

9. INFORMATION ON THE GROUP

4. *The increase in profit before taxation for the financial year ended 31 July 1998 was due to an increase in the volume of business during the year. As a result, the profit after taxation for the year also increased accordingly.*
5. *1999 is a tax-exempt year. The taxation charge for the financial year ended 31 July 1999 relates to underprovision of deferred taxation in previous years.*
6. *There was no extraordinary or exceptional item in any of the financial period/ years under review.*

9.5.3 APOTA

(i) *History and Business*

Apota was incorporated in Malaysia on 9 December 1982 as a private limited company under the Companies Act, 1965 under the name Bekal Kuari Sdn Bhd. On 16 February 1984, it assumed its present name. The principal activities of the company are the distribution and retailing of furniture, interior furnishing, golf equipment and accessories.

Apota has a workforce of 20 employees, whom it shares with LC, FD and AF. Prior to 1996, Apota mainly retails products manufactured by Tomisho. As Apota underwent expansion from 1996 onwards, the role of Tomisho as its supplier is less emphasised. Research and development undertaken by Tomisho has also benefited Apota, which has subcontracted Tomisho's designs to local furniture manufacturers. Beginning from late 1997, Apota also retails furniture manufactured locally. Apota also sells golf accessories imported from USA and Taiwan.

(ii) *Share Capital*

	No. of ordinary shares	Par Value (RM)	Total (RM)
Authorised	1,000,000	1	1,000,000
Issued and paid-up	1,000,000	1	1,000,000

Changes in the issued and paid-up share capital of Apota since its incorporation are as follows:-

Date of allotment	No. of ordinary shares	Consideration	Total (RM)
09.12.82	2	Subscribers' shares	2
11.05.87	249,998	Cash	250,000
30.06.89	350,000	Cash	600,000
14.07.97	250,000	Cash	850,000
21.07.97	150,000	Bonus Issue	1,000,000

9. INFORMATION ON THB GROUP

(iii) *Subsidiary and Associated Companies*

As at the date of this Prospectus, Apota's subsidiaries, both of which are incorporated in Malaysia, are as follows:-

Subsidiaries	Date of incorporation	Issued and paid-up share capital (RM)	Effective equity interest %	Principal activities
I.C	07.02.95	452,000	100	Retailing in furniture, artefacts, bedding and sofa sets
FD	16.10.97	2	100	Distribution & retailing furniture

As at the date of this Prospectus, Apota does not have any associated company.

(iv) *Profit and Dividend Record*

Apota's audited profit and dividend record for the past five (5) years and eleven (11) months ended 31 July 1999, are as follows:-

	←----Financial year ended 31 August-----→			11 months period ended 31 July 1997	<Financial year ended 31 July>	
	1994 RM'000	1995 RM'000	1996 RM'000	RM'000	1998 RM'000	1999 RM'000
Turnover	1,638	1,773	4,376	8,049	12,645	10,019
Profit before taxation	8	228	649	845	788	209
Taxation	(2)	(71)	(211)	(265)	(175)	(38)
Profit after taxation	6	157	438	580	613	171
Weighted average no. of ordinary shares in issue ('000)	750	750	750	761	1,000	1,000
Net EPS (RM)	0.01	0.21	0.58	0.88*	0.61	0.17
Gross dividend rate (%)	-	-	-	20	50	5

* Annualised

Notes:-

1. Turnover increased since the financial year ended 31 August 1996 when Apota began retailing furniture, interior furnishing and accessories, in addition to the sale of golf equipment. Aggressive marketing strategies and the opening of new outlets further contributed to higher turnover and profits in 1997 and 1998.

9. INFORMATION ON THB GROUP

2. *Turnover and profit declined in the financial year ended 31 July 1999 due to a slowdown in retail business in the country, forcing Apota to close most of its showrooms. This resulted in a write-off of fixed assets and a loss on disposal of fixed assets of RM177,000 and RM258,000 respectively.*
3. *The increase in the profit before and after taxation for the financial period between 1 September 1995 and 31 July 1998 was due to increases in business volume resulting from additional retail outlets and range of products which provided customers with more choice and variety.*
4. *Apota's profit before and after taxation for the financial year ended 31 July 1999 saw a decline due to its consolidation measures which involved the closure of several outlets at the end of 1998 and 1999.*
5. *Apota changed its financial year-end from 31 August to 31 July in 1997 to be co-terminous with its holding company, THB.*
6. *1999 is a tax-exempt year. The taxation charge for the financial year ended 31 July 1999 relates to underprovision of taxation in previous years.*
7. *There was no extraordinary or exceptional item in any of the financial period/ years under review.*

9.5.4 LC

(i) History and Business

LC was incorporated in Malaysia on 7 February 1995 as a private limited company under the Companies Act, 1965. LC is principally involved in the retailing of furniture, artefacts, bedding and sofa sets.

LC has a workforce of 20 employees, whom it shares with Apota, FD and AF. Its product range consists of Sealy mattresses from USA, Natuzzi leather sofas from Italy as well as locally-manufactured sofa sets.

