

THE APPROVAL OF THE SECURITIES COMMISSION ("SC") SHALL NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE OFFER FOR **SALE** AND/OR THE RESTRUCTURING AND FLOTATION OF MINPLY HOLDINGS (M) BERHAD ("**MHB**") ON THE KUALA LUMPUR STOCK EXCHANGE ("KLSE"). INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF ANY INVESTMENT IN MHB.

THE OFFER PRICE OF **RM1.15** PER ORDINARY SHARE WAS DETERMINED AND AGREED UPON BY MHB, THE OFFERORS AND COMMERCE INTERNATIONAL MERCHANT BANKERS BERHAD, AS ADVISER AND MANAGING UNDERWRITER, BASED ON VARIOUS RELEVANT FACTORS. INVESTORS SHOULD FORM THEIR OWN VIEWS ON THE VALUATION OF THE SECURITIES AND THE REASONABLENESS OF THE BASES USED.

THE VALUATION OF THE PROPERTIES APPROVED BY THE SC PURSUANT TO THE RESTRUCTURING AND FLOTATION EXERCISE SHALL ONLY BE UTILISED FOR THE PURPOSE OF THE CORPORATE PROPOSAL SUBMITTED, AND SHALL NOT BE CONSTRUED AS AN ENDORSEMENT BY THE SC ON THE VALUE OF THE SUBJECT PROPERTY FOR ANY OTHER PURPOSES.

THE KLSE ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENTS MADE OR OPINIONS OR REPORTS EXPRESSED IN THIS PROSPECTUS. ADMISSION TO THE OFFICIAL LIST OF THE SECOND BOARD OF THE KLSE IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF MHB OR OF ITS ORDINARY SHARES.

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

DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following abbreviations shall apply throughout:-

“Acquisition of AFI”	The acquisition by MHB of 5,000,000 ordinary shares of RM1 .00 each representing 100% equity interest in AFI for a total purchase consideration of RM6,349,934 satisfied by the issuance of 4,334,498 new ordinary shares of RM 1 .00 each in MHB at an issue price of approximately RM 1.46 per share
“Acquisition of Minply”	The acquisition by MHB of 12,090,863 ordinary shares of RM 1 .00 each representing 100% equity interest in Minply for a total purchase consideration of RM36,021,093, satisfied by the issuance of 24,671,500 new ordinary shares of RM 1 .00 each in MHB at an issue price of approximately RM 1.46 per share
“Acquisitions from Minply”	The acquisitions by MHB from Minply of the entire equity interests in EPI, CES, MI and 70% equity interest in MB for a total cash consideration of RM5,037,300
“Acquisitions”	The Acquisition of Minply, Acquisition of AFI and Acquisitions from Minply, collectively
“ADA”	Authorised Depository Agent
“A DA Code”	ADA (Broker) Code
"AFI"	Allfit Furniture Industries Sdn. Bhd. (<i>Company No.: 172453-X</i>)
“Application”	The application for the Offer Shares by way of Application Forms or by way of Electronic Share Application
“Application Form”	The printed application form for the application of the Offer Shares
“ATM”	Automated Teller Machine
“CDS”	Central Depository System
"CES"	Camsco Electrical Switchgear Sdn. Bhd. (<i>Company No.: 183466-T</i>)
"CIMB"	Commerce International Merchant Bankers Berhad (<i>Company No.: 18417-M</i>)
“Electronic Share Application”	The application for the Offer Shares through a Participating Financial Institution’s ATM
"EPI"	Elit Press Industries Sdn. Bhd. (<i>Company No.: 194947-P</i>)
"EPS"	Earnings per share
"FIC"	Foreign Investment Committee
"HK\$"	Hong Kong Dollar
"KLSE"	Kuala Lumpur Stock Exchange (<i>Company No.: 30632-P</i>)
“MB”	Minply Builders Sdn. Bhd. (<i>Company No.: 361254-V</i>)
"MCD"	Malaysian Central Depository Sdn. Bhd. (<i>Company No.: 165570-W</i>), a subsidiary of the KLSE
“MHB” or “Company”	Minply Holdings (M) Berhad (<i>Company No.: 32.5631-V</i>)
“MHB Group” or “Group”	MHB and its subsidiaries

DEFINITIONS (Cont'd)

"MI"	Minply Industries (M) Sdn. Bhd. (Company No.: 245200-V)																																	
"MIH"	Malaysian Issuing House Sdn. Bhd. (Company No.: 258345-X)																																	
"Minply"	Minply Sdn. Bhd. (Company No.: 85702-T)																																	
"MITI"	Ministry of International Trade and Industry																																	
"NTA"	Net tangible assets																																	
"Offer Shares"	The 6,011,000 ordinary shares of RM 1.00 each fully paid-up in MHB offered by the Offerors pursuant to the Offer																																	
"Offer"	The offer for sale of 6,011,000 ordinary shares of RM 1.00 each in MHB by the Offerors at an offer price of RM1.15 per share subject to the terms and conditions of this Prospectus																																	
"Offerors"	Certain existing shareholders of MHB who are offering for sale the Offer Shares as follows:-																																	
	<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; vertical-align: bottom;">Name of shareholders</th> <th style="text-align: right; vertical-align: bottom;">No. of Offer Shares</th> <th style="text-align: right; vertical-align: bottom;">Percentage of issued share capital %</th> </tr> </thead> <tbody> <tr> <td>Ng Hip Mang</td> <td style="text-align: right;">23 1,000</td> <td style="text-align: right;">0.58</td> </tr> <tr> <td>Ng Ah Kuan</td> <td style="text-align: right;">265,000</td> <td style="text-align: right;">0.66</td> </tr> <tr> <td>Ng Kim Hwa</td> <td style="text-align: right;">33,000</td> <td style="text-align: right;">0.08</td> </tr> <tr> <td>Chce Ah Leh</td> <td style="text-align: right;">582,000</td> <td style="text-align: right;">1.45</td> </tr> <tr> <td>Chee Ah Boon</td> <td style="text-align: right;">198,000</td> <td style="text-align: right;">0.50</td> </tr> <tr> <td>Chce Boon Yeong</td> <td style="text-align: right;">34,000</td> <td style="text-align: right;">0.09</td> </tr> <tr> <td>Toh Kit Chong (@ Toh Kek Keong</td> <td style="text-align: right;">65,000</td> <td style="text-align: right;">0.16</td> </tr> <tr> <td>Toh Khck Liang</td> <td style="text-align: right;">33,000</td> <td style="text-align: right;">0.08</td> </tr> <tr> <td>RSB</td> <td style="text-align: right;">4,570,000</td> <td style="text-align: right;">1 1.43</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">6,0 11,000</td> <td style="text-align: right; border-top: 1px solid black;">15.03</td> </tr> </tbody> </table>	Name of shareholders	No. of Offer Shares	Percentage of issued share capital %	Ng Hip Mang	23 1,000	0.58	Ng Ah Kuan	265,000	0.66	Ng Kim Hwa	33,000	0.08	Chce Ah Leh	582,000	1.45	Chee Ah Boon	198,000	0.50	Chce Boon Yeong	34,000	0.09	Toh Kit Chong (@ Toh Kek Keong	65,000	0.16	Toh Khck Liang	33,000	0.08	RSB	4,570,000	1 1.43		6,0 11,000	15.03
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"Participating Financial Institution(s)"	The participating financial institution(s) for Electronic Share Application as listed in paragraph 4.2 of Section XV of this Prospectus																																	
"PE Multiple"	Price earnings multiple																																	
"Rights Issue"	The renounceable rights issue of 10,994,000 new ordinary shares of RM1.00 each in MHB at an issue price of RM1.15 per share on the basis of approximately 379 new ordinary shares for every 1,000 ordinary shares held after the Acquisitions																																	
"RM"	Ringgit Malaysia																																	
"RSB"	Recomation Sdn. Bhd. (Company No.: 445553-X)																																	
"SC"	Securities Commission																																	
"sq. ft."	Square feet																																	

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1. PROSPECTUS SUMMARY

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

1. THE BUSINESS

MHB is principally an investment holding company. The principal activities of its subsidiaries are as follows:-

Subsidiaries	Effective, equity interest held by MHB %	Principal activities
Minply	100	Trading of plywood, furniture parts, accessories, other wood-based panels and products
EPI	100	Manufacturing of metal hinges, furniture parts and accessories
MI	100	Manufacturing of furniture parts and accessories
AFI	100	Manufacturing of wooden knockdown furniture, fittings and other wood-based products
CES	100	Manufacturing and assembling of transformers and other electrical components
M B	70	Sub-contracting services

2. OWNERSHIP AND MANAGEMENT

The management team of the MHB Group is headed by its Executive Chairman, Chee Ah Leh, Vice Chairman, Ng Ah Kuan and Managing Director, Chee Boon Yeong. Chee Ah Leh and Ng Ah Kuan are both founders of the MHB Group and have extensive experience in the manufacturing and trading of furniture, furniture parts, accessories, wood-based panels and products.

The key management team comprises people with capabilities and experience in their respective fields including production, quality control, finance, marketing, business development and corporate planning.

Chee Ah Leh is a substantial shareholder of MHB by virtue of his direct shareholding of 0.44% and indirect shareholding through RSB of 48.55% after the Offer.

Ng Ah Kuan is also a substantial shareholder of MHB by virtue of his direct shareholding of 0.20% and indirect shareholdings through RSB and Chin Ming Trading (Pte.) Ltd. of 48.55% and 1.49% respectively after the Offer.

I. PROSPECTUS SUMMARY (Cont'd)

3. INVESTMENT CONSIDERATIONS

Investment considerations set out below are summarised from Section V of this Prospectus.

(i) No prior market for MHB shares

Prior to this Offer, there has been no public market for MHB shares. There can be no assurance that an active market for MHB shares will develop upon listing on the Second Board of the KLSE or, if developed, that such market will be sustained.

(ii) Substantial shareholders

The Company has 2 principal substantial shareholders, namely RSB and Dato' Mohd. Taufik Bin Abdullah, who will control a total of approximately 70.92% direct equity interest in the Company after the Offer as disclosed in Section XIV(3)(ix) of this Prospectus. As a result, it is likely that the said substantial shareholders will be able to effectively control the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law and/or by the relevant authorities.

(iii) Business risks

MHB is subject to certain business risks. Although the Group seeks to limit these risks through, inter-alia, semi-automated operations, large pool of suppliers and customer base and prudent management policies, no assurance can be given that any change to these factors will not have a material adverse effect on the Group's business.

(iv) Political and economic considerations

The MHB Group's future growth and level of profitability are expected to be closely linked to the economic developments in Malaysia and the South East Asia region. Any adverse development in political and economic uncertainties in Malaysia and the East Asian region in which the Group serves could materially and adversely affect the financial performance of the Group.

(v) Competition

The MHB Group faces competition from various local and foreign competitors. No assurance can be given that the MHB Group will be able to maintain its existing market share in the future.

(vi) Dependence on key personnel

The Group believes that its continued success depends to a significant extent upon the abilities and continued efforts of its existing Directors, senior management and skilled personnel.

(vii) Profit forecast

This Prospectus contains certain profit forecast for the MHB Group that has been prepared based on assumptions which the Directors of MHB believe to be reasonable. However, these assumptions are subject to uncertainties and contingencies. There can be no assurance that the profit forecast contained herein will be realised as actual results may be materially different from those forecast.

1. PROSPECTUS SUMMARY (*Cont'd*)

(viii) Year 2000 ("Y2 K") Compliance

Steps have been made to ensure that the hardware and software used by the Group, including software for accounting, are Y2K compliant. The total cost of the upgrade and replacement of all non-Y2K compliant computer hardware and software is estimated to be RM50,000 and is immaterial to the Group's operations and liquidity. The Group targets to be fully compliant by end-September 1999. However, no assurance can be given that the Group will not be materially affected by the problems caused by non-compliance with the Y2K issue.

4. PROSPECTS

Products manufactured by the MHB Group are mainly sold locally to furniture manufacturers and dealers. During the financial year ended 31 December 1998, the proportion of local and export sales of the MHB Group were approximately 65% and 35% respectively. Exports were mainly to Singapore, Indonesia, United States of America and Japan.

Despite the financial crisis in the East Asian region, the domestic economic growth for 1999 is forecast at 1%, following measures introduced by the Government to maintain financial stability and confidence as well as to minimise the impact of the regional financial crisis on the economy. The manufacturing industry which is forecast to grow at 0.8%, is expected to continue to play an important role in the industrialisation and economic growth of Malaysia.

(Source : Bank Negara Malaysia, 1998 Annual Report)

In tandem with the expected recovery of the Malaysian economy, MHB Group's main strategy is to further consolidate and expand its existing core business through the expansion of existing production capacity, improved efficiency in production processes which will enable it to reduce production costs and wastages and a wider product range to meet the diverse needs of the Group's customers. The MHB Group is also committed to its on-going research and development ("R&D") to further enhance the productivity of its operations and the quality of its products as well as to enable it to develop new and innovative products. In addition, the MHB Group plans to increase its marketing efforts for its export markets through appointments of marketing agents to tap the opportunities in Indonesia, Singapore, Japan, Middle East, Philippines and Thailand.

I. PROSPECTUS SUMMARY (Cont'd)

5. FINANCIAL HIGHLIGHTS

The table below sets out a summary of the proforma consolidated results of the MHB Group for the 5 financial years ended 31 December 1998 and 3 months ended 31 March 1999, prepared based on the audited accounts of Minply, EPI, AFI, CES and MI for the 5 financial years ended 31 December 1998 and 3 months ended 31 March 1999, the audited accounts of MB for the period from 27 September 1995 (date of incorporation) to 31 December 1996, 2 financial years ended 31 December 1998 and 3 months ended 31 March 1999 and on the assumption that the current structure of the Group has been in existence throughout the period under review:-

	Years ended 31 December					3 months ended 31 March 1999
	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	RM'000
Turnover	39,957	64,877	90,818	91,688	63,756	13,862
Profit before taxation	5,113	8,135	10,196	11,589	4,721	1,700
Taxation	(545)	(1,232)	(2,305)	(2,454)	(1,027)	
Profit after taxation	4,568	6,903	7,891	9,135	3,694	1,700
Minority interests			(13)	(43)	5	2
Profit after taxation and minority interests	4,568	6,903	7,878	9,092	3,699	1,702
Extraordinary item ⁽¹⁾	(45)					
Profit after taxation and extraordinary item	4,523	6,903	7,878	9,092	3,699	1,702
No. of ordinary shares assumed in issue ('000)''	29,006	29,006	29,006	29,006	29,006	29,006
Gross EPS (sen) ⁽³⁾	17.62	28.05	35.10	39.75	16.29	+23.47
Net EPS (sen) ⁽⁴⁾	15.75	23.80	27.16	31.35	12.75	+ 23.47

+ Annualised.

Notes:-

- (1) The extraordinary item for the financial year ended 31 December 1994 represents real property gains tax on the sub-leasing of leasehold land and building to a subsidiary.
- (2) Being the number of shares in issue after the Acquisitions but prior to the Rights Issue.
- (3) Based on the profit before taxation and extraordinary item but after minority interests divided by the number of ordinary shares assumed in issue. The profits before taxation and extraordinary item but after minority interests for the 3 financial years ended 31 December 1998 and 3 months ended 31 March 1999 are RM10,182,000, RM11,529,000, RM4,726,000 and RM1,702,000 respectively.
- (4) Based on the profit after taxation and minority interests but before extraordinary item divided by the number of ordinary shares assumed in issue.
- (5) The increase in turnover for the financial years ended 31 December 1995 and 1996 were mainly due to the increase in the sales volume of metal hinges and Medium Density Fibre ("MDF") boards. Profit before taxation continued to increase for both financial years mainly due to the significant increase in turnover and improved margins for metal hinges, furniture parts and accessories.
- (6) There were no significant fluctuation in turnover for the financial year ended 31 December 1997. However, profit before taxation recorded an increase of approximately 14% principally due to the higher sales contribution by products that yielded higher gross profit margin such as metal hinges.

