

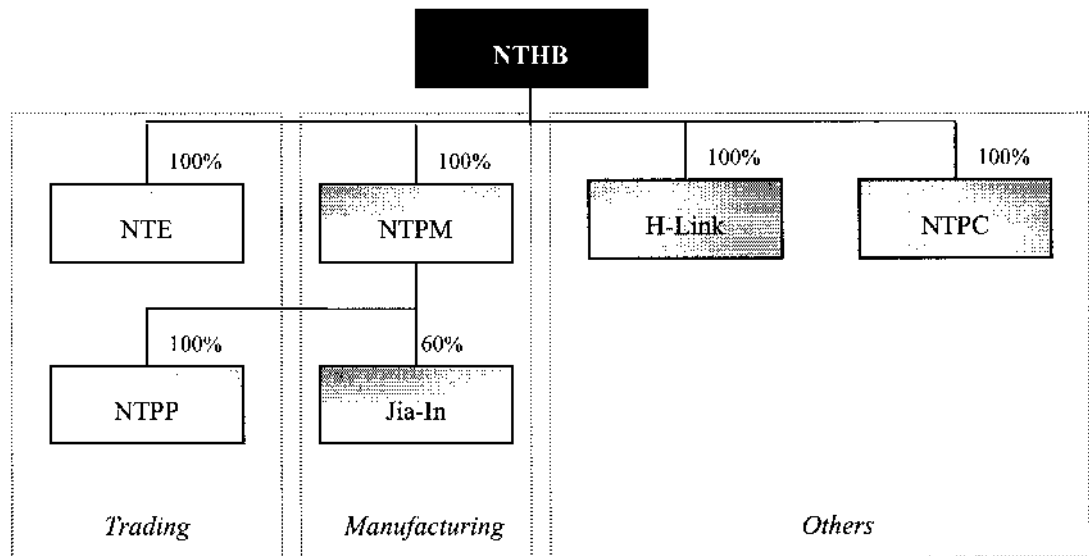
**V. INFORMATION ON NTHB GROUP**

**1. INCORPORATION AND BUSINESS**

NTHB was incorporated in Malaysia on 22 April 1996 as a private limited company under the Act, under the name of Bypass Structure Sdn Bhd. On 18 October 1996, the Company was converted into a public limited company. On 26 May 1997, it assumed its present name.

The principal activities of NTHB are provision of management support services and investment holding while its subsidiaries are involved in manufacturing and trading of tissue papers, toilet rolls, serviettes and paper related products, and trading of cotton products and investment holding.

The corporate structure of NTHB Group is as follows:



**2. RESTRUCTURING**

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

**2.1 Share Split**

NTHB effected a share split of 3,891,299 ordinary shares of RM1.00 each to 38,912,990 NTHB Shares by way of a sub-division of its then ordinary shares of RM1.00 each. The Share Split was completed on 18 February 2003.

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**V. INFORMATION ON NTHB GROUP (Cont'd)**

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**2.2 Revaluation**

The subsidiaries of NTHB revalued all their respective landed properties to their current market price and capitalised the total revaluation surplus of RM19,395,544 (net of deferred tax) arising from the said revaluation (other than the revaluation deficit arising from the revaluation of the landed property held by Jia In) into their respective audited financial statements in the financial year ended 30 April 2002. The revaluation deficit arising from the revaluation of the landed property held by Jia In has been expensed-off in the income statements of Jia In for the financial year ended 30 April 2002.

The landed properties of NTHB Group were revalued by Messrs. Henry Butcher, Lim & Long (N) Sdn Bhd and Messrs. Henry Butcher, Lim & Long (Malacca) Sdn Bhd, independent firms of professional valuers using the comparison and depreciated replacement cost methods of valuation, where applicable.

Subsequent to the above, NTHB revalued its cost of investment in its subsidiaries after taking into consideration of the respective NTA of its subsidiaries as at 30 April 2002 (after incorporating the net revaluation surplus of RM19,395,544 arising from the abovementioned revaluation of landed properties by its subsidiaries) resulting in a net revaluation surplus of RM83,481,244.

The revaluation surplus was incorporated in the audited financial statements of NTHB and its subsidiaries for the financial year ended 30 April 2002.

**2.3 Bonus Issue**

Subsequent to the Revaluation, NTHB implemented a bonus issue of 585,087,010 new NTHB Shares credited as fully paid-up on the basis of approximately 150,358 new NTHB Shares for every 10,000 NTHB Shares held. The Bonus Issue was effected through the capitalisation of RM58,508,701 from the revaluation reserves of NTHB which amounts to RM83,481,244 as at 30 April 2002.

The 585,087,010 new NTHB Shares rank *pari passu* in all respects with the then existing NTHB Shares.

The Bonus Issue was completed on 18 February 2003.

**2.4 Dividend**

On 31 October 2002, NTHB declared a final tax-exempt dividend amounting to RM8,108,701 for the financial year ended 30 April 2002 to the shareholders who were registered as members of NTHB as at 30 April 2002 which was paid on 26 February 2003. Subsequently on 11 February 2003, NTHB declared an interim tax-exempt dividend amounting to RM6,000,000 for the financial year ending 30 April 2003 to the shareholders who were registered as members of NTHB 11 February 2003 which was paid on 26 February 2003.