(ii) Share Capital

	No. of ordinary shares	Par Value (RM)	Total (RM)
Authorised	500,000	1	500,000
Issued and paid-up	452,000	1	452,000

Changes in the issued and paid-up share capital of LC since its incorporation are as follows:-

Date of allotment	No. of ordinary shares	Consideration	Total (RM)
07.02.95	3	Subscribers' shares	3
11.08.95	299,997	Cash	300,000
20.02.98	152,000	Cash	452,000

(iii) Subsidiaries and Associated Companies

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

9. INFORMATION ON THB GROUP

(iv) Profit and Dividend Record

LC's audited profit and dividend record since incorporation up to 31 July 1999 are as follows:-

	Financial period ended 31 December 1995 RM'000	Financial year ended 31 December 1996 RM'000	7 months period ended 31 July 1997 RM'000	<Financial year ended 31 July> 1998 1999 RM'000 RM'000	
Turnover	598	463	314	1,599	842
(Loss)/Profit before taxation	(120)	(160)	39	183	151
Taxation	-	-	-	(58)	9
Profit after taxation	(120)	(160)	39	125	160
Weighted average no. of ordinary shares in issue ('000)	300	300	300	367	452
Net EPS (RM)	(0.40)	(0.53)	0.22*	0.34	0.35
Gross dividend rate (%)	-	-	-	-	-

* Annualised

Notes:-

1. LC's business strategy of shifting its focus from project based business to furniture retail business, which attracts higher gross margin, led to decreases in turnover and profit for the financial year ended 31 December 1996.
2. Increases in turnover and both profit before and after taxation for the financial period between 1 January 1997 and 31 July 1998 was due to the opening of new outlets and the shift in focus of products from lightings to high end furniture, which provides higher margins.
3. For the financial year ended 31 July 1999, the closure of a number of outlets reduced LC's turnover and profit before taxation. However, its profit after taxation increased due to 1999 being a tax-exempt year.
4. LC changed its financial year-end from 31 December to 31 July in 1997 to be co-terminous with its ultimate holding company, THB.
5. There was no extraordinary or exceptional item in any of the financial period/ years under review.

9. INFORMATION ON THB GROUP

9.5.5 FD**(i) History and Business**

FD was incorporated in Malaysia on 16 October 1997 as a private limited company under the Companies Act, 1965. The principal activities of FD are the distribution and retailing of furniture.

FD has a workforce of 20 employees, whom it shares with Apota, LC and AF. FD practises the concept of selling furniture with high volume, low margin and emphasis on value for money. The furniture being distributed and retailed by FD are manufactured by the THB Group. In 1999, FD's activities were consolidated with Apota's operations in line with THB's corporate objective of streamlining its retail activities.

(ii) Share Capital

	No. of ordinary shares	Par Value (RM)	Total (RM)
Authorised	100,000	1	100,000
Issued and paid-up	2	1	2

Changes in the issued and paid-up share capital of FD since its incorporation are as follows:-

Date of allotment	No. of ordinary shares	Consideration	Total (RM)
16.10.97	2	Subscribers' shares	2

(iii) Subsidiaries and Associated Companies

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

(iv) Profit and Dividend Record

The audited profit and dividend record of FD since incorporation up to 31 July 1999 are as follows:-

	Financial period ended 31 July 1998 RM'000	Financial year ended 31 July 1999 RM'000
Turnover	569	261
Profit before taxation	33	3
Taxation	(9)	-
Profit after taxation	24	3
No. of ordinary shares in issue	2	2
Net EPS (RM)	>100	>100
Gross dividend rate (%)	-	-

9. INFORMATION ON THB GROUP

Notes:-

1. *The decreases in turnover and profit for the financial year ended 31 July 1999 were due to FD's business activities being consolidated with the operations of its holding company, Apota.*
2. *There was no extraordinary or exceptional item in any of the financial period/ years under review.*

9.5.6 AF

(i) History and Business

AF was incorporated in Malaysia on 11 May 1994 as a private limited company under the Companies Act, 1965 as Luhur Rimbun Sdn Bhd. On 16 August 1994 it was renamed Meda Furnishing Sdn Bhd and it assumed its present name on 17 February 1996. AF is principally involved in being a general contractor and interior design consultant. AF has a workforce of 20 employees, whom it shares with Apota, LC and FD.

(ii) Share Capital

	No. of ordinary shares	Par Value (RM)	Total (RM)
Authorised	100,000	1	100,000
Issued and paid-up	100,000	1	100,000

Changes in the issued and paid-up share capital of AF since its incorporation are as follows:-

Date of allotment	No. of ordinary shares	Consideration	Total (RM)
11.05.94	2	Subscribers' shares	2
01.08.94	99,998	Cash	100,000

(iii) Subsidiaries and Associated Companies

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

9. INFORMATION ON THB GROUP

(iv) Profit and Dividend Record

The audited profit and dividend record of AF for the period since its incorporation to 31 July 1999 are as follows:-

	Financial period ended 30 June 1995 RM'000	Financial year ended 30 June 1996 RM'000	13 months period ended 31 July 1997 RM'000	Financial year ended 31 July 1998 RM'000	Financial year ended 31 July 1999 RM'000
Turnover	3,233	5,750	6,353	13,977	11,432
Profit before taxation	2	472	400	611	462
Taxation	(1)	(144)	(111)	(174)	-
Profit after taxation	1	328	289	437	462
No. of ordinary shares in issue ('000)	100	100	100	100	100
Net EPS (RM)	0.01	3.28	2.67*	4.37	4.62
Gross dividend rate (%)	-	-	20	350	300