I. PROSPECTUS SUMMARY (Cont'd)

- (7) *Turnover for the financial year ended 31 December 1998 and the financial period ended 31 March 1999 were significantly lower compared to previous years following the decrease in the sales volume of plywood, electrical components, fire doors and contract income from subcontracting work as a result of the slowdown in the Malaysian economy. Due to a lower sales volume and higher provision for bad and doubtful debts, profit before taxation decreased by more than 58% to approximately RM4.8 million in 1998.*
- (8) *The effective tax rates for the 5 financial years ended 31 December 1998 were lower than the statutory tax rate mainly due to the utilisation of reinvestment and capital allowances and the utilisation of tax losses brought forward.*
- (9) *There is no tax charge for the financial period ended 31 March 1999 as the amount payable is waived in accordance with the Income Tax (Amendment) Act 1999.*

6. BASIS OF ARRIVING AT THE OFFER PRICE

The offer price of RM 1.15 per Offer Share was determined and agreed upon by the Company, Offerors and CIMB, as Adviser and Managing Underwriter, after taking into consideration factors such as the Group's operating and financial history and conditions, the prospects of the MHB Group, the prevailing market conditions, the forecast gross PE Multiples of 5.64 times and 6.81 times (based on the weighted average number of shares in issue and the enlarged issued share capital of MHB respectively) for the financial year ending 31 December 1999, the proforma NTA per share of RM 1.40 as at 31 March 1999 and the forecast dividend yield of 3.04%.

7. PRINCIPAL STATISTICS

(i) Share Capital

Authorised

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

Issued and fully paid-up as at the date of this Prospectus

40,000,000 ordinary shares of RM 1 .00 each RM40,000,000

(ii) Offer price for each Offer Share RM1.15

(iii) Proforma Group NTA as at 31 March 1999

Proforma Group NTA RM56,173,000

(after deducting total estimated listing expenses amounting to RM1,600,000)

Proforma Group NTA per share RM 1.40

(based on the issued share capital of 40,000,000 ordinary shares of RM1.00 each)

(iv) Consolidated Profit Forecast for the Financial Year Ending 31 December 1999

RM'000

Consolidated profit before taxation but after minority interests * 6,751

Taxation

Consolidated profit after taxation and minority interests * 6,751

Less: Pre-acquisition profits # (3,938)

Consolidated profit after pre-acquisition profits 2,813

I. PROSPECTUS SUMMARY (Cont'd)

* *The consolidated profit forecast of MHB has been prepared on the basis that income derived in the financial year ending 31 December 1999 will be exempted from income tax in accordance with the Income Tax (Amendment) Act, 1999.*

Being pre-acquisition profit after minority interests in relation to the Acquisitions which were completed on 31 July 1999.

Gross EPS based on the consolidated profit before taxation but after minority interests (before netting off pre-acquisition profit) * **20.39** sen

Gross PE Multiple based on the offer price of RM 1.15 per Offer Share * **5.64** times

* *Based on 33,102,395 MHB ordinary shares of RM1.00 each, being the weighted average number of shares in issue*

Gross EPS based on the consolidated profit before taxation but after minority interests (before netting off pre-acquisition profit) # 16.88 sen

Gross PE Multiple based on the offer price of RM 1.15 per Offer Share # 6.81 times

Based on 40,000,000 MHB ordinary shares of RM1.00 each, being the enlarged issued share capital of MHB

(v) Dividend Forecast For the Financial Year Ending 31 December 1999

Tax-exempt dividend per ordinary share 3.5 sen

Dividend yield (based on the offer price of RM1.15 per Offer Share) 3.04%

Net dividend covet 2.01 times

II. CORPORATE INFORMATION

DIRECTORS

Name	Address	Occupation	Nationality
Chee Ah Leh <i>(Executive Chairman)</i>	20, Jalan Badik 13 Taman Puteri Wangsa Ulu Tiram 8 1800 Johor Bahru Johor Darul Takzim	Company Director	Malaysian
Ng Ah Kuan <i>(Executive Vice Chairman)</i>	Lot 2444, Kg. Kayu Ara Pasong Sungai Trus 82000 Pontian Johor Darul Takzim	Company Director	Malaysian
Chee Boon Yeong <i>(Managing Director)</i>	20, Jalan Badik 13 Taman Puteri Wangsa Ulu Tiram 8 1800 Johor Bahru Johor Darul Takzim	Company Director	Malaysian
Dato' Mohd. Taufik Bin Abdullah	5-2, Jalan Sri Hartamas 7 Taman Sri Hartamas 50480 Kuala Lumpur	Company Director	Malaysian
Liang Teh Hai	4F-3, 3rd Floor Jalan Tun Abdul Razak (Susur 3) 80000 Johor Bahru	Public Accountant	Malaysian
Quek Chye Hock	66, Jalan Merak Bandar Puchong Jaya 47 100 Puchong Selangor Darul Ehsan	Advocate and Solicitor	Malaysian

AUDIT COMMITTEE

Name	Responsibility	Directorship
Liang Teh Hai	Chairman of the Committee	Non-Executive and Independent
Quek Chye Hock	Member of the Committee	Non-Executive and Independent
Chee Ah Leh	Member of the Committee	Executive Chairman

II. CORPORATE INFORMATION (*Cont'd*)

JOINT COMPANY SECRETARIES	Sujata Menon A/P K.R.D.S. Chandran Licence No.: LSO2004 Suite 11.2B, Level 11 Menara Pelangi No. 2, Jalan Kuning Taman Pelangi 80400 Johor Bahru Johor Darul Takzim
	Tan Soi Lim Licence No.: LS00565 Suite 11.2B, Level 11 Menara Pelangi No. 2, Jalan Kuning Taman Pelangi 80400 Johor Bahru Johor Darul Takzim
REGISTERED OFFICE	Suite 11.2B, Level 11 Menara Pelangi No. 2, Jalan Kuning Taman Pelangi 80400 Johor Bahru Johor Darul Takzim
PRINCIPAL BANKERS	United Overseas Bank (Malaysia) Berhad <i>(formerly known as Chung Khiaw Bank (Malaysia) Berhad)</i> 2, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim
	HSBC Bank Malaysia Berhad <i>(formerly known as Hongkong Bank Malaysia Berhad)</i> 1, Jalan Bukit Timbalan 80000 Johor Bahru Johor Darul Takzim
AUDITORS & REPORTING ACCOUNTANTS	Arthur Andersen & Co. Public Accountants Suite 11.2A, Level 11 Menara Pelangi No. 2, Jalan Kuning Taman Pelangi 80400 Johor Bahru Johor Darul Takzim
REGISTRAR	Securities Services (Holdings) Sdn. Bhd. Level 2, Block F North Damansara Town Centre Damansara Heights 50490 Kuala Lumpur

II. CORPORATE INFORMATION (Cont'd)

SOLICITORS	Nora S. W. Lam & Associates Advocates & Solicitors Suite 9.3, Level 9 Menara Pclangi No. 2, Jalan Kuning Taman Pelangi 80400 Johor Bahru Johor Darul Takzim
VALUERS	KGV-Lambert Smith Hampton Suite 2, 17th Floor Komplek Tun Abdul Razak Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim KGV-Lambert Smith Hampton Unit B-9-9, Blok B Megan Philco Avenuc 12, Jalan Yap Kwan Seng 50450 Kuala Lumpur
ISSUING HOUSE	Malaysian Issuing House Sdn. Bhd. 27th Floor, Menara Multi-Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur
ADVISER AND MANAGING UNDERWRITER	Commerce International Merchant Bankers Berhad 10th Floor, Commerce Square Jalan Semantan Damansara Heights 50490 Kuala Lumpur
UNDERWRITERS	CIMB Securities Sdn. Bhd. 9th Floor, Commerce Square Jalan Semantan Damansara Heights 50490 Kuala Lumpur Kestrel Securities Sdn. Bhd. No 57, 59 & 61, Jalan Ali 84000 Muar Johor Darul Takzim
LISTING SOUGHT	Second Board of the Kuala Lumpur Stock Exchange

III. INTRODUCTION

This Prospectus is dated 20 September 1999.

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

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

An application will be made to the KLSE within 3 market days from the date of this Prospectus for admission to the Official List of the Second Board of the KLSE and for permission to deal in and quotation for the entire issued and fully paid-up ordinary shares of MHB, including the Offer Shares which are the subject of this Prospectus, on the Second Board of the KLSE. These ordinary shares will be admitted to the Official List of the Second Board of the KLSE and official quotation will commence after receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allocation have been dispatched to all successful applicants.

Acceptance of applications will be conditional upon permission being granted to deal in and quotation for the entire issued and fully paid-up ordinary shares of the Company. Monies paid in respect of all applications will be returned if the said permission is not granted.

Pursuant to the SC's Policies and Guidelines on Issue/Offer of Securities, at least 25% of the issued and paid-up share capital of the Company must be held by a minimum number of 750 public shareholders holding not less than 1,000 shares each, of which at least 500 shareholders are members of the public who are not employees of the Company, upon completion of the Offer and at the point of listing. In the event that the above requirement is not met pursuant to the Offer, the Company may not be allowed to proceed with its listing on the Second Board of the KLSE.

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 and he/she should then not complete the preferred ADA Code. Where an applicant does not presently have a CDS account, he/she should state in the Application Form his/her preferred ADA Code.

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

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 buy any Offer Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Prospectus and the sale of the Offer Shares in certain other jurisdictions may be restricted by law. 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 about this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser.

IV. SHARE CAPITAL

	RM
<i>Authorised</i>	
1 00,000,000 ordinary shares of RM 1 .00 each	<u>1 00,000,000</u>
<i>Issued and fully paid-up as at the date of this Prospectus</i>	
40,000,000 ordinary shares of RM 1 .00 each	<u>40,000,000</u>

There is only one class of shares in the Company, being ordinary shares of RM1 .00 each. The Offer Shares rank paripassu 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 declared 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 or attorney of a shareholder shall have one vote and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one 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 distribution and the whole of any surplus in the event of liquidation of the Company in accordance with the Articles of Association of the Company.

V. INVESTMENT CONSIDERATIONS

Applicants for the Offer Shares should carefully consider the following in addition to other information contained in this Prospectus, before applying for the Offer Shares:-

(i) No prior market for MHB shares

Prior to this Offer, there has been no public market for MHB shares. There can be no assurance that an active market for MHB shares will develop upon listing on the Second Board of the KLSE or, if developed, that such market will be sustained. The offer price of RM 1.15 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 prospects and the prospects of the industries in which the Group operates and the prevailing market conditions prior to the issue of this Prospectus. Prices for MHB shares after the Offer may be influenced by a number of factors, including the depth and liquidity of the market for MHB shares, investors' perception of the MHB Group, the manufacturing industry, in particular, the fabricated metal products, furniture and fixtures, and the electrical products industries in general, as well as political, economic and other conditions.

(ii) Substantial shareholders

The Company has 2 principal substantial shareholders, namely RSB and Dato' Mohd. Taufik Bin Abdullah, who will control a total of approximately 70.92% equity interest in the Company after the Offer as disclosed in Section XIV(3)(ix) of this Prospectus. As a result, it is likely that the said substantial shareholders will be able to effectively control the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law and/or by the relevant authorities.

(iii) Business risks

MHB is subject to certain business risks. These include labour and raw material shortages, increases in the costs of labour and raw materials, changes in the general economic, business and credit conditions, fluctuations in foreign exchange rates and changes in government policy. Although the Group seeks to limit these risks through, inter-alia, semi-automated operations, large pool of suppliers and customer base and prudent management policies, no assurance can be given that any change to these factors will not have a material adverse effect on the Group's business.

(iv) Political and economic considerations

The MHB Group's future growth and level of profitability are expected to be closely linked to the developments in Malaysia and the South East Asia region. Any adverse developments in political and economic uncertainties in Malaysia and the East Asian region in which the Group serves could materially and adversely affect the financial performance of the Group. These include risks of war, global economic downturn and unfavourable change in government policy such as introduction of new regulations.

(v) Competition

The MHB Group faces competition from various local and foreign competitors for its trading and manufacturing operations. No assurance can be given that the MHB Group will be able to maintain its existing competitive edge and market share in the future.

V. INVESTMENT CONSIDERATIONS (Cont'd)

(vi) Dependence on key personnel

The Group believes that its continued success depends to a significant extent upon the abilities and continued efforts of its existing Directors, senior management and skilled personnel. However, every effort is presently made to groom the younger members of the senior management to slowly take over from the senior members to ensure a smooth transition in the management team should changes occur and to maintain the Group's continued ability to compete in the fabricated metal products, furniture and fixtures and the electrical components industries.

(vii) Profit forecast

This Prospectus contains the consolidated profit forecast of MHB for the financial year ending 31 December 1999 that has been prepared based on assumptions which the Directors of MHB believe to be reasonable. However, these assumptions are subject to uncertainties and contingencies. Because of the subjective judgments and inherent uncertainties underlying the profit forecast and because events and circumstances frequently do not occur as expected, there can be no assurance that the forecast contained herein will be realised and actual results may be materially different from those forecast. Investors are deemed to have read and understood the assumptions and uncertainties underlying the forecast contained herein.

(viii) Year 2000 ("Y2K") Compliance

The Y2K problem refers to situations where computer hardware and software are unable to correctly recognise and process two-digit references in dates after 31 December 1999. This is attributed to the computer system which recognises and processes references to years on a two-digit rather than a four-digit basis. The Board of Directors of MHB is aware of the Y2K problem and has taken steps to ensure that the hardware and software used by the Group including software for accounting are Y2K compliant.

The total cost for the upgrade and replacement of all non Y2K compliant computer hardware and software is estimated to be RM50,000 and is immaterial to the Group's operations and liquidity. The Group targets to be fully Y2K compliant by end-September 1999. At present, the Group has engaged a software consultant to upgrade its present computer hardware and software system to be Y2K compliant.

The Group presently does not have a fully automated process that relies on date scheduling and the Board of Directors of MHB have identified the Group's accounting system to be the only system that will be affected by the Y2K problem. As such, the Board of Directors of MHB is of the opinion that it is unnecessary to obtain an independent verification on the Y2K compliant status of the Group upon completion of the implementation stage.

The Group is currently in the process of setting up a Y2K Committee which will comprise members of the Board and which will be under the supervision of Chee Ah Leh who is the Executive Chairman of the MHB Group. The Y2K Committee will liaise with the Group's vendors to ensure that any computer equipment and software purchased in the future are certified as Y2K compliant and will not be affected by the Y2K problem. In addition, the Y2K Committee will also monitor, evaluate and handle all matters pertaining to Y2K.

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

V. INVESTMENT CONSIDERATIONS (Cont'd)

All the necessary plans are in place to complete the Y2K project by the end of September 1999 and the implementation of the Y2K project is currently on schedule as planned. As part of the Group's contingency plans to ensure that there will be no disruptions to the Group's accounting system should there be non-compliance with the Y2K issue, training has been conducted to the Group's employees on the operations of a manual accounting system. Since July 1999, the Group has also started maintaining back-up copies as well as hard copies of all data in the computerised accounting system. All back-up copies and hard copies of the accounting data and reports from the Group's subsidiaries and branches are required to be submitted to the head office every monthly for verification and safe keeping. In addition, the Board of Directors are also planning to set aside a Y2K contingency fund of RM 100,000 for any eventualities which may arise at the end of 1999 or beginning of 2000.