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**V. INFORMATION ON NTHB GROUP (Cont'd)**


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The approvals of the FIC, MITI and SC respectively for the Restructuring were granted subject to the following conditions:

Authority	Date of approval	Conditions	Status of Compliance
FIC	20 November 2001, 19 February 2002 and 29 July 2002	(i) to obtain the approval of the MITI	Met
MITI	29 January 2002 and 30 July 2002	(i) the 187,200,000 NTHB Shares reserved for Bumiputera investors approved by the MITI shall be allocated after the approval of the SC is obtained	Met
		(ii) to obtain the approval of the FIC	Met
		(iii) to obtain the approval of the SC	Met
SC	6 March 2002, 25 September 2002, 11 October 2002 and 22 January 2003	(i) the Board is required to reconsider the ability of NTHB to implement the proposed payment of the final tax-exempt dividend amounting to RM8,108,701 considering that, based on the cashflow forecast and projections submitted together with the application, NTHB is expected to show a low cash closing balance for the forecast and projections period. In relation to this, the Board of Directors is required to provide written confirmation to the SC stating that NTHB will still be able to pay the final dividend and able to support its cash flow requirement in the future;	The Board decided to proceed with the payment of the dividends after taking into consideration of SC's concerns and the financial position of NTHB Group. Accordingly, NTHB has provided the said written confirmation to the SC on 24 January 2003
		(ii) at least 20,000,000 Offer Shares will have to be allocated to the public through balloting process. In relation to this, CIMB is required to inform the SC the total number of Offer Shares proposed to be allocated through the balloting process once it has been determined;	Met pursuant to the Offer for Sale
		(iii) NTHB is required to make full disclosure in the listing prospectus regarding the following:	
		(a) risks associated to foreign exchange and the measures taken or will be taken to overcome such risks; and	Met/ Refer to Part IV, Section 5
		(b) risk management plan of NTHB to minimise the risks associated to the business operations of NTHB Group including the risks in relation to fire and other emergency risks;	Met/ Refer to Part IV, Section 3

## V. INFORMATION ON NTHB GROUP (Cont'd)

Authority	Date of approval	Conditions	Status of Compliance
		(iv) The Audit Committee of NTHB is required to monitor the foreign currency transactions and determine and review the policies associated to such transactions annually so that the related risks can be minimised;	The Audit Committee of NTHB has taken note of this condition and will ensure that the related risks can be minimised and will be complied
		(v) NTHB is required to comply with the conditions in relation to the properties as set out below prior to the issuance of the listing prospectus:	
		(a) obtaining the approved building plan and certificate of fitness for occupation ("CF") for the buildings which have not been approved by the local authorities for the following locations:  - Lots No 1000 and 999, Mukim 8, Daerah Seberang Perai, Selatan, Pulau Pinang; and - Lot No 608, Mukim 8, Daerah Seberang Perai, Selatan, Pulau Pinang;	Waived by the SC subject to the condition stated in items (xv) & (xvi) below as set out in the SC's approval letter dated 25 September 2002. However, the Group has subsequently informed the SC on 24 February 2003 that all outstanding CFs have been obtained
		(b) rectify the structures which have yet to be approved at Lot 5787, Mukim Parit Buntar, Daerah Krian, Perak;	Met
		(c) obtain the approval from the relevant authority that the property at Lot 642, Mukim 8, Daerah Seberang Perai Selatan, Pulau Pinang can be used for disposal of industrial wastage; and	The said property is no longer used for disposal of industrial wastage. Accordingly, the SC has agreed to waive the condition
		(d) the registered ownership of P.T. No. 385, Mukim 13, Daerah Seberang Tengah, Pulau Pinang is transferred to Jia In;	Met

## V. INFORMATION ON NTHB GROUP (Cont'd)

Authority	Date of approval	Conditions	Status of Compliance
		(vi) the Promoters, Directors and the Substantial Shareholders of NTHB are not allowed to engage themselves in any business which competes directly or indirectly and will result in a conflict of interest with the business of NTHB Group in the future. In relation to this, the parties are required to make complete disclosure in the listing prospectus of their interests/involvement in other businesses (if any) which have conflict of interest with NTHB Group and the steps taken or will be taken to overcome the said conflict of interest;	The Promoters, Directors and Substantial Shareholders are aware of the condition and will comply with this requirement/ Refer to Part VII, Section 1.1
		(vii) full disclosure is required to be made in the listing prospectus in relation to the transactions with related parties, if any, and the steps taken or will be taken to ensure that such transactions will not be detrimental to NTHB Group;	Met/ Refer to Part VII, Section 1.2
		(viii) any dealings between NTHB Group and the companies related to the Promoters and Directors of NTHB are required to be made at arm's length and does not involve special terms which exceeds the normal commercial terms which will result in a loss to NTHB Group. In relation to this, the Audit Committee of NTHB is required to monitor and the Directors of NTHB is required to report such transactions in the annual report of the company;	The Promoters, Directors and the Audit Committee of NTHB have taken note of this condition and will comply with this condition, where applicable/ Refer to Part VII, Section 1.2
		(ix) NTHB is not allowed to be involved in any new business which are not related to its core business for a period of three (3) years after the listing date as imposed under paragraph 10.17 of the SC Guidelines;	The Directors of NTHB have taken note of this condition and will ensure NTHB Group complies with the condition
		(x) NTHB is only allowed to implement the Offer for Sale upon obtaining the approval of MITI and FIC;	Met
		(xi) NTHB and CIMB are required to fully comply with the requirements in relation to the listing of company as set out in the SC Guidelines;	Complied/to be complied
		(xii) the Private Placement has to be undertaken through an independent placement agent (merchant bank or stock broking firm) and all placees must be identified and recommended by the said independent placement agent;	Met. CIMB has been appointed as the placement agent for the Private Placement

## V. INFORMATION ON NTHB GROUP (Cont'd)

Authority	Date of approval	Conditions	Status of Compliance
		(xiii) at least 30% of the shares under the Private Placement is required to be allocated, to the extent possible to Bumiputera investors;	NTHB will endeavour to comply with this requirement
		(xiv) CIMB/independent placement agent is required to submit to the SC the final list of placees which are allocated the shares under the Private Placement and a written confirmation stating that the Private Placement has fully complied with the SC Guidelines after it is implemented;	CIMB will furnish the required documents to the SC upon completion of the Private Placement
		(xv) the Board of Directors is required to provide a written undertaking to the SC that NTHB will endeavour to take reasonable measures to obtain the outstanding CF from the relevant authorities within six (6) months from 25 September 2002 (i.e. date of the issuance of the SC approval letter). NTHB/CIMB is also required to inform the SC every month on the status of the application until all outstanding CF have been obtained;	Not applicable as all outstanding CFs from the relevant authorities have been obtained as set out in the letter to the SC dated 24 February 2003
		(xvi) NTHB is required to "set aside" RM100,000 of the proceeds from Offer for Sale with a stakeholder until all outstanding CFs are obtained from the relevant authorities.	Not applicable as all outstanding CFs from the relevant authorities have been obtained as set out in the letter to the SC dated 24 February 2003

## 3. HISTORY AND BUSINESS

NTHB Group is principally involved in the manufacturing and trading of tissue papers, toilet rolls, serviettes and paper related products and trading of cotton products and investment holding.