* Annualised

Notes:-

1. Turnover increased for each subsequent year/period since AF commenced its operations due to increased marketing efforts and the securing of new projects. Turnover increased substantially for the financial year ended 31 July 1998 due to more new projects secured during the year. AF also benefited from the provision of interior decorating and furnishing services for Apota's customers.
2. The increase in profit before and after taxation for the financial year ended 30 June 1996 was in line with the higher turnover with no material corresponding increase in administration expenses.
3. AF's profit for the 13 months' period ended 31 July 1997 decreased despite an increase in turnover due to a lower net margin, as different margins were derived from different projects.
4. The increase in profit before and after taxation for the financial year ended 31 July 1998 was in line with the higher turnover, in spite of reduced gross margins due to increased competition and adverse economic conditions.
5. In line with the general downtrend of the property market, AF's turnover decreased for the financial year ended 31 July 1999, which also resulted in a lower profit before taxation. Profit after taxation however increased as 1999 was a tax-exempt year.
6. AF changed its financial year-end from 30 June to 31 July in 1997 to be co-terminous with its holding company, THB
- There was no extraordinary or exceptional item in any of the financial periods/ years under review.

9. INFORMATION ON THB GROUP

9.5.7 TW**(i) History and Business**

TW was incorporated in Malaysia on 5 August 1996 as a private limited company under the Companies Act, 1965 as Gerimis Armada Sdn Bhd. On 16 December 1997, it assumed its present name. Currently dormant, TW plans to focus its future activities on designing, manufacturing and export of patented wood products.

(ii) Share Capital

	No. of ordinary shares	Par Value (RM)	Total (RM)
Authorised	100,000	1	100,000
Issued and paid-up	2	1	2

Changes in the issued and paid-up share capital of TW since its incorporation are as follows:-

Date of allotment	No. of ordinary shares	Consideration	Total (RM)
05.08.96	2	Subscribers' shares	2

(iii) Subsidiaries and Associated Companies

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

(iv) Profit and Dividend Record

The company has not commenced operations since its incorporation.

9.5.8 PCC**(i) History and Business**

PCC was incorporated in Malaysia on 26 July 1985 as a private limited company under the Companies Act, 1965 as Fairwind Corporation Sdn Bhd. On 22 April 1987, it assumed its present name. PCC is involved in the trading of conveying chains and engineering parts. PCC has 4 employees.

(ii) Share Capital

	No. of ordinary shares	Par Value (RM)	Total (RM)
Authorised	100,000	1	100,000
Issued and paid-up	100,000	1	100,000

9. INFORMATION ON THE GROUP

Changes in the issued and paid-up share capital of PCC since its incorporation are as follows:-

Date of allotment	No. of ordinary shares	Consideration	Total (RM)
26.07.85	2	Subscribers' shares	2
19.11.97	99,998	Cash	100,000

(iii) Subsidiaries and Associated Companies

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

(iv) Profit and Dividend Record

PCC's audited profit and dividend record for the past five (5) years and seven (7) months ended 31 July 1999 are as follows:-

	←--Financial year ended 31 December-->			7 months period ended 31 July 1997	←--Financial year ended 31 July-->	
	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Turnover	2,809	2,831	2,664	1,531	2,679	1,482
Profit before taxation	2	62	249	166	96	432
Taxation	-	(10)	(75)	(47)	(31)	-
Profit after taxation	2	52	174	119	65	432
Weighted average no. of ordinary shares in issue	2 shares	2 shares	2 shares	2 shares	70	100
Net EPS (RM)	>100	>100	>100	>100	0.93	4.32
Gross dividend rate (%)	-	-	-	>100	20	50

Notes:-

- For the financial years ended 31 December 1994 and 1995, PCC utilised competitive pricing strategies to penetrate its target markets and in order to increase its market share. This resulted in low profit after taxation in the face of higher turnover. For the financial year ended 31 December 1996, profit increased as PCC held a stronger position in the market and enjoyed savings from economies of scale.

9. INFORMATION ON THB GROUP

2. Higher turnover for the financial year ended 31 July 1998 resulted from increased marketing efforts by PCC. The profit after taxation for the year is however lower due to foreign exchange translation losses of RM143,000.
3. Increased prices of imported components resulted in lower demand and lower turnover for the financial year ended 31 July 1999. The profit after taxation for the year however increased because of foreign exchange translation gains of RM126,000 as well as 1999 being a tax-exempt year.
4. PCC changed its financial year-end from 31 December to 31 July in 1997 to be co-terminous with its holding company, THB
5. There was no extraordinary or exceptional item in any of the financial periods/ years under review.

9.5.9 TP

(i) History and Business

The company was incorporated in Malaysia on 7 April 1993 under the Companies Act, 1965 as Harvest Consult Sdn Bhd. It assumed its present name on 10 February 1996. TP has not commenced operations since the date of its incorporation. Its intended principal activity is investment holding.