Although the Board of Directors of MHB is confident that the necessary steps taken and/or to be taken will eliminate the risks associated with the Y2K issue as set out above, no assurance can be given that the Group will not be materially affected by the problems caused by non-compliance with the Y2K issue.

VI. INDUSTRY OVERVIEW, FUTURE PLANS AND PROSPECTS OF THE MHB GROUP

1. INTRODUCTION

The principal activities of the MHB Group comprise mainly the trading of plywood and manufacturing of metal furniture parts, accessories, wooden knockdown furniture, wooden and polyurethane furniture parts, fittings and electrical components. Products manufactured by the Group are sold to both the local and export markets. Given its principal activities, the Group's future prospects are closely linked to the general domestic and world economic conditions and outlook and in particular the local manufacturing industry.

2. OVERVIEW OF THE MALAYSIAN ECONOMY

The performance of the Malaysian economy in 1998 was adversely affected by the financial crisis that beset the region since mid- **1997**. As a result, Malaysia's real Gross Domestic Product ("GDP") contracted for the first time since 1985. The contraction was unprecedented with GDP contracting by 2.8% in the first quarter of 1998 and 6.8% in the second quarter.

The contraction in the domestic economy was brought about by the continued waves of adverse adjustments in both the currency and stock markets, coupled with the decline in domestic and export demand. The manufacturing sector recorded a contraction of 10.2% in 1998 compared to a growth of 12.5% in 1997, while the output of the agriculture sector also recorded a contraction of 4.0% compared to a growth of 13.3% in 1997. The construction sector meanwhile recorded an even larger contraction of 24.5% in 1998 compared with a growth of 9.5% in 1997, mainly due to lower aggregate demand.

In an effort to boost the economy, the Malaysian Government has in 1998 implemented measures aimed at easing the monetary policies and providing fiscal stimulus as well as imposed selective exchange controls to insulate the economy from the contagion effects of the global financial crisis. These measures are expected to pave the way for a mild recovery of the Malaysian economy in 1999 largely through the stimulation of domestic demand. Following such measures, the real GDP is forecast to register a growth of 1% in 1999. In the event the global financial markets can be stabilised in early 1999 through the much needed resolve of the international community to bring the financial crisis to an early end, the growth of the world economy and global trade could turn out to be better than currently forecast. This should provide an added impetus to the growth of Malaysian economy in **1999** through a much stronger external demand.

(Source : Economic Report 1998/1999, Ministry of Finance and Bank Negara Malaysia, 1998 Annual Report)

3. THE MANUFACTURING SECTOR

The manufacturing sector, which achieved an impressive growth in production since 1987, records an estimated 5.8% decline in value added in 1998 (1997: + 12.5%). Generally, both the domestic and export market oriented industries have lowered output during the year in view of the depressed domestic demand, sluggish sales orders from the East Asian region which has been affected by the financial crisis, and increased competition in the global market. Higher production costs due to higher price of imported components, tight liquidity, higher interest rates and volatility of ringgit movements that occurred during the first eight months of 1998, also led manufacturers to take a more cautious stance, particularly not to build up stocks in view of higher holding costs. Discouraged by weak demand, most industries have put on hold their plans to expand and upgrade their production facilities.

The cutback in the manufacturing production is also reflected in the number of workers employed by the sector during 1998. The employment in the manufacturing sector, which increased by an average of 6.4% for the past four years, took a reverse trend and registered a decline of 3.9% during the first seven months of 1998 (January-July 1997: +2.2%). However, there are signs that manufacturers have stepped up their efforts to market their products overseas to take advantage of the lower ringgit especially among those industries that were faced with excess capacities following dwindling domestic demand.

VI. INDUSTRY OVERVIEW, FUTURE PLANS AND PROSPECTS OF THE MHB GROUP
(Cont'd)

Industries such as cement, iron and steel and transport equipment have registered higher sales in export. Nevertheless, the manufacturing sector's share to real GDP drops marginally to an estimated 35.4% in 1998 (1997: 35.7%) as a result of lower output.

(Source : Economic Report 1998/1999, Ministry of Finance)

The sectoral review of the various major activities of the MHB Group are as follows:-

3.1 Fabricated Metal Products

Generally, the fabricated metal products industry is well-diversified, comprising a large number of participants who manufacture a wide range of metal products for use by other industries and subsectors. In addition to a diversified range of products, the manufacturing processes also vary from the basic processes such as cutting, bending and welding of metal sheets, tubes and ingots to produce non-specific products such as chains and bolts, to highly sophisticated processes requiring automated and computer controlled machinery. Despite its significant growth during the past 12 years before the outbreak of the regional financial turmoil in mid- 1997, the local fabricated metal products industry remains fragmented, with a concentration of players at the two extremes, that is, of simplicity and sophistication, with only few producers in the middle.

Presently, imported metal hinges, amongst other things, are subject to an import duty of 15% of Cost Insurance Freight value or 15 sen per piece. Such tariff protection has been advantageous to the local fabricated metal products industry as it curbs importation and has enabled local players to compete with bigger international players, while at the same time building competitiveness to eventually compete in the global market. With the ASEAN Free Trade Area scheduled to take effect in 2003, local manufacturers who have become more competitive through automation and expansion of capacity will be able to benefit from the opportunities to gain access to a bigger and ready export market.

After recording a growth rate of 12% in 1997, the fabricated metal products industry contracted by 17.2% in 1998. The slowdown was mainly due to the decline in the production of structural metal products arising from slower demand especially in the heavy and light engineering sub-sector of the construction sector. However, with the projected growth of the country's GDP in 1999, the Malaysian Government's emphasis on industrialisation and increased levels of modernisation, the prospects of this industry are expected to remain positive.

The fabricated metal products industry which has been identified to be within the Malaysian Industrial Master Plan is expected to greatly benefit from the development plans of the country. In addition to this, the prospects of the fabricated metal products industry, which is a sub-sector of the manufacturing sector, are expected to be positive given that the manufacturing industry is expected to continue providing one of the main impetus to the overall growth of Malaysia in 1999.

(Source : Bank Negara Malaysia, 1998 Annual Reports; Dynaquest Sdn. Bhd.)

3.2 Furniture And Fixtures

The furniture and fixtures industry in Malaysia has experienced an impressive growth with a compounded growth rate of 24.4% per annum for the 6 years from 1992 to 1997. The impressive growth in the industry was strongly influenced by the rising exports, coupled with strong local demand. In 1998, the export of furniture and fixtures amounted to RM4.2 billion, representing approximately 1.5% of the total export of manufactured goods for the year.

(Source: The Star, 8 March 1999; Malaysian Industry, October 1998)

VI. INDUSTRY OVERVIEW, FUTURE PLANS AND PROSPECTS OF THE MHB GROUP
(Cont'd)

Through investment in automation and research and design, the local furniture and fixtures industry has seen its transition from a labour intensive, low value-added sector to a high output, value-added growing export industry.

One of the important factors which has provided the impetus for the buoyant local demand for furniture and fixtures is the growth in demand for residential housing. Under the Seventh Malaysia Plan, a total of 800,000 units of houses will be built, of which 235,000 units are to meet the demand for low-cost houses, 350,000 units for low to medium-cost houses and the remaining 215,000 units for medium to high-cost houses. Of these, the private sector is targeted to build 60% of the low-cost houses, 69% of the low to medium-cost houses and 88% of the medium to high-cost houses respectively.

Another source of demand for furniture and fixtures has been the construction of and demand for commercial buildings. In Kuala Lumpur, approximately 727,036 square metres of office space and an additional 3,925 hotel rooms were completed in 1998. Hotel projects in Kuala Lumpur completed in 1998 include the Imperial Sheraton, The Grand Seasons and The Ritz Carlton. In Johor Bahru, an additional 695 hotel rooms were completed in 1998.

(Source: Property Market Report 1998; Seventh Malaysia Plan)

Being one of the designated resource-based industries under the Industrial Master Plan, the Government has continued to encourage the development of the furniture and fixtures industry through, inter alia, the establishment of furniture zones/parks which will involve the setting up of common user facilities and supporting services including training workshops, quality control services, bulk purchasing centres and transportation as well as marketing services. The main objective of these zones is to facilitate an orderly and integrated development of the industry.

(Source: Profile - Malaysia's Primary Commodities, Ministry of Primary Industries)

Malaysia is now ranked among the top furniture exporting countries in the United States and Japan. Rubber wood furniture is beginning to become the mainstay of Malaysia's wooden furniture exports, with easy-to-assemble and knock-down furniture gaining increasing popularity. The industry contributes more than RM2 billion in export earnings, with growth of between 10-15% from 1998 to the year 2000 being envisaged.

(Source: Economic Report 1998/1999, Ministry of Finance)

On the prospects of the industry, export of furniture and fixtures is expected to reach RM7 billion by the year 2005 provided Malaysian furniture industrialists further bring the quality of their products up to par with international furniture standards. Future growth of the industry is therefore expected to be contributed by the continued availability of raw materials and the increased sophistication in design and automation of the manufacturing process, providing for more higher value-added output. A rise in export demand due to the growing acceptance of Malaysian-made furniture in the export market and the moderate growth of local construction and property sectors are also expected to provide the impetus for future growth in the furniture and fixtures industry.

(Source: The Star, 8 March 1999)

VI. INDUSTRY OVERVIEW, FUTURE PLANS AND PROSPECTS OF THE MHR GROUP (Cont'd)

3.3 Electrical Products

The electrical products industry can be ranked among Malaysia's most successful industries. The electrical products industry started in the early 1960's with import substitution of dry cell batteries, electrical appliances, cables and lamps using technology supplied by foreign companies. From a domestically-oriented beginning, the industry has developed into a rapidly expanding export-oriented sector. In 1997, the electrical products industry's share of the country's total manufactured export was 21.3%. However, in 1998, its share of the total manufactured exports dropped to 20.01%, with the total export of electrical products amounting to RM47.558 million. The decrease was mainly due to lower demand from the Asia-Pacific region and aggressive price cutting by other producer countries.

On the prospects of the industry, in the short term, weak demand for electrical products is expected to continue due to stiff competition from other low-cost producer countries and lower external demand, on the backdrop of excess global production capacity. Over the longer term, the prospects of the electrical products industry are expected to be moderate and will be highly dependent on the demand from the export markets.

Factors which will contribute to the sustainable growth of the electrical products include R&D and continuous product development. The electrical products industry is subject to rapid product changes and companies will have to increase efforts in R&D to ensure better quality products and to keep product obsolescence in check.

(Source : Bank Negara Malaysia, 1998 Annual Reports: Dynaquest Sdn. Bhd.)

4. FUTURE PLANS AND PROSPECTS OF THE MHR GROUP

In tandem with the expected recovery of the Malaysian economy, the Group's main strategy for future growth for the next 2 years is to further consolidate and expand its existing core business. The Group expects to achieve this through the expansion of existing production capacity, improved efficiency in production processes and wider product range to meet the diverse needs of the Group's customers. In this respect, the Group has initiated a capital expansion programme which will involve acquisitions of additional plant and equipment consisting of blanking machines, spindle key-milling and key-biting machines, plastic injection machines and automatic lathe machines for its furniture, furniture parts and accessories manufacturing operations. Details of the Group's capital expansion programme are further set out in Section IX(2)(iv) of this Prospectus. The financial resource for the expansion programme will be from the proceeds of the Rights Issue.

The additional production capacity which is set for a trial run by the fourth quarter of the financial year ending 31 December 1999 is targeted to accommodate the future growth in demand for the Group's products and its plans to further penetrate its export market while at the same time capture more domestic sales. The Group also plans to increase its marketing efforts for its export markets through appointments of additional marketing agents to tap opportunities in Indonesia, Singapore, Japan, Middle East, Philippines and Thailand.

The MHB Group is also committed to its on-going R&D to further enhance the productivity of its operations and the quality of its products as well as to enable it to develop new and innovative products.

VII. PARTICULARS OF THE OFFER

1. PARTICULARS OF THE OFFER

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

- (i) 767,000 ordinary shares of RM 1.00 each have been reserved for eligible Directors and employees of the MHB Group; and
- (ii) 5,244,000 ordinary shares of RM 1.00 each are available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

All the Offer Shares in respect of paragraphs (i) and (ii) are fully underwritten at an underwriting commission of 1.5% of the offer price of RM 1.15 per Offer Share. The Offer Shares in respect of paragraph (i) above not taken up by the eligible Directors and employees of the MHB Group will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions.

2. OPENING AND CLOSING OF APPLICATION LISTS

The Application Lists will open at 10.00 a.m. on 4 October 1999 and will remain open until 8.00 p.m. on the same day or for such further period or periods as the Directors of the Company and/or the Offerors in their absolute discretion may decide.

3. BASIS OF ARRIVING AT THE OFFER PRICE

The offer price of RM 1.15 per Offer Share was determined and agreed upon by the Company, the Offerors and CIMB, as Adviser and Managing Underwriter, after taking into consideration the following factors:-

- (i) the Group's operating and financial history and conditions;
- (ii) the industries in which the Group operates and the prospects of the Group;
- (iii) the prevailing market conditions;
- (iv) the forecast gross PE Multiples of 5.64 times and 6.81 times based on the forecast gross EPS of 20.39 sen and 16.88 sen respectively for the financial year ending 31 December 1999, computed using the weighted average number of shares in issue of 33,102,395 ordinary shares of RM 1.00 each and the enlarged issued and paid-up share capital of 40,000,000 ordinary shares of RM 1.00 each respectively;
- (v) the proforma Group NTA per share of RM 1.40 as at 31 March 1999; and
- (vi) the forecast dividend yield of 3.04%.

VII. PARTICULARS OF THE OFFER (Cont'd)

4. PURPOSES OF THE OFFER

The purposes of the Offer are as follows:-

- (i) To provide an opportunity for the Malaysian public and eligible Directors and employees of the MHB Group to participate in the continuing growth of the MHB Group ;
- (ii) To enable MHB to gain access to the capital market to tap external sources of borrowings and equity funds for the future expansion and continued growth of the Group; and
- (iii) To obtain a listing of and quotation for the entire issued and paid-up share capital of MHB on the Second Board of the KLSE.

5. PROCEEDS OF THE OFFER

No part of the proceeds of the Offer is receivable by MHB. The gross proceeds of the Offer of RM6,921,650 will accrue entirely to the Offerors. The Offerors shall bear the underwriting commission, brokerage, stamp duty (if any), registration and share transfer fee relating to the Offer Shares, estimated at RM 173,000.

The expenses and fees incidental to the listing of and quotation for the entire issued and paid-up share capital of MHB on the Second Board of the KLSE estimated at RM 1,600,000 will be borne by the Company.

6. BROKERAGE AND UNDERWRITING COMMISSION

Brokerage is payable by the Offerors at the rate of 1% of the offer price of RM 1.15 per Offer Share in respect of successful applications which bear the stamps 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 MIH.

The Managing Underwriter and the Underwriters as mentioned herein have agreed to underwrite 6,011,000 Offer Shares which are available for application by the Malaysian public and the eligible Directors and employees of the Group. Underwriting commission is payable by the Offerors at the rate of 1.5% of the offer price of RM 1.15 per Offer Share.