NTHB Group started its operation through NTPM which was founded by Mr Lee See Jin in 1975. Mr Lee See Jin together with the partnership from Mr Teoh Boon Beng @ Teoh Eng Kuan started the manufacturing business in 1979, initially producing and selling jumbo roll, a type of semi-finished product to paper converters. The idea of venturing into manufacturing of jumbo roll originated during one of Mr Lee See Jin's visit to Taiwan. Mr Lee See Jin discovered the potentials in producing jumbo roll from recycled wastepaper at relatively low cost and selling it to paper converters for a certain margin. Realising the potential profits that could be generated from purchasing wastepaper and recycling them into jumbo roll, NTPM invested in a paper-making machine imported from Taiwan. With only one (1) paper-making machine, NTPM started its commercial production in the paper rolls business in end 1979 with the production capacity of five (5) tonnes per day.

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**V. INFORMATION ON NTHB GROUP (Cont'd)**

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At that time, NTPM was facing intense competition from the then market players in the industry. Despite the competition, the business operations of NTPM continue to grow over the years. Apart from producing jumbo rolls, by 1981, NTPM began to convert them into tissue papers and toilet rolls and sold to the market directly. By 1983, NTPM has already established its own distribution network under NTE, its distribution company to expand its domestic market. It also began to set up sales offices throughout Malaysia and sell directly to retailers which resulted in significant growth in its sales. At the same time, it started investing in transportation equipment in order to service other market segments all over the country.

In 1984, Mr Lee See Jin introduced a significant technology breakthrough for NTPM by venturing into tissue paper production using the de-inking system. The de-inking system allows NTPM to produce higher quality paper from recycled wastepaper and process them into tissue paper for end-user consumption. With the new technology, NTPM was able to expand further into the upper market segment servicing retailers and end-users instead of only paper converters. By then, NTPM was able to record sales exceeding RM10 million.

With the continuous growth in its operation, subsequently in 1986, NTPM began to expand into Singapore by setting up a new company, NTPP. During that time, the demand for NTPM's products was well over its supply. This has helped NTPM in surviving through the economic recession then. In order to meet the increasing demand and growth in its sales, NTPM continuously invest in acquiring new machinery to increase its production capacity. By 1999, NTPM has a total of sixteen (16) paper-making machines fully operating with a total production capacity of 38,500 tonnes per annum.

Apart from acquiring additional machinery, NTPM also focused its effort in research and development as a mean to increase its potential production capacity from the existing machinery. Through its effort, NTPM was able to increase its production capacity and at the same time increase its products range to produce pocket tissues, serviettes and paper towels to meet the changing tastes and needs of consumers. To date, NTPM has a production capacity of 150 tonnes a day or approximately 54,000 tonnes per annum with a total of sixteen (16) paper-making machines. Currently NTPM is operating at approximately 80% of its production capacity producing approximately 120 tonnes per day or approximately 43,200 tonnes per annum. NTPM intends to continue to upgrade its machinery to further increase its production capacity.

In 1995, NTPM expanded its supplies to local supermarkets under its distribution company, NTE. In the same year, NTE introduced a computerised system which allowed it to reduce its number of delivery centres from eleven (11) to seven (7) centres by having its salesmen to use palmtop computers to take orders and sending these orders via modem to the delivery centres. At the delivery centres, these orders will be processed and the delivery methods and schedules will be ascertained. This reduces handling cost, delivery time, improves production planning accuracy and cut down on the process of loading and unloading at the intermediate store and thus reduces damage. Currently, NTE has eight (8) sale offices cum delivery centres of which six (6) are located in Peninsular Malaysia, one (1) in Sarawak, one (1) in Sabah and one (1) in Singapore. Realising the need of good branding to compete in the tissue paper industry, NTPM began to focus on its sales and marketing effort in 1995 by branding its products under the brand name "Premier".

In 1996, NTHB was incorporated under the name Bypass Structure Sdn Bhd to be the investment holding company to better manage all the companies under one stable. Since then, NTPM, NTE and NTPP became the subsidiaries of NTHB.

Foreseeing the direction of its future expansion, NTHB Group later acquired Jia In, a printing business in 2000 to complement its paper operations by supplying tissue boxes for packaging of its finished goods.

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**V. INFORMATION ON NTHB GROUP (Cont'd)**

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NTHB Group included facial cotton balls and cotton wool manufactured under Original Equipment Manufacturer ("OEM") arrangement under the brand name "Premier" in March 2002.

**4. BUSINESS OVERVIEW**

NTHB Group is principally involved in the manufacturing and trading of paper products such as tissue papers and toilet rolls and paper related products and trading of cotton related products and investment holding. The operations of NTHB Group are segregated into manufacturing operations, trading operations and other services.

**(i) Manufacturing operations**

The manufacturing operation of NTHB Group is carried out under NTPM, a wholly-owned subsidiary of NTHB. The manufacturing activities are undertaken in a factory building located at Lot 1000, Grant No. 35375 and Lot 999, G. M. 514 Mukim 8, Seberang Perai Selatan, bearing the postal address of 886, Jalan Bandar Baru, Sungei Kechil, 14300 Nibong Tebal, Pulau Pinang, which occupies a freehold land area of about 17.071 acres with a built-up factory area of 28,617 sq. m. Currently, NTPM has sixteen (16) paper-making machines, with total production capacity of approximately 150 tonnes a day or approximately 54,000 tonnes per annum. It is currently operating at approximately 80% of its total production capacity, producing approximately 120 tonnes a day or 43,200 tonnes annually. The production activities are supported by more than 800 workers operating three (3) shifts a day. The annual production capacity of the Group for the preceding five (5) years has increased from 36,000 tonnes in 1998 to 54,000 tonnes currently, registering a growth of approximately 50%.