(ii) Share Capital

	No. of ordinary shares	Par Value (RM)	Total (RM)
Authorised	25,000	1	25,000
Issued and paid-up	2	1	2

Changes in the issued and paid-up share capital of TP since its incorporation are as follows:-

Date of allotment	No. of ordinary shares	Consideration	Total (RM)
07.04.93	2	Subscribers' shares	2

(iii) Subsidiaries and Associated Companies

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

(iv) Profit and Dividend Record

TP has not commenced operations since the date of its incorporation.

9. INFORMATION ON THB GROUP

9.5.10 SY**(i) History and Business**

SY was incorporated in Malaysia on 5 March 1993 as a private limited company under the Companies Act, 1965. The principal activities of the company are rubberwood treatment processing, and as manufacturer and trader of moulded timber and manufacturer of rubberwood furniture. It also manufactures and exports standard dining sets.

SY currently has a workforce of 225 employees. From being a supplier of pressure treated kiln dry ("PTKD") rubberwood which is the major raw material for the rubberwood furniture industry, it diversified into the manufacturing of furniture in 1997. SY was acquired in June 1999 to provide upstream support for Tomisho.

The process of treating rubberwood begins with wet rubberwood being both pressure-treated and chemically treated for 3 to 4 hours before being placed in a kiln drying room, which receives hot steam from boilers. The process requires 10 to 25 days depending on the thickness of the wood. SY has 2 chemical plants and 25 kiln drying rooms for the purpose of rubberwood pressure treatment and to meet the strong demand for rubberwood. SY has the monthly capacity of producing approximately 3,000 metric tonnes of kiln dried rough sawn timber. SY's current monthly production amounts to 2,000 metric tonnes.

For its own furniture manufacturing activities, SY has established 5 production lines for its moulding process to obtain a constant supply of needed raw materials. SY has designated 5 lines for the milling process for furniture parts and components, 6 finishing and spraying lines and 2 packing lines for its furniture manufacturing activities. SY is currently producing 180,000 sets of 5-piece dining sets annually, on two 8-hour shifts.

SY's usage of different types of raw materials is dependent on customer requirements. In general, approximately 90% of the raw material consumption in SY is rubberwood with the balance comprising other tropical woods. SY obtains its raw materials from local suppliers.

SY concentrates on a limited range of products, which include 5-piece dining sets, computer desks, bar stools and PTKD. SY's production plants are strategically situated together on three lots of land measuring a total of 700,000 square feet. SY's major markets are USA and the Middle East.

SY's production capacity for the last five (5) financial years ended 31 July 1999 are as follows:-

Products	1995	1996	1997	1998	1999
1. Moulded timber	7,000 tons	15,400 tons	30,000 tons	36,000 tons	36,000 tons
2. 5-piece dining sets	-	-	55,000 units	90,000 units	180,000 units

9. INFORMATION ON THB GROUP

SY's production output for the last five (5) financial years ended 31 July 1999 are as follows:-

Products	1995	1996	1997	1998	1999
1. Moulded timber	6,700 tons	15,000 tons	21,800 tons	23,500 tons	25,000 tons
2. 5-piece dining sets	-	-	35,100 units	63,500 units	138,000 units

(ii) Share Capital

	No. of ordinary shares	Par Value (RM)	Total (RM)
Authorised	5,000,000	1	5,000,000
Issued and paid-up	5,000,000	1	5,000,000

Changes in the issued and paid-up share capital of SY since its incorporation are as follows:-

Date of allotment	No. of ordinary shares	Consideration	Total (RM)
05.03.93	2	Subscribers' shares	2
22.03.93	199,998	Cash	200,000
18.10.95	50,000	Cash	250,000
02.05.96	50,000	Cash	300,000
18.07.97	300,000	Cash	600,000
12.05.98	400,000	Cash	1,000,000
21.05.99	4,000,000	Bonus issue (4 for 1)	5,000,000

(iii) Subsidiaries and Associated Companies

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

9. INFORMATION ON THB GROUP

(iv) Profit and Dividend Record

SY's audited profit and dividend record for the period since its date of incorporation up to 31 July 1999 are as follows:-

	Financial period ended 31 August	←--Financial year ended 31 August--→				11 months period ended 31 July 1999 RM'000
		1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	
Turnover	2,574	5,367	12,102	14,022	21,894	37,755
Profit before taxation	22	164	1,188	1,791	1,858	4,977
Taxation	-	(15)	(63)	(79)	(130)	(901)
Profit after taxation	22	149	1,125	1,712	1,728	4,076
Weighted average number of ordinary shares in issue ('000)	4,200	4,200	4,251	4,336	4,723	5,000
Net EPS (sen)	0.52	3.54	26.46	39.48	36.58	81.52
Gross dividend rate (%)	-	-	-	-	-	-

Notes:-

1. Turnover increased from the financial period ended 31 August 1994 to financial year ended 31 August 1997 due to economies of scale achieved by SY from its shift of focus from a range of products to standard dining sets. Profit before and after taxation also increased in line with the turnover increase.
2. Turnover increased for the financial year ended 31 August 1998 and the financial period ended 31 July 1999 due to the expansion of SY's production areas and the upgrading of its production facilities. The increase in profit was in line with the turnover increase.
3. The substantial increase in profit after taxation for the financial period ended 31 July 1999 was attributable to the success of SY's dining sets manufacturing business, which resulted in turnover increase and improved gross margin with no corresponding increase in administrative costs.
4. SY changed its financial year-end from 31 August to 31 July in 1999 to be co-terminous with its ultimate holding company, THB.
5. The effective tax rate for the financial years/period ended 31 August 1995 to 31 July 1999 is lower than the statutory rate as SY had been granted investment tax allowance under the Promotions of Investments Act 1986 for the manufacturing of wooden furniture and parts. The tax charge for the financial year ended 31 July 1999, which is a tax-exempt year, relates to tax effects on timing differences.
6. There was no extraordinary or exceptional item in any of the financial periods/ years under review.