VII. PARTICULARS OF THE OFFER (Cont'd)**7. INFORMATION ON OFFERORS**

The details of the Offerors are as follows:-

Name	Address/ Registered Address	Occupation	Number of Offer Shares offered for sale	Percentage of share capital %
Ng Hip Mang	Block 723, No 15-05 Tampines Street 72 Singapore 520723	Company Director	23 1,000	0.58
Ng Ah Kuan	Lot 2444, Kg. Kayu Ara Pasong Sungai Trus 82000 Pontian Johor Darul Takzim	Company Director	265,000	0.66
Ng Kim Hwa	Lot 2444, Kg. Kayu Ara Pasong Sungai Trus 82000 Pontian Johor Darul Takzim	General Manager	33,000	0.08
Chee Ah Leh	20, Jalan Badik 13 Taman Puteri Wangsa Ulu Tiram 8 1800 Johor Bahru Johor Darul Takzim	Company Director	582,000	1.45
Chee Ah Boon	Lot 17, Jalan 1/113A, Batu 4% Off Jalan Kelang Lama 58200 Kuala Lumpur	Company Director	198,000	0.50
Chee Boon Yeong	20, Jalan Badik 13 Taman Puteri Wangsa Ulu Tiram 8 1800 Johor Bahru Johor Darul Takzim	Company Director	34,000	0.09
Toh Kit Chong @ Toh Kek Keong	34, Jalan 6/101 Taman Rajawali Cheras 56 100 Kuala Lumpur	Company Director	65,000	0.16
Toh Khek Liang	148, Jalan Bukit Bintang 55 100 Kuala Lumpur	Company Director	33,000	0.08
RSB	Suite 11.2B, Level 11 Menara Pelangi No 2, Jalan Kuning Taman Pelangi 80400 Johor Bahru Johor Darul Takzim		4,570,000	11.43
			6,0 11,000	15.03

VII. PARTICULARS OF THE OFFER (Cont'd)

Note:-

Relevant details of RSB are as follows:

Incorporation	Incorporated in Malaysia on 3 September 1997
Registered Office	Suite 11.2B, Level 11 Menara Pclangi No. 2, Jalan Kuning, Taman Pclangi 80400 Johor Bahru Johor Darul Takzim
Authorised share capital	RM500,000 comprising 500,000 ordinary shares of RM 1.00 each.
Issued and paid-up share capital	RM 168,840 comprising 168,840 ordinary shares of RM 1.00 each
Principal activities	Investment holding
Substantial shareholders	

Name	<-----Direct----->		<-----Indirect----->	
	No. of ordinary shares held	%	No. of ordinary shares held	%
Ng flip Mang	27,100	16.05		
Ng Ah Kuan	31,010	18.37		
Chee Ah Leh	68,140	40.36		
Chee Ah Boon	23,200	13.74		
Chee Boon Ycong	4,010	2.37		
Toh Kit Chong (a) Toh Kek Keong	7,650	4.53		
Toh Khok Liang	3,830	2.27		
Ng Kim Hwa	3,900	2.31		

Directors and Directors' shareholdings

Name	<-----Direct----->		<-----Indirect----->	
	No. of ordinary shares held	%	No. of ordinary shares held	%
Ng Ah Kuan	31,010	18.37		
Chee Ah Leh	68,140	40.36		
Chee Boon Ycong	4,010	2.37		

VIII. PROFIT GUARANTEE

On 6 September 1999, RSB, one of the substantial shareholders of MHB (hereinafter referred to as the "Guarantor"), entered into a Profit Guarantee Agreement with MHB, pursuant to which RSB shall guarantee:-

- (i) that the audited consolidated profit before taxation but after minority interests of the MHB Group for the financial year ending 31 December 1999 shall not be less than RM6,075,900, being equivalent to 90% of the forecast consolidated profit before taxation but after minority interests of the Group of RM6,751,000 for that financial year ("Forecast Profit"); and
- (ii) that the audited consolidated profit before taxation but after minority interests of the Group for each of the following 2 financial years ending 31 December 2000 and 2001 shall not be less than RM7,287,300, being equivalent to 90% of the maintainable consolidated profit before taxation but after minority interests of the Group of RM8,097,000 ("Maintainable Profit").

(the Forecast Profit and Maintainable Profit will hereinafter collectively be referred to as the "Guaranteed Profit")

The other salient terms of the Profit Guarantee Agreement are set out below:-

- (i) In the event that the MHB Group fails to meet at least 90% of the Forecast Profit, the Guarantor shall pay in cash to MHB upon demand made by the Company and within the period of 30 days upon receipt of a demand from the Company, the difference between the actual audited consolidated profit before taxation but after minority interests of the Group for the financial year ending 31 December 1999 and 90% of the Forecast Profit and such payment shall be full satisfaction of the Guarantor's obligation in respect of the Guaranteed Profit for the financial year ending 31 December 1999 provided always that the liability of the Guarantor in respect of the Guaranteed Profit for that financial year shall not exceed RM6,075,900, being 90% of the Forecast Profit.
- (ii) In the event that the MHB Group fails to meet at least 90% of the Maintainable Profit for each of the financial years ending 31 December 2000 and 31 December 2001, the Guarantor shall pay in cash to MHB upon demand made by the Company and within the period of 30 days upon receipt of a demand from the Company, the difference between the actual audited consolidated profit before taxation but after minority interests of the Group and 90% of the Maintainable Profit for each of the financial years ending 31 December 2000 and 31 December 2001 and such payment(s) shall be full satisfaction of the Guarantor's obligations in respect of the Guaranteed Profit for the financial years ending 31 December 2000 and 31 December 2001, provided always that the liability of the Guarantor in respect of the Guaranteed Profit for each of the financial years shall not exceed RM7,287,300, being 90% of the Maintainable Profit.
- (iii) As security for the Guaranteed Profit, the Guarantor covenants that it shall procure at its own cost and expenses the Bank Guarantee(s) whether issued or renewed from year to year or otherwise as the Company may require which shall, in any event, be in such form and substance acceptable to the Company and the SC.
- (iv) The Guarantor shall ensure that the respective Bank Guarantee shall be a continuing guarantee(s) for the Guaranteed Profit and each shall remain in full force and effect for the relevant financial year.

VIII. PROFIT GUARANTEE(*Cont'd*)

- (v) Following the date of issuance of the audited consolidated results of the MHB Group and the Auditors' Report for the relevant financial year, MHB shall procure the external auditors of the Company for the time being to issue the Auditors' Certificate and the Company and the Guarantor agree that the certification by the Company's external auditors in the Auditors' Certificate of:-
- (a) the amount of the consolidated profit before taxation but after minority interests of the MHB Group; and
 - (b) the shortfall or deficiency, if any, between the Guaranteed Profit and the actual consolidated profit before taxation but after minority interests of the MHB Group achieved for the relevant financial year
- shall be binding and conclusive on the parties and shall not be questioned by any party on any grounds whatsoever, save and except for manifest error.
- (vi) In the event that the MHB Group fails to achieve the Guaranteed Profit, the Company shall within 14 days of the date of issuance of the Auditors' Certificate serve a demand on the Guarantor.
- (vii) Chee Ah Leh and Ng Ah Kuan, being the Directors of RSB and Executive Chairman and Executive Vice Chairman of MHB respectively, undertake to continue to participate in the management for the Company for a period of three (3) years from the date of admission of MHB to the Official List of the Second Board of the KLSE.

The financial institution providing the bank guarantee in respect of the profit guarantee for the financial year ending 31 December 1999 is Arab-Malaysian Finance Berhad which has a registered address at 22th Floor, Bangunan Arab-Malaysian, No 55, Jalan Raja Chulan, 50250 Kuala Lumpur.

IX. INFORMATION ON THE MHB GROUP

1. INCORPORATION

MHB was incorporated in Malaysia under the Companies Act, 1965 on 2 December 1994 as a private limited company under the name of Minply Holdings (M) Sdn. Bhd.. It was subsequently converted into a public limited company and assumed its present name on 26 December 1996.

2. RESTRUCTURING EXERCISE

In conjunction with, and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of MHB on the Second Board of the KLSE, the Company undertook a restructuring exercise which was approved by the MITI on 7 April 1997, 26 April 1999 and 13 July 1999, the FIC on 10 April 1997, 15 May 1999 and 12 August 1999 and the SC on 8 September 1997, 5 December 1997, 12 May 1998 and 14 June 1999, involving the following interconditional transactions:-

(i) Acquisition of Minply

On 31 July 1999, MHB entered into a conditional Sale and Purchase Agreement with the shareholders of Minply for the acquisition of 100% equity interest in Minply comprising 12,090,863 ordinary shares of RM 1.00 each for a total purchase consideration of RM36,021,093, satisfied by the issuance of 24,671,500 new ordinary shares of RM 1.00 each in MHB, at an issue price of approximately RM 1.46 per share as follows:-

Name of shareholders	No. of Minply shares acquired	% of Minply paid-up capital	No. of new MHB shares issued as consideration
Ng Hip Mang	1,263,408	10.45	2,578,000
Ng Ah Kuan	1,263,410	10.45	2,578,000
Chee Ah Leh	3,284,860	27.17	6,703,000
Chee Ah Boon	1,263,408	10.45	2,578,000
Chee Boon Y eong	2 17,920	1.80	445,000
Ang Poon Aik	545,400	4.51	1,113,000
Toh Kit Chong @ Toh Kek Keong	4 16,400	3.44	850,000
Toh Khok Liang	208,800	1.73	426,000
Noor Izan Bin Ali	182,273	1.51	372,000
Dato' Mohd. Taufik Bin Abdullah	2,852,532	23.59	5,819,500
Hj. Ismail Bin Awang	592,452	4.90	1,209,000
	12,090,863	100.00	24,671,500

The purchase consideration of RM36,021,093 for the Acquisition of Minply was arrived at based on the audited consolidated NTA of Minply as at 31 December 1997 of RM33,714,650, after adjusting for the revaluation surplus of RM2,306,443 arising from the revaluation of landed properties of Minply and its subsidiary, EPI.

The Acquisition of Minply was completed on 31 July 1999.

IX. INFORMATION ON THE MHB GROUP (Cont'd)

(ii) Acquisition of AFI

On 31 July 1999, MHB entered into a conditional Sale and Purchase Agreement with the shareholders of AFI for the acquisition of 100% equity interest in AFI comprising 5,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM6,349,934, satisfied by the issuance of 4,334,498 new ordinary shares of RM1.00 each in MHB at an issue price of approximately RM 1.46 per share as follows:-

Name of shareholders	No. of AFI shares acquired	% of AFI paid-up capital	No. of new MHB shares issued as consideration
Ng Hip Mang	500,000	10.00	433,000
Ng Ah Kuan	1,000,000	20.00	867,000
Chee Ah Leh	1,000,000	20.00	867,000
Chin Ming Trading (Pte.) Ltd.	500,000	10.00	433,000
Ng Kim Hwa	500,000	10.00	433,000
Noor Izzan Bin Ali	730,000	14.60	633,000
Dato' Mohd. Taufik Bin Abdullah	770,000	15.40	668,498
	5,000,000	100.00	4,334,498

The purchase consideration of RM6,349,934 for the Acquisition of AFI was arrived at based on the audited NTA of AFI as at 31 December 1997 of RM6,414,930 after adjusting for the revaluation deficit of RM64,996 arising from the revaluation of landed properties of AFI.

The Acquisition of AFI was completed on 31 July 1999.

(iii) Acquisitions from Minply

On 31 July 1999, MHB entered into a conditional Sale and Purchase Agreement to acquire from Minply, the entire equity interests in EPI, CES, MI and 70% equity interest in MB for a total cash consideration of RM5,037,300, financed via inter-company advances.

The purchase consideration of RM5,037,300 was arrived at based on the respective carrying values of Minply's cost of investments in EPI, CES, MI and MB as follows:-

Company	Minply's cost of investment RM
EPI	2,710,900
CES	1,456,400
MI	800,000
MB	70,000
	<u>5,037,300</u>

The Acquisitions from Minply were completed on 31 July 1999.

IX. INFORMATION ON THE MHB GROUP (Cont'd)**(iv) Rights Issue**

On 17 August 1999, MHB implemented a renounceable rights issue of 10,994,000 new ordinary shares of RM1.00 each at an issue price of RM 1.15 per share on the basis of approximately 379 new ordinary share for every one thousand (1,000) ordinary shares held after the Acquisitions.

Ng Hip Mang, Ng Ah Kuan, Chee Ah Leh, Chee Ah Boon, Chee Boon Yeong, Toh Kit Chong @ Toh Kek Keong, Toh Khek Liang and Ng Kim Hwa have renounced all their respective entitlements to the new shares issued pursuant to the Rights Issue to RSB.

The Rights Issue resulted in the issued and paid-up share capital of MHB being further increased from RM29,006,000 to RM40,000,000.

The gross proceeds of RM 12.643 million arising from the Rights Issue have been/will be utilised in the following manner:-

	RM'000	Notes
Purchase of plant and machinery	5,028	1
Repayment of Group borrowings	2,566	2
Working capital	3,449	3
Estimated listing expenses	1,600	
	12,643	

Notes:-

1. *As part of the Group's plan to increase its production capacity and to provide for further automation of its production facilities, the Group intends to acquire/has acquired plant and machinery consisting of blanking machines, spindle key-milling and key-biting machines, plastic injection machines and automatic lathe machines for the Group's furniture, furniture parts and accessories manufacturing operations.*

With the additional plant and machinery, the Group expects to be able to increase the production capacity for its manufacturing of furniture, furniture parts and accessories operations (excluding the polyurethane furniture and furniture parts division) as follows:-

	<i>Name of subsidiary</i>	<i>@ Average production output (per month)</i>	<i>@ Existing capacity (per month)</i>	<i>New capacity (per month)</i>	<i>*Expected production output (per month)</i>
<i>Metal hinges, furniture parts and accessories</i>	<i>EPI</i>	<i>**3.4 million units</i>	<i>**5.1 million units</i>	<i>**i. 1 million units</i>	<i>**3.95 million units</i>
<i>Wooden knockdown furniture</i>	<i>AFI</i>	<i>#513 sets</i>	<i>#2,000 sets</i>	<i>#2,000 sets</i>	<i>#1,600 sets</i>
<i>Wood panelling, profiles and architraves</i>	<i>AFI</i>	<i>#0.31 million metres</i>	<i>#0.41 million metres</i>	<i>#0.49 million metres</i>	<i>#0.35 million metres</i>
<i>Door and door frames</i>	<i>AFI</i>	<i>#884 units</i>	<i>#4,000 units</i>	<i>#6,000 units</i>	<i>#1,000 units</i>

IX. INFORMATION ON THE MHB GROUP *(Cont'd)*

Notes:-

- (a) Based on the financial year ended 31 December 1998.
 * Forecast for the financial year ending 31 December 1999.
 ** Based on 2 shifts of 8 hours per shift.
 # Based on 1½ shifts of 8 hours per shift.

2. These represent term loans and hire purchase outstanding of the MHB Group. As at 7 September 1999, the Group's total term loans and hire purchase outstanding amounted to approximately RM22.512 million. The partial repayment of these borrowings is expected to result in total interest savings of approximately RM71,145 for the financial year ending 31 December 1999.
3. In order to accommodate the future expansion of the Group's operations which will correspondingly increase its working capital requirements, RM749,100 and RM2,700,000 have been allocated for the working capital of MHB and EPI respectively.

(v) Offer

Following the completion of the Acquisitions and Rights Issue and in conjunction with the listing and flotation of MHB, the Offerors are offering for sale 6,011,000 ordinary shares of RM1.00 each in MHB at an offer price of RM1.15 per Offer Share.

(vi) Listing and Quotation

The listing of and quotation for the entire issued and paid-up share capital of MHB comprising 40,000,000 ordinary shares of RM1.00 each on the Second Board of the KLSE.