Other than the manufacturing of tissue papers and toilet rolls, NTHB Group is engaged in the printing business through Jia In, a 60% owned subsidiary of NTPM. Currently, Jia In is involved in the printing of tissue boxes supplying to NTPM for its packaging proposes. The printing operations of Jia In is undertaken at its rented factory situated at 1644, Mukim 10, Lorong Betek, Sungai Rambai, 14000, Bukit Mertajam, Pulau Pinang which occupies a built-up factory area of 9,000 sq. ft. The factory is equipped with plant and machinery such as colour offset machine, die cut machine, folding and glue machine etc. It is currently operating at approximately 66% of its maximum production capacity of 5.3 million pieces per month by producing approximately 3.5 million pieces per month. NTHB Group is planning to expand its printing business under Jia In to venture into printing of carton boxes.

**(ii) Trading operations**

The trading activities (for paper products such as tissue papers and toilet rolls and paper related products, and trading of cotton related products) are managed under NTE, a wholly-owned subsidiary of NTHB which services the domestic market and NTPP, a wholly-owned subsidiary of NTPM which services the Singapore market. These two subsidiaries are responsible for the distribution network of the Group through the sales offices throughout Malaysia and Singapore. Currently, the Group has a total of eight (8) sales offices located in Kuala Lumpur, Johor Bahru, Kuantan, Kuching, Melaka, Kota Kinabalu, Penang and Kota Bahru covering the whole Malaysia and one (1) in Singapore with a total sales workforce of over 230 employees. All the marketing effort and promotional activities of the Group for the Malaysian and Singapore markets are currently undertaken through the trading operations under these two (2) subsidiaries.



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**V. INFORMATION ON NTHB GROUP (Cont'd)**


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In addition to the domestic and Singapore markets, NTHB Group also exports its products to Hong Kong, South Africa, Australia, New Zealand, Bangladesh, India, Nepal, China, Zimbabwe, Taiwan, Kuwait, Turkey and Netherlands. The exports to these countries are handled by agents appointed by NTPM.

**(iii) Other services**

Apart from the manufacturing and trading activities, H-Link a wholly-owned subsidiary of NTHB is also intended to provide support services to the Group through its proposed e-commerce activities. Meanwhile NTPC is a dormant company.

**4.1 Products**

NTHB Group manufactures a wide range of tissue papers, toilet rolls and paper towels for both the local and overseas markets. The products produced and marketed by the Group can be classified under the following categories:

- (i) Toilet rolls;
- (ii) Facial tissue;
- (iii) Pocket tissue packs;
- (iv) Kitchen towels;
- (v) Serviettes and napkins;
- (vi) Paper handkerchiefs;
- (vii) Jumbo toilet rolls; and
- (viii) C-folds.

In March 2002, NTHB Group included facial cotton balls and cotton wool manufactured under OEM arrangement to its existing product range.

Each of these product categories consists of a number of product items produced in different packaging sizes, designs and marketed under different trademarks and brand names used by the Group to cater for the various preferences of consumers.

The various registered brand names for all the range of products produced by the Group in Malaysia categorised based on the high, medium and low end products are as follows:

<b>Brand</b>	<b>Brand</b>
<i>High/Medium end products</i>	<i>Medium/Low end products</i>
Premiere	Fu-Kui-Hua with Chinese characters
Premier	Pokok Kelapa with Chinese characters
Cutie Twin Ply Tissue	Missy
Cutie compact with Sumo baby device	Golden Dragon Fish with Chinese characters
Teddy Soft with Teddy Bear device	MRT and device
Baby device	Brili & device with Chinese characters
Cutie compact with baby device	Floret with Chinese characters

V. INFORMATION ON NTHB GROUP (Cont'd)

The Group has also registered a few other brand names in the following countries:

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|--|---|
| <p><b>a) Singapore</b></p> <p><i>High/Medium end products</i></p> <p>Premier<br/>Cutie &amp; baby device<br/>Teddy soft with Teddy Bear device<br/>Cutie Compact with Sumo baby device<br/>Royal Gold Interleaf<br/>Interleaf</p> <p><i>Medium/Low end products</i></p> <p>Greenwood &amp; Tree device<br/>Brilli<br/>Dragon Phoenix Brand with Chinese characters<br/>Efriend<br/>Conviroll<br/>Morning Dew<br/>Mermaid Brand<br/>Clove<br/>ConVroll<br/>ConVwipes<br/>Away from Home</p> | <p><b>c) Myanmar</b></p> <p><i>High/Medium end products</i></p> <p>Premier<br/>Cutie</p> <p><b>d) Indonesia</b></p> <p><i>High/Medium end products</i></p> <p>Cutie</p> <p><b>e) Vietnam</b></p> <p><i>High/Medium end products</i></p> <p>Cutie</p> <p><b>f) Mauritius</b></p> <p><i>High/Medium end products</i></p> <p>Cutie</p> <p><b>g) Thailand</b></p> <p><i>High/Medium end products</i></p> <p>Cutie<br/>Interleaf</p> |
| <p><b>b) Hong Kong</b></p> <p><i>High/Medium end products</i></p> <p>Cutie Compact</p> <p><i>Medium/Low end products</i></p> <p>Fu Kui Hwa with chinese characters</p>   |   |

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**V. INFORMATION ON NTHB GROUP (Cont'd)**


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In addition, the Group is also in the process of registering other brand names as set out below and has submitted the necessary applications to the authorities:

<p><b>a) Malaysia</b></p> <p><i>High/Medium end products</i></p> <p>Cutie Compact Interleaf Royal Gold Interleaf Royal Premium Quality with Flower device NTPM NTPM Babysumo CONVIROLL COMPACT Baby Song “Baby Song” in chinese characters</p> <p><i>Medium/Low end products</i></p> <p>Tropica Efricnd Away from Home Clove Conviroll CONVwipes CONVroll Living Floral</p>	<p><b>b) Philippines</b></p> <p><i>High/Medium end products</i></p> <p>Cutie</p> <p><b>c) Singapore</b></p> <p>Morning Dew</p> <p><b>d) Thailand</b></p> <p><i>High/Medium end products</i></p> <p>Premier</p> <p><b>e) Mauritius</b></p> <p><i>High/Medium end products</i></p> <p>Premier Royal Gold Interleaf</p> <p><b>f) India</b></p> <p><i>High/Medium end products</i></p> <p>Premier Cutie</p>
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The various ranges of products produced by NTHB Group are catered for the diverse needs of the different market segments. For instance, tissue papers are targeted for economical daily usage compared to pocket tissue packs or paper handkerchiefs which concentrate more on convenience and style whilst serviettes are targeted for corporate customers such as restaurants compared to paper towels which are targeted for consumers for kitchen usage and hotels.