9. INFORMATION ON THB GROUP

9.5.11 TS (UK)**(i) History and Business**

TS (UK) was incorporated in England and Wales on 28 July 1997 as a private limited company. The company is operating as the overseas marketing office for the THB Group to expand its operations in the UK and the European market. TS (UK) has two employees.

(ii) Share Capital

	No. of ordinary shares	Par Value (BP)	Total (BP)
Authorised	100	1	100
Issued and paid-up	1	1	1

TS (UK)'s issued and paid-up share capital since its incorporation are as follows:-

Date of allotment	No. of ordinary shares	Consideration	Total (BP)
28.07.97	1	Subscribers' share	1

(iii) Subsidiaries and Associated Companies

As at the date of this Prospectus, TS (UK) does not have any subsidiary or associated company.

(iv) Profit and Dividend Record

TS (UK)'s audited profit and dividend record since its incorporation up to 31 July 1999 are as follows:-

	Financial period ended 31 July 1998		Financial year ended 31 July 1999	
	BP'000	RM'000	BP'000	RM'000
Turnover	-	-	84	517
(Loss)/Profit before taxation	(87)	(591)	7	95
Less: Taxation	-	-	-	-
(Loss)/Profit after taxation	(87)	(591)	7	95
No. of ordinary 'A' share of BPl each in issue	1	1	1	1
Net EPS (BP)	-	-	>100	>100
Gross dividend rate (%)	-	-	-	-

Notes:-

- The loss incurred by TS (UK) for the financial period ended 31 July 1998 was due to the costs of setting up its operations

9. INFORMATION ON THB GROUP

2. *Turnover for the financial year ended 31 July 1999 relates to management fees receivable from THB*
3. *The translation of amounts from BP to RM was based on the rates prevailing at the dates of transactions. The average rate used for the financial period ended 31 July 1998 was BP1 : RM6.60 while the average rate used for the financial year ended 31 July 1999 was BP1 : RM6.10*
4. *There was no extraordinary or exceptional item in any of the financial period/ year under review.*

9.6 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

9.6.1 BOARD OF DIRECTORS

Details of the Board of Directors of THB ("Board") are as follows:-

Lim Eng Huat, aged 43, was appointed to the Board on 17 January 1996. He is currently the Chairman and the Managing Director of THB Group. He graduated from University of London, UK, with a Bachelor of Science (Honours) degree in Mechanical Engineering. He started his career in 1980 as a project/consulting engineer with Kumpulan Emas Berhad ("KEB") consulting and undertaking KEB's turnkey palm oil mill projects. From 1982, he joined United Engineers (Malaysia) Berhad as the sales manager and was responsible for the entire engineering department throughout Malaysia. Besides being involved in the planning and marketing of engineering products, his area of responsibility also encompassed developing new agencies and products to complement their existing business. From 1984 to 1985, he was the engineering manager with Sabimas Corporation Sdn Bhd, a company principally involved in engineering and trading, where his responsibility lay with the sourcing for new business and managing of agencies for engineering products. Subsequently, he set up Tomisho in September 1985, and as the Managing Director, he has been responsible for the overall management and operations of THB Group. He has made various overseas excursions in the international furniture industry to acquire knowledge in manufacturing, exporting, marketing, trading, distribution, and retailing of furniture and related products. He is also one of the founders and immediate Past President of the British Graduates Association of Malaysia. He has also been a council member of the Royal Commonwealth Society for more than a decade. He does not hold any other directorship.

Lim Eng Ann, aged 44, was appointed to the Board on 17 January 1996 as an executive director. He has been in the wood-based manufacturing industry for 21 years. In 1976, he started his own business, which mainly dealt with logging, sawmilling and the export of sawn timber. In 1985, he joined Tomisho and was responsible for marketing, manufacturing and the exporting of rattan, sawn timber, moulding parts and components of furniture. When Tomisho ventured into rubberwood furniture in 1990, he was responsible for the marketing and exporting of finished products. He does not hold any other directorship.

9. INFORMATION ON THB GROUP

Zahari bin Kechik, aged 40, was appointed to the Board on 25 August 1999. He obtained his LL.B (Hons) degree from Institut Teknologi MARA in November 1990, before joining the Judiciary Department of Malaysia in December 1990 where he served as a Magistrate at various Magistrate's Courts in Kedah until his resignation in July 1992. He then joined a legal firm Adhan & Co in May 1993 as a partner, a position he currently holds. Actively involved in politics, he is the UMNO Youth Chief for Jeli division in Kelantan and he was appointed as a state UMNO Youth Chief for Kelantan. He has been on the management committee for Majlis Sukan Negeri Kelantan for the past five years. In the youth movement, he was elected as Chairman for Gerakan Belia 4B Malaysia, Kawasan Jeli. He is also a director of Seacera Tiles Berhad, a company listed on the Second Board of the KLSE, and Kesedar Dagang Sdn Bhd which is a subsidiary of Kesedar in Kelantan.