All the ordinary shares of MHB issued pursuant to the Acquisitions and Rights Issue rank pari passu in all respects with the other existing ordinary shares of MHB including voting rights and the rights to all dividends and distribution that may be declared.

Following the completion of the Acquisitions, certain existing shareholders of MHB have transferred a portion of their respective shareholdings totalling 16,884,000 ordinary shares of RM1.00 each in MHB to RSB for the purposes of consolidating their shareholdings in MHB ("Transfer"). In consideration for the Transfer, new ordinary shares of RM1.00 each in RSB were issued on the basis of 1 new ordinary share in RSB for every 100 ordinary shares in MHB as follows:-

Name of shareholders	No. of MHB shares transferred	No. of new RSB shares issued as consideration	%
Ng Hip Mang	2,710,000	27,100	16.05
Ng Ah Kuan	3,101,000	31,010	18.37
Chee Ah Leh	6,814,000	68,140	40.36
Chee Ah Boon	2,320,000	23,200	13.74
Chee Boon Yeong	401,000	4,010	2.37
Toh Kit Chong (@ Toh Kek Keong)	765,000	7,650	4.53
Toh Khok Liang	383,000	3,830	2.27
Ng Kim Hwa	390,000	3,900	2.31
	16,884,000	168,840	100.00

* This includes the subscribers' shares comprising 2 RSB ordinary shares of RM1.00 each transferred to Chee Ah Leh.

IX. INFORMATION ON 'THE MHB GROUP (Cont'd)

3. BUSINESS OVERVIEW

The principal activity of MHB is investment holding.

In conjunction with its flotation, MHB undertook the Acquisitions, details of which are as outlined in Section IX(2) of this Prospectus. Upon completion of the Acquisitions, MHB will emerge as the holding company of 6 companies which are principally involved in the trading of plywood and manufacturing of metal furniture parts, accessories, wooden knockdown and polyurethane furniture parts, fittings and other wood-based products and the manufacturing and assembling of electrical components.

The MHB Group first began its operations in 1981 as a sole proprietorship under the name of Syarikat Perniagaan Huplita ("Huplita") which was then principally engaged in the trading of plywood and furniture parts and accessories. In 1982, Huplita was converted into a private limited company under the name of Minply Sdn. Bhd.. Recognising the demand and potential in the manufacturing of metal hinges mainly due to the lack of local manufacturers of this product, EPI was established in 1990. Whilst various types of metal hinges and drawer runners manufactured under EPI remain the Group's core product line and main contributor to the Group's earnings, EPI has over the years, expanded its product range to include anti-theft clothes hanger rings, cam locks and sling straps.

The MHB Group is presently one of the leading local manufacturers of various types of concealed metal hinges in Malaysia. The MHB Group believes that the quality of their products coupled with the competitive pricing gave it an edge over its competitors.

Whilst competition exists from imported metal hinges and other metal furniture accessories which have been traditionally imported mainly from Europe and Taiwan due to the lack of local manufactured substitutes, the MHB Group believes that these imports are limited to the higher-end furniture market as they are more expensive partly due to import costs and tariff duty.

With a view to further broaden and complement the Group's existing manufacturing activities and recognising the increasing scarcity and the rising costs of wood for furniture making, the Group ventured into the manufacturing of furniture parts and accessories made of polyurethane as an alternative to wood-based materials with the establishment of MI in 1994. The Group's polyurethane furniture manufacturing operation which commenced in 1994, offers a comparatively inexpensive and environmentally-friendly alternative to wood-based furniture. Presently, the market is relatively small while customers' acceptance is still growing.

On the manufacture of wooden furniture, furniture parts and other wood-based products, transformers and electrical components, the Group's operations are relatively small in their respective markets which are made up of a large number of players.

Source of Raw Materials

The MHB Group mainly sources its principal raw materials used in its manufacturing activities from local suppliers whilst a small portion of raw materials are imported. The principal raw materials used in the Group's manufacturing activities and their source of supply are as follows:-

IX. INFORMATION ON THE MHB GROUP (*Cont'd*)

Products	Principal raw materials	Source
Metal hinges, furniture parts and accessories	Cold-rolled strips	75% from local suppliers and 25% imported
	Rivet pins and screws	Local
	Plastic cover	Local
Wooden knockdown furniture, fittings and other wood-based products	Timber logs and sawn timber	Local
Polyurethane furniture and furniture parts	Isocyanate and polyurethane	100% imported
Transformers and electrical components	Electrical steel sheets	Local
	Enameled copper and fibre-glass wires	Local

R&D and Quality Control

The Group's R&D have been vital to its aim to achieve and maintain a high standard of quality. Currently, the Group has 10 staff focusing on development of new products, improvement of quality, quality control and research on new production technology to maximise the efficiency and consistency of the Group's production lines.

The Group follows stringent quality control procedures. Random quality checks are carried out at regular intervals throughout the various stages of manufacturing processes to the finished product line using specific testing equipment. The following table sets out the main equipment employed by the Group in its R&D and quality control:-

Name of equipment	No. of units	Purpose/ Products tested
(i) Durability test machine	1	To test the strength and durability of metal hinges.
(ii) Fatigue strength test machine		To test the strength and durability of drawer runners.
(iii) Profile projector	1	To measure the accuracy and precision of dimensions of metal parts used in the manufacture of metal hinges and drawer runners.
(iv) Calliper	1	As per (iii) above
(v) Micrometer	1	As per (iii) above
(vi) Durometer	1	To test the hardness of polyurethane parts.
(vii) Moisture meter	2	To measure the moisture content of wood.

As part of its commitment to quality control, EPI has established a Quality Management System ("QMS") to cover various aspects of design, procurement and production for the manufacturing of its core products, metal hinges, furniture parts and accessories under EPI. On 26 September 1997, EPI was awarded the ISO 9002 certification for the said QMS by SGS Yarsley International Certification Services Limited, an accredited body by the United Kingdom Accreditation Services.

IX. INFORMATION ON THE MHB GROUP *(Cont'd)***Market**

Products manufactured by the MHB Group are sold locally as well as in the export market. The Group's core products namely metal hinges and drawer runners are sold mainly to furniture manufacturers and dealers. The Group's other products are marketed under the Group's brandnames except for wooden knockdown furniture and wooden furniture accessories which are primarily manufactured according to customers' designs and specifications as follows:-

Products	Brandname	Principal Customers/end-users
Transformers and electrical switchgears	Yokoyama#	Original Equipment Manufacturers ("OEMs") and electrical equipment dealers
Speaker system	Atronic#	Electrical product dealers
Fire doors	Allfit#	Furniture manufacturers and dealers

Application has been made for the registration of trademark and logo.

Today, the MHB Group is able to offer its customers a range of various furniture and furniture parts and accessories including those made from wood-based materials as well as innovative material such as polyurethane.

Production Facilities

The Group presently operates 3 main manufacturing facilities in Johor and 1 in Kuala Lumpur. The factory for the manufacture of the Group's main product line, namely, metal hinges, furniture parts and accessories is situated on a piece of freehold land located at Nos. 32 & 34, Jalan Industri 1, Taman Perindustrian Pekan Nenas, 8 1500 Pekan Nenas, Pontian, Johor Darul Takzim. The built-up area of the said factory is 30,210 sq. ft.

The Group's factory for the manufacturing of wooden knockdown furniture, furniture accessories and other wood-based products is situated on a piece of freehold land located at PTD Nos. 3995, 3996 and 3997, Jalan Kayu Ara Pasong, Sungai Trus, 82000 Pontian, Johor Darul Takzim, while its polyurethane furniture parts and accessories are produced at a factory situated on a piece of freehold land located at Batu 28, Jalan Johor, Pekan Nenas, 8 1500 Pontian, Johor Darul Takzim. The built-up area of these factories are 91,678 sq. ft. and 23,250 sq. ft. respectively.

Its Kuala Lumpur factory which manufactures and assembles electrical components is situated on a piece of freehold land which is located at Nos. 9 & 11, Jalan TPP 1/1 9, Taman Industri Puchong, 12th Mile, Jalan Puchong, 47 100 Sclangor Darul Ehsan. The built-up area of the factory is 8,640 sq. ft..

Through considerable investments in capital expenditure, most of the plant and equipment in the Group's production facilities are relatively new. The average age of the main plant and equipment ranges from 2 to 6 years.

Distribution Network

Over the years, the MHB Group has cultivated and established a relationship with its customers. Many of its major customers have been with the Group for more than 5 years.

IX. INFORMATION ON THE MHB GROUP (*Cont'd*)

Metal hinges, furniture parts and accessories manufactured by the MHB Group are marketed directly to local furniture manufacturers and dealers and through a subsidiary, Minply, which operates as the Group's local marketing agent. Export sales on the other hand, are principally made through the Group's marketing agents overseas. During the financial year ended 31 December 1998, the proportion of local and export sales of the Group were approximately 65% and 35% respectively. Exports were mainly to Singapore, Japan, Indonesia, Philippines, Thailand, Mauritius and Germany. Presently, the Group has 2 marketing agents overseas, 1 each in Indonesia and Singapore. The Group's subsidiary, Minply, serves as the marketing arm for some of the Group's products. Minply operates 3 main strategically located marketing offices, each located in Johor Bahru, Kuala Lumpur and Butterworth covering Peninsular and East Malaysia.

Other products manufactured by the Group including wooden knockdown and polyurethane furniture parts, fittings and other wood-based products are sold directly to the local and export markets as well as through Minply. The major export countries to which the products are sold are Singapore, Indonesia, United States of America and Japan. During the financial year ended 31 December 1998, the export sales contributed approximately 35% of the total sales. Electrical components manufactured by the Group are sold directly to local OEMs and electrical equipment dealers.

4. CHANGES IN SHARE CAPITAL

The authorised share capital of MHB is RM 100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of MHB is RM40,000,000 comprising 40,000,000 ordinary shares of RM 1.00 each.

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

Date of allotment	No. of ordinary shares of RM 1.00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
02.12.94	2	Subscribers' shares	2
31.07.99	24,671,500	Issued pursuant to the Acquisition of Minply at approximately RM 1.46 per share	24,671,502
31.07.99	4,334,498	Issued pursuant to the Acquisition of AFI at approximately RM 1.46 per share	29,006,000
17.08.99	10,994,000	Rights issue of approximately 379 for 1,000 at RM1.15 per share	40,000,000

IX. INFORMATION ON THE MHB GROUP (Cont'd)

5. SUBSIDIARIES AND ASSOCIATED COMPANIES

The principal activities of the subsidiaries of MHB, all of which were incorporated in Malaysia, as at the date of this Prospectus are as follows:-

Name	Date of incorporation	Authorised share capital RM	Issued and paid-up share capital RM	Effective shareholding %	Principal activities
Minply	04.06.82	25,000,000	12,090,863	100	Trading of plywood, furniture parts, accessories, other wood-based panels and products
EPI	15.03.90	5,000,000	2,346,500	100	Manufacturing of metal hinges, furniture parts and accessories
MI	24.07.92	1,000,000	800,000	100	Manufacturing of furniture parts and accessories
AFI	29.07.88	5,000,000	5,000,000	100	Manufacturing of wooden knockdown furniture, fittings and other wood-based products
CES	22.06.89	5,000,000	1,100,000	100	Manufacturing and assembling of transformers and other electrical components
MB	27.09.95	100,000	100,000	70	Sub-contracting services

MHB does not have any associated company as at the date hereof.

Further details of the subsidiaries of MHB are as follows:-

Minply**(i) History and Business Overview**

Minply was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 4 June 1982.

The company is principally engaged in the trading of plywood, furniture parts, accessories, other wood-based panels and products. In addition to the trading of timber and various types of plywood and laminated particle boards, Minply is also the marketing agent for metal hinges, furniture parts, accessories and fittings manufactured by EPI, MI and AFI. Minply operates from 3 main marketing offices, located in Johor Bahru, Kuala Lumpur and Butterworth.

Minply also has approximately 6% equity interest in United Prosperous Investment Ltd. ("UPL"), a company incorporated in Hong Kong. UPL is an investment holding company that owns 100% equity interest in International Wood Products (Kunshan) Co. Ltd., a company incorporated in the People's Republic of China, whose principal activities are the manufacturing and trading of laminated and decorative plywood and other wood-based products. The issued and paid-up capital of UPL comprised 6,355,000 ordinary shares of HK\$ 10 each and Minply's cost of investment in UPL amount to RMI 275,840. The investment in UPL was made since 29 September 1995.

IX. INFORMATION ON THE MHB GROUP *(Cont'd)**(ii) Share Capital*

The authorised share capital of Minply is RM25,000,000 comprising 25,000,000 ordinary shares of RM 1 .00 each. The issued and paid-up share capital of Minply is RM 12,090,863 comprising 12,090,863 ordinary shares of RM 1 .00 each.

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

Date of allotment	No. of ordinary shares of RM 1 .00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
04.06.82	3	Subscribers' shares	3
18.09.82	220,000	Issued pursuant to the acquisition of a landed property	220,003
10.07.84	130,000	Cash	350,003
30.09.93	5,000,000	Cash	5,350,003
01. 10.93	568,000	Issued pursuant to the acquisition of 100% equity interest in CES	5,9 18,003
01.01.94	445,000	Issued pursuant to the acquisition of 49% equity interest in EPI	6,363,003
11.07.94	690,000	Cash	7,053,003
15.12.94	5,037,860	Bonus issue of 5 for 7	12,090,863

(iii) Subsidiaries and Associated Companies

As at the date of this Prospectus, Minply does not have any subsidiary or associated company.

(iv) Employees

Minply has 55 employees as at 7 September 1999.

The management and employees have a harmonious relationship and none of the employees of the company belong to any union.

EPI

(i) History and Business Overview

EPI was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 15 March 1990.

The company is principally engaged in the manufacturing of metal hinges and furniture parts and accessories.

EPI manufactures various types of metal hinges which include concealed metal hinges and stainless steel butterfly door hinges. Other products manufactured by EPI include drawer runners, anti-theft clothes hanger rings, cam locks and sling straps. EPI operates from its own factory with a built-up area of 30,210 sq. ft., situated on a piece of freehold land located at Nos. 32 & 34, Jalan Industri 1, Taman Perindustrian Pekan Nenas, 81500 Pekan Nenas, Pontian, Johor Darul Takzim. EPI is presently one of the leading local manufacturers of concealed metal hinges in Malaysia.

IX. INFORMATION ON THE MHB GROUP *(Cont'd)*

The production output and capacity for EPI, based on 2 shifts of 8 hours per shift, are as follows:-

Products	Average production output (per month)	Production capacity (per month)
Hinges	1.796 million pieces	3.000 million pieces
Drawer runners	332,248 sets	370,000 sets
Others	1.287 million pieces	1.730 million pieces

During the financial year ended 31 December 1998, the proportion of local and export sales of the EPI were approximately 75% and 25% respectively. Exports were mainly to Singapore, Indonesia, United States of America and Japan.

(ii) Share Capital

The authorised share capital of EPI is RM5,000,000 comprising 5,000,000 ordinary shares of RM 1.00 each. The issued and paid-up share capital of EPI is RM2,346,500 comprising 2,346,500 ordinary shares of RM 1.00 each.

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

Date of allotment	No. of ordinary shares of RM 1.00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
15.03.90	3	Subscribers' shares	3
28.03.91	199,997	Cash	200,000
23.03.93	100,000	Cash	300,000
1 1.07.94	546,500	Cash	846,500
1.5.0x.94	1,500,000	Cash	2,346,500

(iii) Subsidiaries and Associated Companies

As at the date of this Prospectus, EPI does not have any subsidiary or associated company.