All the products of NTHB Group focus on the concept of providing more value for money by offering its products at affordable prices without compromising its quality. The products of NTHB Group are made from a combination of mainly wastepaper with a small amount of virgin pulp. NTHB Group understands that consumers focus on being economical particularly for products which are a necessity and required for daily usage such as tissue and toilet rolls. In view of this, the products offered by NTHB Group provides the balance between quality and price by offering products that meets the customers' requirement at affordable prices. This is one of the attributes of its products which the Group has concentrated on throughout the years in order to win over its competitors.

## V. INFORMATION ON NTHB GROUP (Cont'd)

The Group also offers various range of products ranging from high/medium end products such as Premier, Cutie Compact and Royal Gold Interleaf to cater for high/medium income group to medium/low end products such as Budget and others to cater for medium to medium/low income group. This helps the Group to focus on promoting the suitable range of products to suit the demands and preference of different customer groups.

Based on the Back Data Report for Year 2000, 2001 and 2002 by ACNielsen Retail Measurement Services, Premier and Cutie were ranked first in terms of sales in volume and value in Peninsular Malaysia from 2000 to 2002.

In addition to the aforementioned, NTHB Group also manufactures tissue boxes solely for internal use and sells facial cotton, cotton balls and cotton wool manufactured under OEM arrangement under the brand name "Premier" to third parties.

### 4.2 Principal markets, end-users and demand for the products

#### *Principal Market*

NTHB Group's products are marketed in Malaysia and outside Malaysia and the breakdown of the respective sales value for the past five (5) years ended 30 April 2002 and five (5) months period ended 30 September 2002 is set forth below:

	Financial year ended 30 April										Financial period ended 30 September 2002	
	1998		1999		2000		2001		2002		Sales Value	
	Sales Value RM 000	%	Sales Value RM 000	%	Sales Value RM 000	%	Sales Value RM 000	%	Sales Value RM 000	%	RM 000	%
Malaysia	57,670	44.3	80,667	53.9	93,870	61.5	110,132	66.9	126,430	69.6	53,546	69.7
Hong Kong	37,240	28.6	32,589	21.8	22,122	14.5	10,988	6.7	6,470	3.6	3,106	4.0
Others	35,413	27.2	36,508	24.4	36,587	24.0	43,601	26.5	48,801	26.9	20,179	26.3
Total Exports	72,653	55.7	69,097	46.1	58,709	38.5	54,589	33.1	55,271	30.4	23,285	30.3
Total Sales	130,323	100.0	149,764	100.0	152,579	100.0	164,721	100.0	181,701	100.0	76,831	100.0

Overall, for the financial year ended 30 April 2002 and five (5) months financial period ended 30 September 2002, the Malaysian sales contributed approximately 69.6% and 69.7% of the total sales of NTHB Group while sales outside Malaysia contributed approximately 30.4% and 30.3% of the total sales of NTHB Group respectively. The Malaysian sales mainly consist of large to medium scale local wholesalers, hypermarkets, supermarkets and departmental stores as well as small scale grocery stores, most of which the Group has established a customer relationship for more than five (5) years. Meanwhile, the sales made outside Malaysia are mainly sales to Singapore, Hong Kong, South Africa, Australia, New Zealand, Bangladesh, India, Nepal, China, Zimbabwe, Taiwan, Kuwait, Turkey and Netherlands.

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**V. INFORMATION ON NTHB GROUP (Cont'd)**

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The Group sells its products in Malaysia and Singapore through an established distribution network of Malaysian and Singaporean wholesalers, as well as outside Malaysia through agents who handle exports. Over the past 17 years, NTHB Group through its marketing arms, NTE and NTPP, have successfully established a diversified market network with eight (8) sales offices throughout Malaysia and one (1) in Singapore. Meanwhile, agents are appointed to handle the export sales to each of the countries such as Taiwan, Australia, South Africa, Bangladesh, Nepal, India, China, Zimbabwe, Turkey, Kuwait and Netherlands. With a diverse distribution network, the Group is not overly dependent on a limited number of customers.

The reduction in the export to Hong Kong since 1998 is due to the increased competition from manufacturers from China. Rather than competing with them by adopting a price war (which will result in reduction in the Group's margin), the Group's management decided to reduce its export to Hong Kong and to strengthen its position in the domestic market while expanding its overseas market by exporting to more countries and without being overly dependent on any country for its export sales. The Group has since then doubled its sales in Malaysia, and increased its export market from fifteen (15) countries in 1998 to nineteen (19) countries in 2001.

***End-users and Demand***

The Directors of NTHB believe that the types of end-users for the products offered by NTHB Group can be categorised into household or consumers and commercial market or better known as the "away from home" market which consist of hotels and commercial sectors. The household or consumers market segment is believed to cover a higher percentage of the demand in the industry in Malaysia. 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 household or consumer market can be further segmented into different market segments depending on the household income level. Toilet rolls, tissue rolls and kitchen towels are mainly catered for middle to higher income group, whereas serviettes are catered for the whole market in general. The market penetrations for these paper related products are relatively high for all income level but rises gradually as income level increases.

**4.3 Major Customers**

NTHB Group has a wide and diversified range of customers, ranging from overseas customers to local wholesalers and retail outlets and corporate consumers. The Group is not dependent on any single customer or group of customers for its business. NTUC Fairprice Co-Operative Ltd. (a customer with eight (8) years of relationship with the Group) contributed approximately 11.2% of the of the Group's turnover for the five (5) months financial period ended 30 September 2002.