Kee Lian Yong, aged 43, was appointed to the Board on 23 May 1996. He is a Fellow Member of the Chartered Association of Certified Accountant. He started his career in June 1980 by joining Othman, Hew & Tan, an established public accounting firm, for 2 years. He joined a group of property development companies as an accountant in 1982. In 1986, he was appointed as the financial controller of MCB Holdings Berhad. He was then appointed as the Chief Executive Officer of Dayapi Industries Bhd (now known as Golden Plus Holdings Bhd) in 1988 and assisted in the restructuring of the company from its financial, operational and management difficulties. In 1989, he joined Emtex Corporation Bhd (now known as PJD Development Holdings Bhd) as a corporate planner. In 1990, he was transferred to Duff Bhd (now known as Anson Perdana Bhd), as its chief operating officer. In 1992, he left Anson Perdana Bhd to venture into business together with his associates to form Kinta Plus Industries Sdn Bhd and Shimara Holdings Sdn Bhd, which are principally involved in the trading of building materials and timber, and manufacturing of industrial powder, quarrying and marble production. He joined KEB as an executive director in 1995.

Liew Yong Choon, aged 51, was appointed to the Board on 28 November 1997. He graduated with a Bachelor in Economics from University of Malaya in 1974. In 1975, he joined the Royal Malaysian Police as Cadet Assistant Superintendent of Police. He has served the Royal Malaysian Police for 23 years and opted for early retirement in 1997. He was last attached to the Royal Malaysian Police Headquarters at Bukit Aman as the Senior Commissioner of Police. He does not hold any other directorship.

Lim Seng Chai, aged 38, was appointed to the Board on 23 June 1999. He graduated with a Bachelor of Science (Honours) degree majoring in Physics from the University of Malaya in 1985. In 1988, he graduated with a Bachelor of Laws (Honours) degree from the University of London. He was called to the bar of England and Wales in 1990 and he is a member of the Honourable Society of Lincoln's Inn and was called to the Malaysian Bar in 1991. Presently a partner at the law firm SC Lim & Partners, he is also the legal adviser for numerous associations and registered societies in the state of Selangor. He has extensive knowledge and experience in corporate litigation and conveyance matters, and he has also been actively engaged in construction, real property, banking and commercial litigation. He is also a director of KEB.

9. INFORMATION ON THB GROUP

Md Nahar bin Noordin, aged 42, was appointed to the Board on 2 December 1999. He started his career in 1980 as a Business Manager for Arthur Commodities Sdn Bhd, KL. His responsibilities included marketing and business development as well as the overseeing and training of the marketing team. In 1982, he went to the University of the Pacific, Stockton, California, USA, where he obtained his Bachelor of Science degree majoring in Finance in 1984. In 1985, he obtained his MBA in Finance from the California State University, Hayward, California, USA. Upon his return to Malaysia, he joined Citibank's Investment Banking Division in 1986, where he was appointed as an Assistant Vice President in 1989. In 1990, he became the Deputy Managing Director of Metacorp Berhad, which was mainly involved in the manufacturing of zinc oxide and trading of chemicals. His main areas of responsibilities include overseeing the manufacturing division and financial affairs of the Group. Nahar left Metacorp Berhad in 1983 and was self-employed for two and a half years before he was appointed as the Chief Executive Officer of Capitalcorp Securities Sdn Bhd in July 1996. He left Capitalcorp Securities Sdn Bhd in July 1997. He also sits on the board of directors of Prestar Resources Berhad and Habib Corporation Berhad.

Siew Boon Yeong, aged 41, was appointed to the Board on 2 December 1999. He qualified as a Certified Public Accountant (CPA) in 1984 and currently is a member of the Malaysian Association of Certified Public Accountants (MACPA), a Public Accountant with the Malaysian Institute of Accountants (MIA) and an associate member of the Malaysian Institute of Taxation (MIT). Mr Siew started his auditing career and professional training with the accounting firm Coopers & Lybrand in 1978 before establishing his own practice in 1988. He is currently the sole practitioner of the public accounting firm Siew Boon Yeong & Associates. He has knowledge, skills and experience in auditing, accountancy, tax planning, due diligence and related services on mergers and acquisitions, project and corporate financing engagements, management consultancy and corporate care and insolvency services. Mr. Siew does not hold any other directorship.

9.6.2 SENIOR MANAGEMENT

Details on the senior management of THB Group are as follows:-

Cheam Tow Yong, aged 44, is the Chief Operating Officer of the Group, since he joined THB in March 1999. He obtained a Bachelor of Commerce Degree from the University of Otago in 1978. He is also a Chartered Accountant from the New Zealand Association of Chartered Accountants and a member of the Malaysian Institute of Accountants. He has had 14 years' experience in the financial management fields as Accounting Manager/Financial Controller of local and multinational organisations. Prior to joining THB, he had 5 years' experience as Managing Director of Thomson-CSF Passive Components (M) Sdn Bhd, a French-owned electronic multinational company in Penang.