(iv) Employees

EPI has 135 employees as at 7 September 1999.

The management and employees have a harmonious relationship and none of the employees of the company belong to any union.

MI

(i) History and Business Overview

MI was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 24 July 1992 under the name of Nova Annexe Sdn. Bhd. and assumed its present name on 8 December 1994.

IX. INFORMATION ON THE MHB GROUP *(Cont'd)*

MI is principally engaged in the manufacturing of furniture parts, fittings and accessories. Products manufactured by MI include head boards for beds, mirror frames and drawer panels made of polyurethane. MI operates from a factory with a built-up area of 23,250 sq. ft., located on a piece of freehold land at Batu 28, Jalan Johor, 81500 Pekan Ncnas, Pontian, Johor Darul Takzim.

MI's products are sold locally as well as in the export market. The principal markets for its products are mainly the local furniture manufacturers and dealers. During the financial year ended 31 December 1998, the proportion of local and export sales of the EPI were approximately 71% and 29% respectively. Exports were mainly to Singapore.

MI has a production capacity of approximately 27,500 units of polyurethane furniture and furniture parts per month, based on 1 shift of 8 hours per shift. It presently operates at approximately 39% of its production capacity producing an average output of approximately 10,700 units per month.

(ii) Share Capital

The authorised share capital of MI is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of MI is RM800,000 comprising 800,000 ordinary shares of RM1.00 each.

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

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
24.07.92	2	Subscribers' share	2
24.07.92	49,998	Cash	50,000
16.01.95	750,000	Cash	800,000

(iii) Subsidiaries and Associated Companies

As at the date of this Prospectus, MI does not have any subsidiary or associated company.

(iv) Employees

MI has 22 employees as at 7 September 1999.

The management and employees have a harmonious relationship and none of the employees of the company belong to any union.

AFI

(i) History and Business Overview

AFI was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 29 July 1988.

IX. INFORMATION ON THE MHB GROUP *(Cont'd)*

AFI is principally engaged in the manufacturing of wooden knockdown furniture, fittings and other wood-based products. These include wood panelling, profiles, architraves, laminated particle boards, wooden doors and frames. AFI operates from its factory with a built-up area of 9 1,678 sq. ft. located on its own freehold land of 164,299 sq. ft. at PTD 3995-7, Jalan Kayu Ara Pasong, Sungai Trus, 82000 Pontian, Johor Darul Takzim.

During the financial year ended 31 December 1998, the proportion of local and export sales of the AFI were approximately 37% and 63% respectively. Exports were mainly to Singapore and the United States of America.

The production output and capacity of AFI, based on 1½ shifts of 8 hours per shift are as follows:-

Description	Average production output (per month)	Production capacity (per month)
Wood panelling, profiles and architraves and laminated particle boards	0.31 million metres	0.41 million metres
Knockdown furniture *	513 sets	2,000 sets
Doors and door frames	884 units	4,000 units

* Major products include dining tables and chairs, cabinets, beds and desks.

(ii) *Share Capital*

The authorised share capital of AFI is RM5,000,000 comprising 5,000,000 ordinary shares of RM 1.00 each. The issued and paid-up share capital of AFI is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each.

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

Date of allotment	No. of ordinary shares of RM 1.00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
29.07.88	2	Subscribers' shares	2
31.07.89	509,298	Cash	509,300
18.09.X')	200,000	Issued pursuant to the acquisition of a landed property	709,300
06.11.90	2 10,553	Cash	919,853
10.11.95	1,080,147	Cash	2,000,000
04.12.95	3,000,000	Cash	5,000,000

(iii) *Subsidiaries and Associated Companies*

As at the date of this Prospectus, AFI does not have any subsidiary or associated company.

IX. INFORMATION ON THE MHB GROUP (Cont'd)**(iv) Employees**

As at 7 September 1999, AFI has 164 employees, 16 of whom have declared their affiliation with Kesatuan Pekerja-Pekerja Perakayuan Semenanjung Malaysia.

The management have a harmonious relationship with its employees and Kesatuan Pekerja-Pekerja Perakayuan Semenanjung Malaysia.

CES

(i) History and Business Overview

CES was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 22 June 1989.

The company is principally engaged in the manufacturing and assembling of transformers and electrical components. Products manufactured and assembled by CES include auto transformers, power transformers, step transformers, rotor resistance, electrical switchboards and related components such as earth fault relays and moulded case circuit breakers. The company's products are mainly used by OEMs such as electrical switchboard manufacturers and electrical equipment dealers in the management, stabilisation and the distribution of electricity supply. Presently, CES operates from a factory with a built-up area of 8,640 sq. ft. located on a piece of freehold land of 19,203 sq. ft. which is owned by Minply, at Nos. 9 & 11, Jalan TPP 1/1 9, Taman Industri Puchong, 12 Mile, Jalan Puchong, 41700 Puchong, Selangor Darul Ehsan.

The production output and capacity of CES, based on 1 shift of 8 hours per shift are as follows:-

	Average production output (per month)	Production capacity (per month)
Transformers and rotor resistance	826 units	1,377 units
Components	2,671 units	4,452 units
Switchboards	37 units	62 units

During the financial year ended 31 December 1998, the proportion of local and export sales of the CES were approximately 99% and 1% respectively. Exports were mainly to Singapore.

(ii) Share Capital,

The authorised share capital of CES is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of CES is RM1,100,000 comprising 1,100,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of CES since its incorporation are set out below:-

Date of allotment	No. of ordinary shares of RM 1.00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
22.06.89	150,000	Subscribers' shares	150,000
18.11.91	150,000	Cash	300,000
11.07.94	300,000	Cash	600,000
15.08.94	500,000	Cash	1,100,000

IX. INFORMATION ON THE MHB GROUP (*Cont'd*)(iii) ***Subsidiaries and Associated Companies***

As at the date of this Prospectus, CES does not have any subsidiary or associated company.

(iv) ***Employees.***

CES has 27 employees as at 7 September 1999.

The management and employees have a harmonious relationship and none of the employees of the company belong to any union.

MB

(i) ***History and Business Overview***

MB was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 27 September 1995.

MB is a 70%-owned subsidiary of MHB. The other shareholders of MB are Sha Chuan and Tee Ah Seong, each holding 15% equity interest in the company.

The company is principally engaged in sub-contracting and civil engineering services. Details of major projects completed todate by MB are as follows:-

Client	Project	Contract value RM	Completion date
Ahmad Zaki Sdn. Bhd.	Sub-contract work on the external envelope and internal wall of the National Sports Complex, Bukit Jalil, Selangor Darul Ehsan	1,961,375	April 1997
Kencana Vest Sdn. Bhd.	Site clearance and earthworks for proposed 51 units of 4-storey shop offices at Plots 1 & 2, Section 13, Shah Alam, Selangor Darul Ehsan	52 1,300	July 1997
Kembang Scrantau Sdn. Bhd.	Landscaping work along Jalan Istana, Klang, Selangor Darul Ehsan	617,570	January 1998
Pimpin Manis Sdn. Bhd.	Infrastructural and earth works on a 17.8-acre land at Section U5, Sungai Buloh, Selangor Darul Ehsan	1,607,260	May 1998
Minply	Construction of 2 units of factory-cum-office at Lot PTD Nos. 2095 & 2097, Pinwang Industrial Park, Selangor Darul Ehsan	1,93 1,660	July 1998
Ahmad Zaki Sdn. Bhd.	Piling works for a Surau at Kuala Lumpur City Centre at Lot 41, Jalan Ampang, Kuala Lumpur	480.026	June 1998

1X. INFORMATION ON THE MHB GROUP (Cont'd)

Currently, MB has no on-going and new contracts.

(ii) *Share Capital*

The authorised share capital of MB is RM 100,000 comprising 100,000 ordinary shares of RM 1.00 each. The issued and paid-up share capital of MB is RM 100,000 comprising 100,000 ordinary shares of RM 1.00 each.

The changes in the issued and paid-up share capital of MB since its incorporation are set out below:-

Date of allotment	No. of ordinary shares of RM1.00 each allotted	Consideration/Type of issue	Total issued and paid-up share capital RM
27.09.95	100	Subscribers' shares	100
12.03.96	99,900	Cash	100,000

(iii) *Subsidiaries and Associated Companies*

As at the date of this Prospectus, MB does not have any subsidiary or associated company.

(iv) *Employees*

MB has 2 employees as at 7 September 1999.

The management and employees have a harmonious relationship and none of the employees of the company belong to any union.

6. LANDED PROPERTIES

Details of landed properties of the MHB Group are as follows:-

Registered owner and/or Beneficial owner / Location	Existing use / Description of property	Tenure/ Approximate age of building (years)	Approximate land area/ built-up area (sq. ft.)	Net book value as at 31.12.97 RM'000	Net book value as at 31.03.99 RM'000	Open market value/Date of valuation RM'000	Valuation as approved by the SC RM'000	Revaluation surplus/ (deficit) RM'000
<i>Minply</i> Geran Mukim No. 19 Lot 2173, Mukim of Serkat, District of Pontian, Johor Darul Takzim	Agricultural/ coconut trees	Freehold/ n/a	126,596/ n/a	4X	4x	160/ 23 March 1999	160	112
Developer's Lot Nos. D6 and D7, Nos. 1 & 3, Jalan TPP 6/8, Taman Perindustrian Puchong, Seksyen 6 (formerly known as Pinwang Industrial Park), 47100 Puchong, Selangor Darul Fhsan	Industrial/ 2 units of single-storey detached factories with an annexed double-storey front office	Leasehold - 99 years expiring on 12/2088 less than 1 year	62,139/ 33,960	3,396	3,47X	3,410/ 15 March 1999	3,410	14
Geran No 49238, Lot No. 56840 and Geran No 49239, Lot No 56841 (formerly known as PTIS(D)168969, PTID89619 and PTIS(D)168970, PTID89620) Mukim of Plentong, District of Johor Bahru at No X & IO, Jalan Masyhur 4, Taman Perindustrian Cemerlang, 81800 Ulu Firam, Johor Darul Takzim	Industrial/ 2 units of 1 1/2 storey semi-detached factories	Freehold/	17,997/ 10,000	X47	X32	1,440/ 13 March 1999	1,440	593

IX. INFORMATION ON THE MHB GROUP (*Cont'd*)

Registered owner and/or Beneficial owner / Location	Existing use/Description of property	Tenure/ Approximate age of building (years)	Approximate land area / Approximate built-up area (sq. ft.)	Net book value as at 31.12.97 RM'000	Net book value as at 31.0399 of RM'000	Open market value/Date of valuation RM'000	Valuation as approved by the SC RM'000	Revaluation surplus/ (deficit) RM'000
Minply (Cont')								
HS(D) 61587, PT 11338 and 1 HS(D) 61 sxx, PT 11339, Mukim of Petaling at Nos. 9 & 11, Jalan TPP 1/19, Taman Industri Puchong, 1 2th Mile, Jalan Puchong, 47 100 Puchong, Selangor Darul Ehsan	Industrial/ 1 unit of single storey semi-detached factory and 1 unit of single storey semi-detached factory with mezzanine	Freehold/	19,203/ 8,640	1,290	1,269	1,585/ 15 March 1999	1,585	295
Pajakan Mukim 326, Lot 20497, Mukim of Petaling at No. 17, Jalan 1113A, Off Jalan Kelang Lama, 58000 Kuala Lumpur	Industrial/ 1 unit 3% storey terrace industrial building	Leasehold 99 years expiring 26.06.2077 / 14	3,444/ 13,127	716	743	1,145/ 15 March 1999	1,145	429
HS(D) 137862, PTD 27892 Mukim Tebrau, No. 10, Jalan Badik 13, Taman Puteri Wangsa XI 800 Ulu Tiram, Johor Bahru, Johor Darul Takzim	Residential/ 1 unit double-storey terrace house	Freehold/	1,540/ 1,395	128	126	170/ 13 March 1999	170	42
EPI								
HS(M) 2656, PTD X240 and HS(M) 2657, PTD 8241, Mukim of Jeram Batu, at Nos. 32 & 33, Jalan Industri 1 Taman Perindustrian Pekan Nenas, X 1500 Pekan Nenas, Pontian, Johor Darul Takzim	Industrial/ 2 units of 1½ storey semi-detached factories	Freehold/	32,295/ 30,210	1,860	1,828	2,240/ 12 March 1999	2,000	140
EMR No 1230, Lot 2377, Mukim of Jeram Batu, District of Pontian, Johor Darul Takzim ⁽²⁾	Industrial/ Converted industrial land	Freehold/ n/a	257,256/ 3 1.672	3,104	3,095	2,570/ 12 March 1999	2,570	(534)
HS(M) 3336, PTD 8831, HS(M) 3337, PTD 8832, 1 HS(M) 3338, PTD 8833, 1 HS(M) 3319, PTD 8834, HS(M) 3340, PTD 8835 and HS (M) 3341 PTD 8836, (formerly known as EMR 1231 Lot 950), Mukim of Jeram Batu, District of Pontian, Johor Darul Takzim ⁽²⁾	Industrial/ Vacant land	Freehold/ n/a	271,604/ n/a	2,045	2,110	4,080/ 12 March 1999	3,260	1,215
AFI								
HS(D) 2853, PTD 3905, HS(D) 2x54, PTD 3996 and HS(D) 2855, PTD 3997, Mukim Api-Api, District of Pontian, Jalan Kayu Ara Pasang, Sungai Trus, Pontian, Johor Darul Takzim	Industrial / 2 units of single-storey detached factories with a double-storey office annex and other ancillary buildings	Freehold/ *	164,299/ 91,678	5,020	5,158	4,955/ 12 March 1999	4,955	(65)
				18,454	18,687	21,755	20,695	2,241

* The 2 buildings are of the age of less than 1 year and 10 years respectively.

n/a Not applicable.

IX. INFORMATION ON THE MHB GROUP (Cont'd)

Notes:-

1. *This property was acquired from the property developer/vendor, Pinwang Sdn. Bhd., via 2 separate Sale and Purchase Agreements, dated 27 December 1993 and 16 August 1994 respectively. The Master titles have been surrendered by the developer to the relevant land authorities for subdivision. To date, the separate individual titles have yet to be issued.*
2. *These properties were acquired from Lai Hup Seng Rubber Factory Sdn. Bhd., the registered owner of the properties, pursuant to the Sale and Purchase Agreements dated 15 September 1995. To date, the titles of the said properties are still pending registration in the name of EPI.*
3. *The open market value of the above properties were determined based on the valuation by a firm of independent professional valuers, Messrs. KGV-Lambert Smith Hampton, using the Comparative and Cost Methods of valuation. The Valuation Certificates are set out in Section XIII of this Prospectus.*

The total revaluation surplus of RM2,241,000 arising from the revaluation of landed properties owned by Minply, EPI and AFI, will be incorporated in the consolidated accounts of MHB for the financial year ending 31 December 1999.

7. DIRECTORS AND MANAGEMENT TEAM
7.1 Board of Directors

Relevant particulars of the Directors of MHB are as follows:-

Chee Ah Leh, aged 47, was appointed the Executive Chairman of MHB on 2 August 1999 and is one of the founders of the MHB Group. He has over 22 years of working experience in the manufacturing of furniture parts and accessories and the trading of plywood and timber products. He is credited for charting the growth of the Group since its inception, from a small operation to an industrial concern today. He is the driving force behind the MHB Group's growth and is responsible for the overall business development and strategic direction of the Group. He also sits on the Board of Directors of all the subsidiaries of MHB.