**4.4 Major Suppliers**

NTHB has in the past been able to secure steady supply of materials for its operation from various established overseas and local suppliers. The Group is not reliant on any particular supplier for its materials. There is no supplier that contributes more than 10% of the Group's purchases for the five (5) months financial period ended 30 September 2002.

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**V. INFORMATION ON NTHB GROUP (Cont'd)**


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**4.5 Production Facilities and Process**

Currently, the Group's factory located at Lot 1000, Grant No. 35375 and Lot 999, G. M. 514, Mukim 8, Seberang Perai Selatan, bearing the postal address of 886, Jalan Bandar Baru, Sungai Kechil, 14300 Nibong Tebal, Pulau Pinang, occupies a freehold land area of about 17.071 acres with a gross built-up area of 28,617 sq. m. which houses sixteen (16) paper-making machines, with production capacity of approximately 150 tonnes of tissue papers, toilet rolls and paper related products a day or 54,000 tonnes per annum.

The production capacity and annual production output of the Group for the preceding five (5) years are as follows:

<b>Year ended 30 April</b>	<b>Production capacity (tonnes)</b>	<b>Annual production output (tonnes)</b>
2002	47,880	41,871
2001	43,200	37,621
2000	39,600	36,685
1999	38,500	35,015
1998	36,000	33,616

**Note:**

\* *The current annual production capacity of NTHB Group is 54,000 tonnes per year or 150 tonnes per day. The Group currently operates at approximately 80% of its production capacity producing approximately 120 tonnes per day or approximately 43,200 tonnes per annum.*

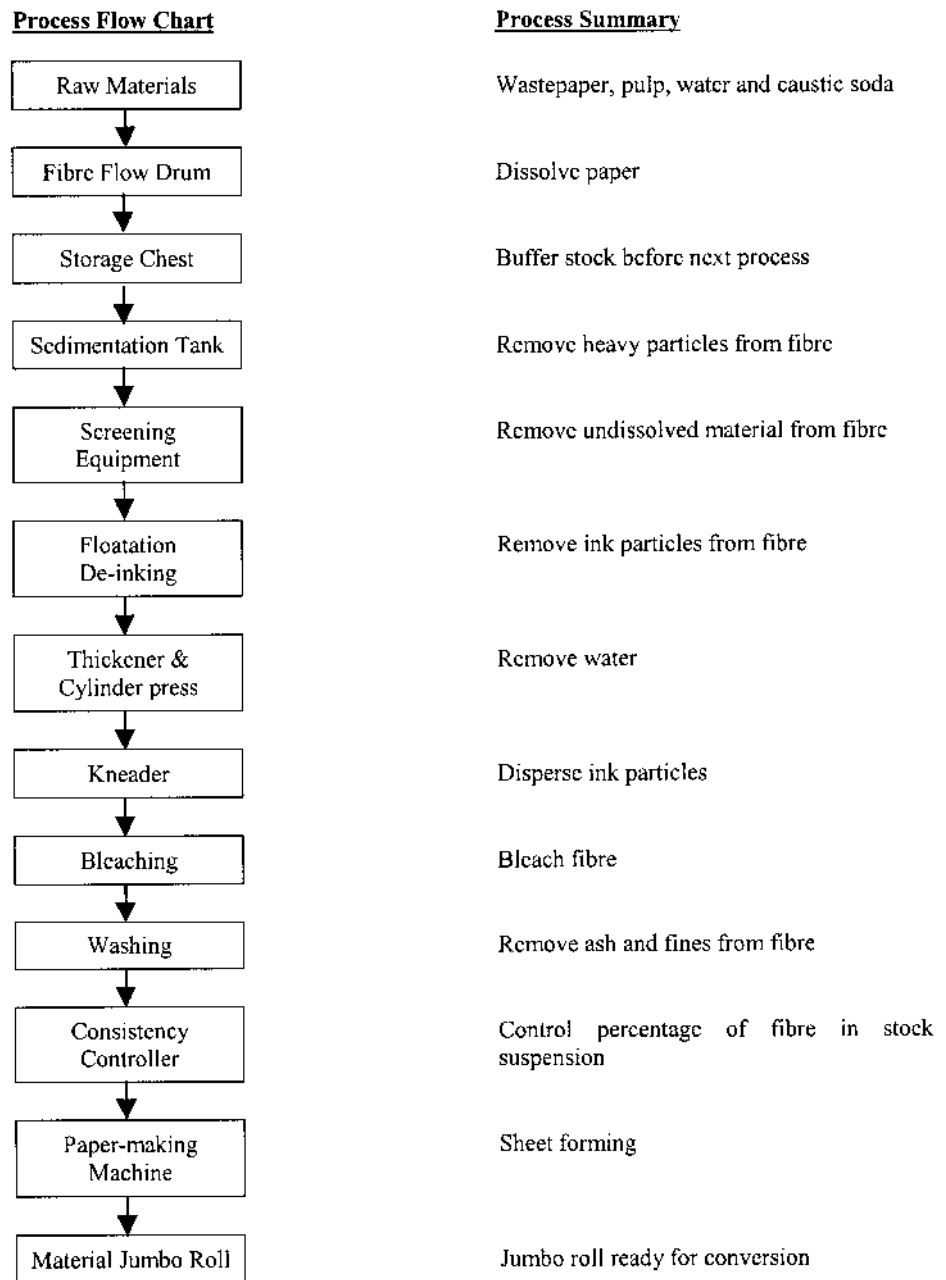
For the conversion of paper to the various products, the Group has four (4) toilet/tissue lines, one (1) kitchen towel line, five (5) facial tissue lines, two (2) serviettes lines and two (2) napkins lines, one (1) C-fold line, one (1) multi-fold line, one (1) cube box tissue line, three (3) pocket tissue lines and two (2) jumbo toilet rolls lines.

Modern mechanised production methods are used in the production of the Group's products and are constantly being upgraded with a view of using the latest technology not only to improve the quality of products and to obtain higher production yields but also to introduce new products and packaging.