9. INFORMATION ON THB GROUP

Kwok Khuen Phun, aged 43, is the Group Financial Controller of the THB Group. He joined THB in August 1999 and he oversees the management information system, finance, treasury and human resource functions. He started his auditing career in 1981 as a trainee in a medium-sized audit firm based in Manchester, England. He graduated with an Economics Degree majoring in Finance and Investment from the University of Manchester. Upon his return to Malaysia in 1982, he joined a local bank as a senior officer in its internal audit department. He left in 1990 to join Cycle & Carriage as Head of Audit for the motor division. Thereafter, he left for Saudi Arabia for the Al-Mojil Group as Head of Group Audit and Systems. He returned to Malaysia in 1995 to join Acmar Group as Head of Audit. Acmar Group was principally involved in property development, construction, manufacturing, leisure and entertainment. He joined KEB in September 1997 as Head of Systems and Audit and was subsequently seconded to assume his current position.

Ng Ah Chai, aged 37, is the managing director of SY. His involvement in the timber trade began in 1985 when he started a sawmilling business on a partnership basis. In 1991, he expanded his business into manufacturing tropical wood furniture for the local market. Ceasing the sawmilling business in 1993, he co-founded SY, which started off as a kiln dry and timber processing business. Under his guidance, SY then expanded into the manufacturing of furniture components and semi-furnished parts in 1995 before further venturing into finished rubberwood furniture in 1998.

Lim Eng Peng, aged 49, is the Assistant General Manager of ASWP and is responsible for the management and development of ASWP. He is also responsible for the Group's purchasing functions. He is one of the pioneer staff and has over 10 years experience in the wood-based industry. Prior to joining Tomisho in January 1995, he was with Syarikat Eng San Sawmill, a company principally involved in logging and sawmilling.

Loh Sau Han, aged 34, is the Finance Manager of THB. She is an associate member of the Chartered Institute of Management Accountants, UK and a member of the Malaysian Institute of Accountants. After her graduation in 1993, she worked in UK before joining a Singaporean group of companies upon returning to Malaysia in 1994. She has held a managerial position for a number of years and has vast experience in finance and accounts. Prior to joining THB in 1998, she was working for 2 years for a wholly-owned subsidiary of General Motor Corporation, USA, which was principally involved in the manufacturing of motor vehicles.

Yap Chang Kang, aged 42, is a factory manager and is responsible for one of the factories of Tomisho. He holds a Bachelor of Science in Mechanical Engineering Degree from the University of London, obtained in 1978. He started his career in 1980 as an engineer at Universal Furniture, before being attached with Cahajaya Industries for 18 years as the Factory Manager. Prior to joining Tomisho in 1998, he was the General Manager of Terachi (M) Sdn Bhd for 5 years. Terachi (M) Sdn Bhd is principally involved in sawmilling, rubberwood processing, manufacturing of lamination boards and furniture components.

Gan Kim Tian, aged 31, graduated from the Tunghai University, Taiwan, with a degree in Industrial Engineering. He was recruited to head one of the factories in Tomisho in 1995. Prior to this, he was a factory manager for 2 years with Mattaku Sdn Bhd, a furniture factory. He is presently the Manufacturing, Planning and Control Manager responsible for overall business planning, co-ordination of raw material supplies and supplying of semi-completed rubberwood products for finishing in other factories.

9. INFORMATION ON THB GROUP

Lim Kok Seong, aged 25, is one of the pioneers in Tomisho, rising through rank and file from 1992 to become one of the factory managers for the Group. He possesses an understanding of the Group's manufacturing division objectives and operations since its inception.

Loh Joon Hock, aged 30, is one of the factory managers for the Group. He has been involved in factory operations since 1987 and has been managing factory operations since 1992. He obtained his experience in the furniture industry with Federal Furniture Sdn Bhd and was with them until 1993. He then joined RSK Sdn Bhd, which was principally involved in the manufacturing of furniture components as a factory manager for 3 years before joining Yongelee (M) Sdn Bhd, which is principally involved in property development and offshore contract services, in 1996 as an operation executive. In March 1998, he assumed his current position.

Richard Martin Thomas, aged 48, joined THB in July 1997 and currently heads THB's marketing office in the UK. He has been with the THB Group since the inception of its overseas venture in the United Kingdom. He qualified from Cardiff College of Art and Design in 1972 and a 3-Dimensional Construction Diploma in 1975 from the Bristol Polytechnic Faculty of Art and Design. He has been involved in the furniture business for the past 25 years, in various areas such as conceptualisation, design, marketing, daily management of furniture companies and contract refurbishment and tendering. Prior to joining THB, he was attached to various furniture companies in the United Kingdom, such as Christie Tyler Furniture Ltd (1975-1979), Craftdene Group (1979-1981), Mantrack Holdings (1982-1983), J.e. Twiss Designs Furniture (1983-1988) and Cascade Interiors Furniture Ltd (1988-1995). He possesses knowledge and experience of the UK market, the European Union market as well as the former Eastern Bloc countries.

9.6.3 Family Relationships

Save for Lim Eng Huat, Lim Eng Ann and Lim Eng Peng, who are brothers, there is no other family relationship amongst and between the other directors and senior management of the THB Group.

9.6.4 Employees

As at 31 December 1999, the Group has a staff force consisting of 964 employees of which 39 employees are management and professional staff. None of the employees of the Group belong to any union. In the history of the Group, the management has not experienced any strike or work-related disruption. Accordingly, THB believes that it has a harmonious relationship with its employees.