Ng Ah Kuan, aged 38, was appointed the Executive Vice Chairman of MHB on 2 August 1999 and is one of the founders of the MHB Group. He has over 15 years of working experience in the manufacturing of furniture and furniture accessories and the trading of plywood and timber products. He has contributed significantly to the growth of the Group and is presently responsible for the strategic planning as well as business and corporate development of the Group. He sits on the Board of Directors of other companies within the Group as well as other private limited companies in Malaysia and Singapore.

Chee Boon Yeong, aged 37, was appointed the Managing Director of MHB on 2 August 1999. He started his career in 1985 when he joined Minply as a Sales Representative. With more than 14 years of working experience with the Group, he was instrumental in the setting up of the Group's polyurethane furniture manufacturing operations under MHB. In addition to his directorships of other companies within the Group, he also oversees the overall day-to-day operations of the Group.

IX. INFORMATION ON THE MHB GROUP (Cont'd)

Y. Bhg. Dato' Mohd. Taufik Bin Abdullah, aged **56**, was appointed a Director of MHB on 2 August 1999. He completed his secondary education at the Malay College, Kuala Kangsar in 1961 and obtained a Bachelor of Science degree from the University of Malaya in 1966. After graduating from the University of Malaya, he obtained a post-graduate Diploma in Operational Research from the Woolwich Polytechnic, London in 1968 and continued his post-graduate education at the Essex University, United Kingdom where he obtained a Master of Science degree in Statistics and Operational Research in 1969.

Upon returning from the United Kingdom, he joined Bank Negara Malaysia ("BNM") in 1970 and initially served in the Economic Research and Statistics Department, before rising to the position of Assistant Chief Economist. He was subsequently promoted to the post of Secretary of BNM in 1977, a position he held until 1980 when he was appointed as Manager, Bank Regulations Department. In addition to his duties as Manager, Bank Regulations Department, he was promoted to the post of Adviser in 1983 and was responsible for overseeing a number of departments in BNM.

He left BNM in December 1984 and joined Bank Bumiputra Malaysia Berhad in January 1985, on secondment from BNM, as Executive Director, a position he held until May 1989. He later joined United Asian Bank Berhad (now known as Bank of Commerce (M) Berhad) in the same year as Director/Chief Executive, where he remained until June 1991.

He has been a Fellow member of the Institute of Bankers Malaysia since 1986. He sits on the Board of various private and public limited companies including Malaysian National Reinsurance Berhad (since 23 May 1989) and SMPC Metal Industries Berhad (since 25 October 1994). He was appointed the Executive Chairman of Johor Port Berhad on 22 September 1995, the position he still assumes today.

Liang Teh Hai, aged 56, was appointed a Director of MHB on 2 August 1999. He is a practising public accountant with his own firm, Liang & Co., Public Accountants. He received his tertiary education in New Zealand and graduated with a Bachelor of Commerce degree in accounting from the University of Otago in 1970. He started his professional career with international accounting firms for about 6 years before setting up his own practice in Johor Bahru in 1978. He is a member of the Institute of Chartered Accountants of New Zealand, Institute of Chartered Secretaries and Administrators, Malaysian Institute of Accountants and Malaysian Institute of Taxation.

Quek Chye Hock, aged **40**, was appointed a Director of MHB on 2 August 1999. He graduated from the University of Buckingham, United Kingdom with a LLB degree in February 1988 and obtained his Certificate of Legal Practice from the University of Malaya in October 1988. Having accumulated more than 6 years of working experience with legal firms in Kuala Lumpur, he was admitted as Partner of a legal firm, Messrs. K.Y. Foo & Co. in **1994**.

IX. INFORMATION ON THE MHB GROUP (Cont'd)

7.2 Management Team of the Group

Details of the senior management team of the MHB Group are as follows:-

Ng Hip Mang, aged 68, is the Group Marketing Adviser. He is one of the founders of Minply and has over 30 years of working experience in the trading of timber, plywood and furniture accessories. In addition to his directorship in Minply, he also sits on the Board of Directors of several private limited companies in Malaysia.

Chang Soo Ho M, aged 30, is the Business & Operation Manager. He graduated with a Master of Arts (International Business and Management) degree from the University of Westminster, London, United Kingdom in 1996. Prior to this, he graduated with a Bachelor of Engineering (Electrical and Electronics) from the University of Leicester, Leicester, United Kingdom in 1995. Before he went to further his tertiary education in the United Kingdom, he worked for Nanyang Minimarket as a Manager from 1991 to 1992 overseeing the general management and daily operation of the company. After graduation, he joined Computer Corporate (U.K.) Limited as Engineer Manager from 1996 to 1997. The company was principally involved in the trading and refurbishment of computers. He was responsible for the management accounts, consultation on hardware and software requirements, project management and overall management of the company. Upon his return to Malaysia, he joined the Group in November 1997. In his present capacity, he is assisting the Executive Chairman, Chee Ah Leh to oversee the Group business operations and to develop new business opportunities.

Ho Kok Kiang, aged 34, is the Group Finance and Administration Manager. He graduated with a Bachelor of Business degree from the University of Southern Queensland, Australia in 1991 and is an Associate Member of the Australian Society of Certified Practising Accountants. Prior to joining the Group in February 1996, he was attached to K. K. Chow & Co., a firm of certified public accountants, from 1991 to 1992 where he gained experience in the areas of accounting, auditing and taxation. In 1992, he left the practice to join Regal Crest (M) Sdn. Bhd., a company principally involved in contracting and civil engineering services as its Assistant Accounts Manager. In 1994, he joined Xian Kerry Oils & Fats Industrial Ltd., a company principally involved in the refining of edible oils in China as Accountant and in 1995, he left the company and joined Skyline Frontier Sdn. Bhd., a company principally involved in the manufacturing of audio products as Assistant Finance, Administration and Personnel Manager. In his present capacity, he is responsible for overseeing the Group's finance, accounting and administrative functions.

Loong Chi Shiung, aged 45, is the Export Manager of Minply. He took a course on the management of an export and import business operation from Anthony Wade (Consultants) Ltd., London in 1977. From 1982 to 1985, he worked for Chi Ho Trading Sdn. Bhd., a company principally engaged in the trading of general merchandise as Marketing Executive in its export and import department. In 1985, he joined Sunlatex Industries Sdn. Bhd., a company principally engaged in the manufacturing of industrial and household rubber gloves as Personal Assistant to the Managing Director. He was responsible for marketing research and overall management follow-up work on behalf of the Managing Director. In 1991, he joined Hil Electronics Sdn. Bhd., a company principally engaged in the manufacturing of television sets, video cassette recorders and other consumer electronics products. He was later seconded over to its new subsidiary, Hil Audio Sdn. Bhd., a company principally engaged in the manufacture of speaker systems as Assistant Material Controller. He was responsible for the purchasing, warehousing and shipping functions of the company. In 1993, he joined ML Wood Products Sdn. Bhd., a company principally engaged in the manufacturing of speaker boxes systems and furniture components as Marketing Manager to oversee the marketing operations. In 1995, he joined AFI as Marketing & Administration Manager to oversee the overall marketing and administration functions of the company. In 1998, he was seconded over to Minply as Export Manager to focus on the export markets for the Group's manufactured products.

IX. INFORMATION ON THE MHB GROUP (Cont'd)

Ang Poon Aik, aged 46, is the General Manager of EPI. He has been with EPI since its incorporation in 1990 and assisted in the setting up of the factory. Prior to joining EPI, he was attached to United Plastics Sdn. Bhd., a company principally involved in the manufacturing of plastic products from 1975 to 1986, where his last held position was Factory Manager. In his present capacity, he is in charge of the overall operations of EPI, overseeing the company's manufacturing and day-to-day operations.

Loo Chau Chang, aged 33, is the Production Manager of EPI. He graduated from Tunku Abdul Rahman College, Kuala Lumpur in 1991 with a Diploma in Materials Engineering. He started his career with Mizuho Precision Engineering Sdn. Bhd. in 1991 as Production Planning & Control Engineer. He was responsible for the overall production planning and control functions. In 1995, he joined SBN Industries Sdn. Bhd., a company which is principally a mechanical and electrical project contractor as well as a manufacturer of cable ladder and tray, trunking and air-conditioning ducting system, as a Project Engineer. He was responsible for the overall project scheduling and production control, and enforcement and implementation of the ISO 9002 quality system. In 1997, he joined EPI as Systems Engineering to oversee and implement the ISO 9002 quality system. He was promoted to Production Manager in 1999. In his present capacity, he is responsible for the overall management and production operation of EPI.

Ng Kim Hwa, aged 36, is the General Manager of AFI. He graduated from the University of South Western Louisiana, the United States of America, in 1988, with a Bachelor of Science degree. Upon his graduation, he joined AFI as Production Coordinator and was promoted to Production Supervisor in 1989. In 1990, he was promoted to Production Manager and was responsible for the manufacturing operations of AFI. Having served various positions in the company, including Marketing Manager in 1992, he was promoted as General Manager in 1995. In his present capacity, he is responsible for formulating strategies for the company's sales and marketing, production and the overall day-to-day operations.

Li Ai Soon, aged 42, is the Production Manager of MI. From 1992 until 1994, he was attached to Island Resources Sdn. Bhd., a company principally involved in the manufacturing of polyurethane furniture parts and accessories, as Production Supervisor where he accumulated experience and knowledge in design and production of polyurethane products. He joined MI in 1994 and in his present capacity, he is responsible for product development, production and quality control.

Law Koon, aged 51, is the Factory and Technical Manager of CES. He started his career in 1966 as an Apprentice with Kit Cheong Electrical Engineering Sdn. Bhd., a company principally involved in the manufacturing of electrical transformers. In 1971, after obtaining a Certificate in Electronics from Kota Institute of Electronics, he was promoted to Division Supervisor and in 1975 became its Factory Manager. In 1983, he left the company to set up a joint venture company, Holly Trading Sdn. Bhd., which manufactures various types of electrical transformers. In 1995, he sold his interest in the joint venture and joined CES as its Factory and Technical Manager to assist the company in setting up its manufacturing operations. He is responsible for planning and formulating strategies pertaining to manufacturing resources, product quality, product development, technical advisory and the overall day-to-day running of the manufacturing operations.

IX. INFORMATION ON THE MHB GROUP (Cont'd)

7.3 Family Relationships

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

- (i) Chee Ah Leh and Chee Boon Yeong are brothers.
- (ii) Ng Ah Kuan and Ng Kim Hwa are brothers. Both are sons of Ng Hip Mang.
- (iii) Chee Ah Leh, Chee Boon Yeong, Ng Ah Kuan and Ng Kim Hwa are cousins.
- (iv) Chee Ah Leh and Chee Boon Yeong are nephews of Ng Hip Mang.

8. EMPLOYEES

The MHB Group has 405 employees as at 7 September 1999. None of the employees of the Group belong to any union except for AFI, of which 16 of its employees have declared their affiliation with Kesatuan Pekerja-Pekerja Perakayuan Semenanjung Malaysia.

The management have a harmonious relationship with its employees and Kesatuan Pekerja-Pekerja Perakayuan Semenanjung Malaysia.

X. FINANCIAL INFORMATION

1. PROFIT AND DIVIDEND RECORD

(i) MHB - Company

MHB was incorporated on 2 December 1994 and was dormant until it became an investment holding company on 31 July 1999 pursuant to the restructuring exercise implemented, as detailed in Section IX(2) of this Prospectus.

(ii) MHB Group - Proforma

The following table sets out a summary of the proforma consolidated results of the MHB Group for the 5 financial years ended 31 December 1998, prepared based on the audited accounts of Minply, EPI, AFI and CES for the 5 financial years ended 31 December 1998 and 3 months ended 31 March 1999 and the audited accounts of MB for the period from 27 September 1995 (date of incorporation) to 31 December 1996, 2 financial years ended 31 December 1998 and 3 months ended 31 March 1999, on the assumption that the current structure of the Group has been in existence throughout the period under review:-

	Years ended 31 December ----->					3 months
	1994	1995	1996	1997	1998	ended 31 March 1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	39,957	64,877	90,196	91,688	63,756	13,862
Profit before taxation	5,113	8,135	10,196	11,589	4,721	1,700
Taxation	(545)	(1,232)	(2,305)	(2,454)	(1,027)	
Profit after taxation	4,568	6,903	7,891	9,135	3,694	1,700
Minority interests			(13)	(43)	5	2
Profit after taxation and minority interests	4,568	6,903	7,878	9,093	3,699	1,702
Extraordinary item	(45)					
Profit after taxation and extraordinary item	4,523	6,903	7,878	9,092	3,699	1,702
No. of ordinary shares assumed in issue ('000)	29,006	29,006	29,006	29,006	29,006	29,006
Gross EPS (sen) #	17.62	28.05	35.10	39.75	12.79	123.47
Net EPS (sen) (a)	15.75	23.80	27.16	31.35	12.75	123.47

+ Annualised.

* Being the number of shares in issue after the Acquisitions but prior to the Rights Issue.

Based on the profit before taxation and extraordinary item but after minority interests divided by the number of ordinary shares assumed in issue. The profit before taxation and extraordinary item but after minority interests for the 3 financial years ended 31 December 1998 and 3 months ended 31 March 1999 are RM10,182,000, RM11,529,000, RM4,726,000 and RM1,702,000 respectively.

(a) Based on the profit after taxation and minority interests but before extraordinary item divided by the number of ordinary shares assumed in issue.

Notes:-

(i) The increase in turnover for the financial years ended 31 December 1995 and 1996 were mainly due to the increase in the sales volume of metal hinges and MDF boards. Profit before taxation continued to increase for both financial years mainly due to the significant increase in turnover and improved margins for metal hinges, furniture parts and accessories.

x. FINANCIAL INFORMATION (Cont'd)

- (ii) There was no significant fluctuation in turnover for the financial year ended 31 December 1997. However, profit before taxation recorded an increase of approximately 14% principally due to the higher sales contribution by products that yielded higher gross profit margin such as metal hinges.
- (iii) Turnover for the financial year ended 31 December 1998 and the financial period ended 31 March 1999 were significantly lower following the decrease in the sales volume of plywood, electrical components, fire doors and contract income from subcontracting work as a result of the slowdown in the Malaysian economy. In addition to lower sales, the higher provision for doubtful debts and bad debts written off have resulted in the significant decrease in profit before taxation.
- (iv) The effective tax rates for the 5 financial years ended 31 December 1998 were lower than the statutory tax rate mainly due to the utilisation of reinvestment and capital allowances and the utilisation of tax losses brought forward. There is no tax charge for the financial period ended 31 March 1999 as the amount payable is waived in accordance with the Income Tax (Amendment) Act, 1999.
- (v) The extraordinary item for the financial year ended 31 December 1994 represents real property gains tax on the sub-leasing of leasehold land and building to a subsidiary.

(iii) Mingly

The following table sets out a summary of the audited profit and dividend record of Mingly for the past 5 financial years ended 31 December 1998 and 3 months ended 31 March 1999 :-

	Years ended 31 December					3 months ended 31 March
	1994	1995	1996	1997	1998	1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	30,088	46,898	64,158	61,260	34,957	7,814
Profit before taxation	4,257	2,747	3,097	3,768	591	760
Taxation	(724)	(875)	(1,044)	(1,079)	(342)	
Profit after taxation	3,533	1,872	2,053	2,689	249	760
Extraordinary item	775					
Profit after taxation and extraordinary item	4,308	1,872	2,053	2,689	249	760
Weighted average number of ordinary shares in issue ('000)	11,746	12,091	12,091	12,091	12,091	12,091
Gross EPS (sen)	36.24	22.72	25.61	311.6	4.89	+25.14
Net EPS (sen)	30.08	15.48	16.98	22.34	2.06	+25.14
Gross dividend rate (%)					30.00	

Annualised.