The factory operates on three (3) shifts a day. The constant improvements and upgrading of the production facilities have enabled the Group to enhance its operating efficiency and improve its product margins by producing quality products at competitive prices.

V. INFORMATION ON NTHB GROUP (Cont'd)

The paper production process can be segregated into two (2) main processes comprising stock preparation and paper-making which can be summarised as follows:



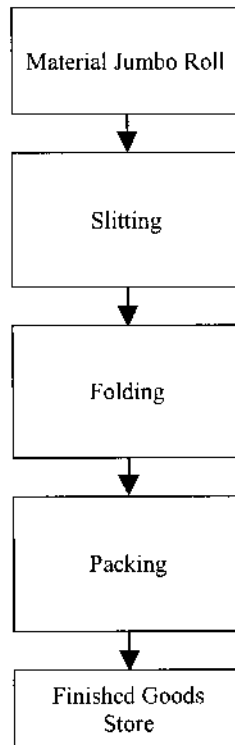
During the paper production process, several tests are undertaken to ensure that the finished paper rolls meet the quality requirements. This includes colour tone checking, weight and thickness checking and other relevant quality tests. This is to ensure that the jumbo rolls are in good condition to be further processed into finished paper products. Those materials which do not meet the stringent quality tests are put through the production process again depending on the types of defects.

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**V. INFORMATION ON NTHB GROUP (Cont'd)**


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Subsequent to the production of papers into material jumbo rolls, the conversion process will be undertaken to convert paper into facial tissues, pocket tissues, serviette, paper napkins and other paper related products. A summary of the conversion process is as follows:

**Process Flow Chart****Process Summary**

Jumbo roll from paper-making machine were wound at diameter of 1.5 metre and transfer to the slitting machine

Before the next process (i.e. folding), big jumbo roll will be slitted into the various width and sizes according to the product and folding machine specifications

Slitted Jumbo rolls are further slitted into per-sheet size and folded according to the number of sheets required per box or per-packet

Folded Tissue are fed into the packing machine (Auto/Semi-Auto) and packed according to required specifications and brand name

Product ready for shipment

The conversion process carried out in the production facilities is further divided into production processes for sheet form and roll form i.e. for tissue papers and toilet rolls as the requirements of both products are different. Similar to the paper production process, the conversion process also has its own set of quality tests including brightness tests, size, width and colour tone tests.

Currently, the overall production of NTHB Group is operated under a semi-automated production process. However, the Group is in the process of developing its own computerised control system which will enable them to reduce the reliance on manual labour and reduce production downtime between changing of shifts.

There was no major interruption in the production which may have had a significant effects on the operations of the Group during the past twelve (12) months preceding the date of this Prospectus.



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**V. INFORMATION ON NTHB GROUP (Cont'd)**

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**4.6 Raw Materials Sourcing**

The raw materials used by the Group for its production are mainly pulp and wastepaper, with the approximate composition of 2% pulp and 55% wastepaper. The Group's pulp materials are procured from overseas suppliers, mainly from US, Singapore and Japan whereas approximately two-thirds of the wastepaper materials are procured locally. The Group has a wide range of suppliers and does not have any special buying terms or contracts with its suppliers. The Group is not overly dependent on a limited number of suppliers. In addition, the Group currently has no material financial arrangements with its suppliers which is the norm in the industry.

Throughout the years, NTHB Group has established and maintained a good rapport with its suppliers and has not experienced any difficulties in obtaining raw materials. As the Group procures substantial raw materials from overseas suppliers, it is a normal practice to hedge its net exposure to foreign exchange risk by entering into short term forward currency contracts in order to minimise its exposure to the fluctuation in the foreign currency. Currently, with the pegging of RM to USD, the Group is exposed to minimal foreign exchange risk. Nonetheless, the Group has adopted a more prudent approach to hedge its net exposure to foreign exchange risk by entering into forward currency contracts based on the net foreign currency cashflow of the Group for a three (3) month period.

**4.7 Competitive Conditions**

The tissue papers, toilet rolls and paper related products industry in Malaysia is currently dominated by two (2) major manufacturers, namely NTHB Group and Kimberly. NTHB Group faces competition from Kimberly with its brand names such as "Scott" and "Kleenex". The remaining manufacturers are generally smaller in size and production capacity.

The main factors contributing to the competitive advantage of NTHB Group over its competitors are as follows:

**(i) Production facilities and capacity**

The Directors of NTHB believe that one of the strongest strengths of NTHB Group is its production facilities. With a total of sixteen (16) paper-making machines and a total production capacity of 54,000 tonnes annually, NTHB Group is one of the largest manufacturer tissue papers, toilet rolls and paper related products in Malaysia. This puts NTHB Group in a relatively stronger position compared to other manufacturer.

Apart from being able to produce more, the production facilities of NTHB Group also allows the Group to take advantage of economies of scale through large scale production to enhance production efficiency and minimise production cost. This advantage has contributed much to the success of the Group over the years.

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**V. INFORMATION ON NTHB GROUP (Cont'd)**

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**(ii) Brand names and product quality**

Over the years, NTHB Group has continuously worked towards the establishment of its brand names mainly "Premier", "Fu-Kui-Hwa", "Cutie Soft", "Cutie Compact", "Royal Gold Interleaf" and other brands in Malaysia, Singapore as well as Hong Kong through enhancing the features and quality of its products. The Group was recently awarded with two (2) Industry Excellence Awards 2002 organised annually by the MITI in 2003. The Group was awarded a Special Award for Product Excellence (Development of a Malaysian Brand Name) for its "Premier" brand name and a Product Excellence Award for Category III (Local Company with annual sales above RM25 million) for its "Cutie" products.

