and any forward-looking statements in nature are subject to uncertainties and contingencies. All forward-looking statements are based on forecasts and assumptions made by the Company, and although believed to be reasonable, are subject to unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements express or implied in such forward-looking statements. Such factors include, inter-alia, general economic and business conditions, competition and the impact of new laws and regulations affecting NTHB Group. In the light of these and other uncertainties, the inclusion of any forward-looking statements in this Prospectus should not be regarded as a representation of NTHB or its adviser that the plans and objectives of NTHB Group will be achieved.

13. DELAY IN OR ABORTION OF THE LISTING

The success of the listing exercise is also exposed to the risk that it may be delayed or aborted should the following events occur:

- (i) The Bumiputera investors approved by the MITI fail to take up the portion of Offer Shares allocated to them;
- (ii) The portion of Offer Shares allocated to the eligible employees are not taken up;
- (iii) The Underwriters fail to honour their obligations under the Underwriting Agreement;
- (iv) The placees fail to honour their obligations under the placement agreements despite having given irrevocable undertakings to acquire the Offer Shares allocated to them;
- (v) The Company is unable to meet the public spread requirements i.e. at least 25% of the issued and paid-up capital of the Company must be held by a minimum number of 1,000 public shareholders holding not less than 100 NTHB Shares each of which at least 750 shareholders are members of the public who are not employees of NTHB Group upon completion of the Offer for Sale and at the point of Listing.

Save as disclosed above and elsewhere in this Prospectus, and as far as the Directors are aware, the Group is not vulnerable to any specific factors or events of a particular nature other than those normal commercial risks experienced during normal course of business.