Notes:-

- (i) Turnover increased significantly for the financial years ended 31 December 1995 and 1996 mainly due to the increase in sales volume of MDF boards and metal hinges.
- (ii) The lower profit before taxation was recorded for the financial year ended 31 December 1995 mainly due to lower margins from the sale of plywood and the fact that no dividend was paid by subsidiaries. Profit before taxation for 1996 increased in line with the increase in turnover. However, profit before tax margin decreased mainly due to the continuing decline in plywood prices.
- (iii) Turnover decreased slightly during the financial year ended 31 December 1997 mainly due to the decrease in the sales of plywood. However, despite the lower turnover, profit before tax was higher compared to the previous year due to the increase in the sales contribution of metal furniture products which yielded a higher profit margin as compared to the sales of plywood.

X. FINANCIAL INFORMATION (Cont'd)

- (iv) The significant decrease in turnover and profit before taxation for the financial year ended 31 December 1998 was mainly due to the slowdown in the Malaysian economy and the prudent stance taken by the management to minimise credit risks.
- (v) The extrapolation of turnover for the three month ended 31 March 1999 reflected a decrease of approximately 10% as compared to 1998 since turnover are usually lower in the first quarter of the year. Despite the lower turnover, profit before taxation increased by approximately 5 times based on extrapolation of the three months results following the decline in interest rates and bad debts written off during the period.
- (vi) The effective tax rate for the financial year ended 31 December 1994 was lower than the statutory tax rate mainly due to tax exempt dividend income received from a subsidiary. The higher effective tax rates for the 4 financial years ended 31 December 1998 were mainly due to certain expenses being disallowed for firm purposes. There is no tax charge for the financial period ended 31 March 1999 as the amount payable is waived in accordance with the Income Tax (Amendment) Act, 1999.
- (vii) The extraordinary item for the financial year ended 31 December 1994 was in respect of a profit on sub-leasing of leasehold land and building to a subsidiary.

(iv) EPI

The following table sets out a summary of the audited profit and dividend record of EPI for the 5 financial years ended 31 December 1998 and 3 months ended 31 March 1999:-

	Years ended 31 December ----->					3 months ended 31 March
	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Turnover	8,140	16,258	17,393	20,627	20,602	5,248
Profit before taxation	2,147	3,992	5,228	5,255	3,534	1,206
Taxation		(160)	(874)	(1,013)	(335)	
Profit after taxation	2,147	3,832	4,354	4,242	3,199	1,206
Weighted average number of ordinary shares in issue ('000)	1,113	2,347	2,347	2,347	2,347	2,347
Gross EPS (sen)	192.90	170.09	222.75	223.90	150.58	#205.54
Net EPS (sen)	192.90	163.27	185.51	180.74	136.30	#205.54
Gross dividend rate (%)	* 177.00					

Annualised.

* Tax exempt.

Notes:-

- (i) The increase in turnover and profit before taxation for the financial years ended 31 December 1995 and 1996 were mainly due to the increase in sales volume of metal hinges and the higher gross margin due to economies of scale and decrease in average production costs.
- (ii) Turnover for the financial year ended 31 December 1997 increased significantly mainly due to the increase in sales volume of metal hinges. Despite the significant increase in turnover, profit before taxation only increased marginally mainly due to the higher cost of raw materials and other operating costs.
- (iii) Despite a marginal decrease in turnover for the financial year ended 31 December 1998, profit before taxation decreased significantly compared to 1997 mainly due to a change in the sales mix whereby the sales of drawer runners which yielded a lower margin increased from 16% of total sales in 1997 to 33% of total sales in 1998.
- (iv) The turnover after extrapolation continue to improve as compared to 1998 with higher sales contribution from hinges resulting in the increase in operating margin and profit before taxation.

X. FINANCIAL INFORMATION *(Cont'd)*

(v) *There was no tax charge for the financial year ended 31 December 1994 while the lower effective tax rates for the 4 financial years ended 31 December 1998 were mainly due to utilisation of capital and reinvestment allowances. There is no tax charge for the financial period ended 31 March 1999 as the amount payable is waived in accordance with the Income Tax (Amendment) Act, 1999.*

(vi) *There were no extraordinary items during the financial years/period under review.*

(v) MI

The following table sets out a summary of the audited profit and dividend record of MI for the 5 financial years ended 31 December 1998 and 3 months ended 31 March 1999:-

	< ----- Years ended 31 December ----- >					3 months ended 31 March 1999
	1994 RM'000	1995 KM'000	1996 RM'000	1997 KM'000	1998 RM'000	RM'000
Turnover	501	871	1,441	1,824	2,196	460
(Loss)/profit before taxation	(6)	177	302	419	520	106
Taxation			(34)	(79)	(162)	
(Loss)/profit after taxation	(6)	177	268	340	358	106
Weighted average number of ordinary shares in issue ('000)	50	769	800	800	800	800
Gross (loss)/earnings per share (sen)	(12.00)	23.02	37.75	52.38	65.00	*53.00
Net (loss)/earnings per share (sen)	(12.00)	23.02	33 so	42.50	44.75	*53.00
Gross dividend rate (%)						

* *Annualised.*

Notes:-

(i) *The company only commenced operations in 1994. The loss incurred for the financial year was mainly due to high initial start-up costs.*

(ii) *Turnover was on an upward trend for the past 5 financial years ended 31 December 1998 due to the increase in sales volume as a result of a more aggressive marketing strategy adopted and the wider acceptance of polyurethane as an alternative to wood-based materials for furniture.*

(iii) *There were no tax charges for the financial years ended 31 December 1994 and 1995 as the company incurred a tax loss in 1994 and due to the utilisation of reinvestment allowances in 1995.*

(iv) *The lower extrapolated turnover for the financial period ended 31 March 1999 was a result of the long festive break in the first quarter of the year. Accordingly, profit before taxation decreased with a marginal reduction in operating margins.*

(v) *The effective tax rates were lower than the statutory tax rate for the 2 financial years ended 31 December 1997 due to the utilisation of capital and reinvestment allowances. The effective tax rates were higher than the statutory tax rate for the 2 financial years ended 31 December 1998 due to certain expenses being disallowed for tax purposes. There is no tax charge for the financial period ended 31 March 1999 as the amount payable is waived in accordance with the Income Tax (Amendment) Act, 1999.*

(vi) *There were no extraordinary items during the financial years/period under review.*

X. FINANCIAL INFORMATION *(Cont'd)*

(vi) AFI

The following table sets out a summary of the audited profit and dividend record of AFI for the 5 financial years ended 31 December 1998 and 3 months ended 31 March 1999:-

	< ----- Years ended 31 December ----- >					3 months ended 31 March 1999
	1994	1995	1996	1997	1998	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	5,883	8,587	9,049	10,309	6,477	1,231
Profit before taxation	213	717	978	1,072	291	237
Taxation			(137)	(35)	(135)	
Profit after taxation	213	717	841	1,037	156	237
Weighted average number of ordinary shares in issue ('000)	920	1,350	5,000	5,000	5,000	5,000
Gross EPS (sen)	23.15	53.11	19.56	21.44	5.82	*18.96
Net EPS (sen)	23.15	53.11	16.82	20.74	3.12	*18.96
Gross dividend rate (%)						

* Annualised.

Notes:-

- (i) The significant increase in turnover for the financial year ended 31 December 1995 was mainly due to the increase in export sales of speaker boxes. The increase in profit before taxation was in line with the increase in turnover and the improvement in gross margin due to better production efficiency.
- (ii) Turnover and profit before taxation improved in the financial year ended 31 December 1996 with the introduction of fire doors that yielded higher margins during the year.
- (iii) The increase in turnover and profit before taxation for the financial year ended 31 December 1997 were mainly due to the increase in export sales of doors, door frames and knockdown furniture to Singapore.
- (iv) The decrease in turnover for the financial year ended 31 December 1998 was mainly due to the decrease in the sales volume as management was selective over its customers to minimise credit risks.
- (v) Turnover for the financial period ended 31 March 1999 continued to decrease. However, profit before taxation and operating margin improved following the decline in interest rates and provision for doubtful debts.
- (vi) There were no tax charges for the 2 financial years ended 31 December 1995 due to availability of tax losses brought forward. The effective tax rates were lower than the statutory tax rate for the 2 financial years ended 31 December 1997 mainly due to the utilisation of tax losses and unabsorbed capital allowances brought forward. The effective tax rate was higher than the statutory tax rate for the financial year ended 31 December 1998 due to certain expenses being disallowed for tax purposes. There is no tax charge for the financial period ended 31 March 1999 as the amount payable is waived in accordance with the Income Tax (Amendment) Act, 1999.
- (vii) There were no extraordinary items during the financial years/period under review.

X. FINANCIAL INFORMATION *(Cont'd)*

(viii) M B

The following table sets out a summary of the audited profit and dividend record of MB for the period from 27 September 1995 (date of incorporation) to 31 December 1996, 2 financial years ended 31 December 1998 and 3 months ended 31 March 1999:-

	27.09.95 to 31.12.96 RM'000	Years ended <--- 31 December ---> 1997 RM'000	1998 RM'000	3 months ended 31 March 1999 RM'000
Turnover	2,977	3,096	1,588	
Profit/(loss) before taxation	49	201	(17)	(7)
Taxation	(7)	(58)		
Profit/(loss) after taxation	42	143	(17)	(7)
Weighted average number of ordinary shares in issue ('000)	63	100	100	100
Gross earnings/(loss) per share (sen)	*62.22	201.00	(17.00)	*(28.00)
Net earnings/(loss) per share (sen)	*53.33	143.00	(17.00)	*(28.00)
Gross dividend rate (%)				

* *Annualised.*

Notes:-

- (i) *MB commenced operations in March 1996. Turnover and profit before taxation were mainly in respect of contract fees and income from project management.*
- (ii) *Despite a minimal increase in turnover during the financial year ended 31 December 1997, profit before taxation increased significantly with new projects that yielded higher profit margins.*
- (iii) *The company recorded a decrease in turnover and loss before taxation for the financial year ended 31 December 1998 as only one project was undertaken during the year following the downturn in the economy.*
- (iv) *There were no projects undertaken during the financial period ended 31 March 1999. Loss before taxation was in respect of operating expenses incurred during the period.*
- (v) *The effective tax rate for the period ended 31 December 1996 was lower than the statutory tax rate mainly due to the utilisation of capital allowances. The effective tax rate for the financial year ended 31 December 1997 was higher than the statutory tax rate mainly due to certain expenses being disallowed for tax purposes. There was no taxation for the financial year ended 31 December 1998 as the company was in a tax loss position. There was no provision for taxation for the financial period ended 31 March 1999 as the company was in a tax loss position.*
- (vi) *There were no extraordinary items for the financial periods/years under review*

X. FINANCIAL INFORMATION (Cont'd)

2. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

(i) Working Capital

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

(ii) Borrowings

Save as disclosed below, the Group does not have any other loan capital outstanding or loan capital created but unissued, mortgages or charges outstanding as at 30 September 1999 (being the latest practicable date prior to the issue of this Prospectus):-

(a) total utilised bank overdrafts, term loans and other facilities (including hire purchase) from local banks and financial institutions amounting to approximately RM 19,758,364, secured by way of fixed and floating charge over the assets of the Group; and

(b) total utilised unsecured bank overdraft and other facilities from a local bank amounting to RM3,225,711.

(iii) Capital Commitments

As at 30 September 1999 (being the latest practicable date prior to the issue of this Prospectus), the Group does not have any capital commitments.

(iv) Contingent Liabilities

Save as disclosed below, as at 30 September 1999 (being the latest practicable date prior to the issue of this Prospectus), the Directors are not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the profit or net assets value of the Group:-

In the previous year, the Inland Revenue Board ("IRB") disallowed the capital allowances and reinvestment allowances claimed by a subsidiary from year of assessment 1994 to 1997 on certain machineries due to the non availability of certain documents. As a result, an additional tax liability of approximately RM 1,529,000 from year of assessment 1994 to 1997 was raised by the IRB. The subsidiary has appealed to the IRB on the grounds that the amount incurred were for the purpose of acquiring machineries and hence the subsidiary is entitled to related capital allowances and reinvestment allowances. Accordingly, the amount of RM 1,529,000 has not been taken up in the accounts as at 31 March 1999 pending the outcome of the appeal.

x. FINANCIAL INFORMATION (Cont'd)

3. CONSOLIDATED PROFIT FORECAST

Barring unforeseen circumstances and on the basis and assumptions set out below, the Board of Directors of MHB forecast that the consolidated profit forecast of the MHB Group for the financial year ending 31 December 1999 will be as follows:-

	RM'000
Consolidated profit before taxation but after minority interests	6,751
Taxation ^(a)	
Consolidated profit after taxation and minority interests	<u>6,751</u>
Less: Pre-acquisition profits #	(3,938)
Profit after pre-acquisition profits	<u><u>2,813</u></u>

Based on 33,102,395 MHB ordinary shares of RM1.00 each, being the weighted average number of shares in issue

Gross EPS based on the consolidated profit before taxation but after minority interests (before netting off pre-acquisition profits) 20.39 sen

Gross PE Multiple * 5.64 times

Based on 40,000,000 MHB ordinary shares of RM1.00 each, being the enlarged issued share capital of MHB

Gross EPS based on the consolidated profit before taxation but after minority interests (before netting off pre-acquisition profits) 16.88 sen

Gross PE Multiple * 6.81 times

^(a) *The consolidated profit will not be taxable in accordance with the Income Tax (Amendment) Act, 1999*

Being pre-acquisition profit after minority interests in relation to the Acquisitions which were completed on 31 July 1999.

* *Based on the offer price of RM1.15 per Offer Share.*

The principal assumptions upon which the consolidated profit forecast has been made are set out below:-

1. There will be no material adverse changes to the Malaysian and world economic and political environment in which the Group, its suppliers and customers operate.
2. There will be no material adverse changes in the present legislations and government regulations including tariffs, duties, levies, exchange control and taxes affecting the activities or the market in which the Group operates.
3. There will be no industrial disputes or any other abnormal factors or changes affecting operations or results of the Group.
4. There will be no significant import purchases denominated in foreign currencies.
5. There will not be any material fluctuation in inflation rates and exchange rate of the United States Dollar against Ringgit Malaysia is expected to remain at 3.80 throughout the period of the forecast.

X. FINANCIAL INFORMATION (Cont'd)

6. Existing financing facilities will remain available with no significant changes in their interest rates.
7. There will be no significant changes in the present activities of the Group.
8. There will be no significant changes in management structure and accounting policies adopted by the Group.
9. Capital expenditure programmes will be implemented and incurred as scheduled and there will be no major material acquisitions or disposals of fixed assets other than those planned.
10. There will be no unfavourable conditions affecting production.
11. There will be no limitations on the availability of labour supply and raw materials.
12. The labour and overheads will not change significantly from current levels.
13. There will be no material change in the market demand for the products and services of the Group.
14. The raw materials will be available at the prevailing market prices.
15. The tax liability will be at the prevailing tax rate and all tax incentives claimed will be approved by the Inland Revenue Board. Tax will be waived in financial year ending 31 December 1999.
16. Deferred taxation is provided under the liability method for all timing differences except where there is reasonable evidence that these timing differences will not reverse in the foreseeable future.
17. The gross proceeds from the Rights Issue, which was completed on 17 August 1999, amounting to approximately RM 12.643 million would be applied for their intended purposes.