NTHB Group has been increasing its market share in sales volume terms from 48% (2000), 53% (2001) to 60% (2002) in the facial tissue market in Peninsular Malaysia and from 45% (2000), 49% (2001) to 51% (2002) in the toilet paper market in Peninsular Malaysia (*Source: Back data report for year 2000, 2001 and 2002 by ACNielsen Retail Measurement Services*). Both "Premier" and "Cutie" were ranked first in terms of its total sales value and sales volume by brand names for the facial tissue papers and toilet papers markets from 2000 to 2002 and have also increased their respective market share (in sales volume) to 55% and 40% (*Source: Back data report for year 2000, 2001 and 2002 by ACNielsen Retail Measurement Services*). The Directors of NTHB believe that its achievements are mainly due to the attractive pricing, brand awareness and the high quality of its products. Apart from the domestic market, NTHB Group is also establishing a stronger presence in overseas market.

The Directors of NTHB believe that one of the main strengths of the Group is its ability to offer its products to consumers at affordable prices without compromising its quality. In fact, the Group has been able to increase the quality of its products throughout the years while maintaining at a competitive price without affecting its profit margin. This is possible due to the Group's ability to continuously develop ways to improve its production processes and also sourcing alternatives for its raw materials to substitute the high costs pulp with other materials which offers almost similar quality.

**(iii) Technology**

The business operations of the Group require usage and investments in heavy machineries and equipment. The Board believes that the current technology and machineries employed/used by the Group will continue to adequately serve the needs of the business operations in the foreseeable future. In addition, the Group is committed to re-invest in more advances machineries and technologies as and when the need arises.

Over the past decade, NTHB Group has invested in research and development for better process technology using available resources and information. The Group has managed to improve its production process through its own research and continual investment in capital equipment. The development of its own technology and its judicious investment decisions has allowed the Group to produce better quality products and provide a more efficient and effective manufacturing process. This has contributed much to the success of the Group in enhancing its production processes to maximise the benefits from economies of scale and provide further cost savings.

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V. INFORMATION ON NTHB GROUP *(Cont'd)*

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Among the areas of research and development carried out by NTHB Group includes replacement of pulp with recycled fibre, replacement of chemicals used in the production process and the development of a new range of facial tissue products.

The Group also acquired a Black Clawson de-inking machine which enable them to increase the quality of the lower grade raw material and thus maintaining the quality of its products while reducing cost. At the same time, this allow the Group to be more environmental friendly by using the technology to recycle wastepaper for production usage.

**(iv) Distribution strength**

NTHB Group has established a distribution network in Malaysia and Singapore through setting up eight (8) sales offices throughout Malaysia and one (1) in Singapore. This has enabled the Group to expand its market coverage throughout Malaysia and Singapore. Furthermore, these sales offices use an efficient computerised sales system, whereby sales orders are updated on-line. This provides better stock management and a more effective and efficient delivery system. At the same time, NTHB Group has also set-up its own fleet of trailers, trucks and vans, painted with the "Premier" logo, colours and design, supplying its products to the entire Peninsular Malaysia and Singapore. With the computerised sales systems, currently adopted by the Group, the number of warehouses and stockholding required are minimised.

**(v) Market access**

Owing to its in-house technology development and its manufacturing facilities, NTHB Group is able to produce very high quality products at reasonable prices that are generally preferred and acceptable to Malaysian as well as Singapore and Hong Kong customers. At the same time, NTHB Group also exports to other countries such as Taiwan, Australia, South Africa, Bangladesh, Nepal, India, China, Zimbabwe, Turkey, Kuwait, Netherlands, Cambodia, Mauritius, Philippines, New Zealand, Sri Lanka and Thailand. With other Asean countries poised to record growth over the next few years and the implementation of AFTA in 2003, the Directors of NTHB believe that the Group will be able to expand further regionally and globally. This will put NTHB Group in a stronger position and worldwide recognition.

**(vi) Market strategies**

Over the years, NTHB Group has been competing in the price sensitive range of products, with effective promotions and advertising strategies. Part of the Group's marketing strategies include the introduction of new packaging designs to make the products more attractive and advertisements of products in order to stimulate greater market awareness and demand. For instance, marketing activities are undertaken through radio advertisement and product demonstration at supermarkets to promote its slogan "Buy Tissue Not Air".

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**V. INFORMATION ON NTHB GROUP (Cont'd)**

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**(vii) Financial strengths**

NTHB Group has been over the years maintained good business relationship with its bankers and suppliers enabling the Group to obtain continuous strong credit support to finance its operation. This is mainly due to the ability of NTHB Group to maintain a strong and growing financial position which ensures prompt payments made to its suppliers as well as its bankers.

**(viii) Management team**

On average, the current management team has more than eight (8) years of experience in the tissue papers, toilet rolls and paper related products industry. The vast experience of current management team is a valuable asset to the Group. The management team coupled with the adoption of efficient and cost effective internal process development, high technology production methods and comprehensive computerised sales system have provided NTHB Group with a competitive edge over its competitors and contributed significantly to the success of the Group.

The Managing Director, Mr Lee See Jin has more than 26 years of experience in the tissue papers, toilet rolls and paper related products industry. His strong technical know-how in manufacturing tissue papers, toilet rolls and paper related products has over the years, introduced the Group to significant technology breakthrough that has enabled it to reduce production cost without compromising its quality.

The Group places great emphasis in ensuring the continuous development and learning of its personnel. In order to ensure this, the Group focuses on providing continuous in-house training on housekeeping, maintenance and production processes as well as ongoing external training to help its employees gain new knowledge and experience to help the Group to continue to grow in the future.

**4.8 Research and Development**

NTHB Group is a highly market driven organisation where new products are constantly being developed and where production process are being improved upon to reach higher quality and productivity standards. Over the years, the research and development undertaken by NTHB Group has enabled it to increase its products range to produce facial tissue, serviettes, kitchen towels and many more.

The engineering group led by Mr Lee Chong Choon, an Executive Director of NTHB plays a key role in maintaining the Group's competitive edge and is responsible for the development of low cost but effective production technology processes which improve quality and productivity leading to lower manufacturing cost. At the same time, the Group also consults third party experts in conducting viability studies on new products and production processes.

The research and development team of NTHB Group is fully equipped with laboratory facilities and pilot plant facilities. The equipment available includes laboratory beater, freshness tester, analytical balance, vibration screen and others. These equipment are used in the development process for quality testing and control order to ensure that the new products developed meet the requirements set.