9. INFORMATION ON THB GROUP

9.7 PROPERTIES

THB Group's properties are as follows:-

Owner	Title / Location	Tenure	Approximate age (years)	Description/ Existing use	Land area / built-up area (Square Feet)	Net book value @ 31.07.99 RM'000
Tomisho	C.T. 20877, Lot 6069, Mukim of Kapar, Daerah Klang	Freehold	3	Land, Office, warehouse and factory	217,800 / 148,489	22,535
Tomisho	Lot CS-10 10th Floor, Menara Summit Persiaran Kewajipan USJ1 47600 Subang Jaya	Strata Title (Freehold)	1	Office use	- / 13,923	5,317
Apota	Lot S2.140B The Summit Shopping Complex Persiaran Kewajipan USJ1 47600 Subang Jaya	Strata Title (Freehold)	1	Showroom and office	- / 36,361	17,758
SY	Lot 971, Mukim Semenyih, Jalan Sungai Lalang 43500 Semenyih	Freehold	4	Land, Factory, warehouse & office	413,800 / 235,225	2,617
SY	Lot 1224, Mukim Semenyih, Jalan Sungai Lalang 43500 Semenyih	Freehold	4	Land & Factory	123,375 / 93,915	2,061
SY	Lot 1338, Mukim Semenyih, Jalan Sungai Lalang 43500 Semenyih	Freehold	7	Land & Factory	88,070 / 33,713	1,548
						51,836

9. INFORMATION ON THB

9.8 BUSINESS OVERVIEW AND PROSPECTS FOR THB GROUP

9.8.1 Manufacturing

THB Group's three manufacturing companies are as follows:-

- (i) **Tomisho** has been involved in the design, manufacture and export of rubberwood products since 1991. These products include beds, tables, chairs, dinettes, bedroom sets as well as other furniture components and accessories. Tomisho's investment in high-tech machinery has enabled it to produce a wide variety of furniture including PU and PE high-end finished products.
- (ii) **ASWP** aims to utilise new technology and modern manufacturing systems obtained from Taiwan to produce high-tech wood veneer products of wood boards, components and parts. The MRIM wood boards have several advantages. Firstly, the production of MRIM is essentially a recycling process of waste material as the basic raw material used for manufacturing MRIM wood boards are wood chips, sawdust, small wood blocks and waste materials from furniture production. Secondly, MRIM technology offers lower operational and start-up outlays and a lower investment requirement for a given production volume compared to other wood-based product technologies. Thirdly, MRIM wood board products are harder, tougher, have better heat resistance properties and lower maintenance costs compared to MDF or particle board products. In addition to simpler production methods, another unique feature and distinct advantage that MRIM veneered wood board products have over conventional veneer products is that their edges are completely wrapped by veneer giving them a closer resemblance to natural solid wood furniture.
- (iii) **SY** is principally involved in processing of raw rubberwood, trading of treated rubberwood, manufacturing and exporting standard dining set. THB acquired SY mainly to ensure a continuous and uninterrupted supply of rubberwood raw materials.

The products of THB's manufacturing division include parts and components (finger joints, carving posts, chair and barstool seats, bed posts, handrails and posts), dining tables and chairs, "Breakfast Island" sets, occasional furniture items (barstools, closets, side tables, hallway tables and magazine racks), bed and bedroom furniture (dressing tables, chest of drawers, chest wardrobes, mirror frames and side tables), and living room furniture (end tables and coffee tables).

9. INFORMATION ON THB

9.8.2 Retail

THB adopts a blanket strategy with different branding to represent various market segments to meet a variety of tastes, preferences and price points. THB has segmented its local retail stores in order to be well represented in the different levels of the local furniture retailing market.

- (i) **Apota**, as a local retailer of furniture and lifestyle products, places emphasis on promoting locally manufactured solid wood furniture of high quality and of good design. Well-trained staff complements the integrity of the products by striving to provide a high level of customer satisfaction, generally targeting high-end customers. Apota intends to cultivate the homegrown “*Apota Design*” brand name and it aims to franchise the retail concept store locally, and export its successful retail formula.
- (ii) **FD** was set up to cater for customers seeking locally made furniture, cash and carry, ready-to-assemble (RTA) products and accessories which are of low cost and of good value. While FD products are value for money with no frills, quality is maintained. The retail concept of FD is similar to that of hypermarkets and megastores, with emphasis on small margins, high volumes, and economies of scale. The current FD store is situated in The Summit, USJ and plans have been made to establish more FD stores in the future.
- (iii) **LC** focuses on a more select set of customers with aesthetic taste for exclusive home furnishings and decorative accessories. LC retails high-end imported furniture and it is the exclusive distributor of Natuzzi leather sofas from Italy, and Sealy mattresses and divans from the USA, the best-selling brand in USA.

THB Group's two retail outlets are a one-stop 36,000 sq. ft. furniture and furnishing centre in The Summit, USJ which houses Apota, LC and FD, and an LC outlet in Bandar Utama. THB also pursues marketing strategies such as advertisements, feature write-ups, road shows, direct mail program for its 10,000 strong Apota Card membership.

9.8.3 Contract Renovation and Project Furnishing

AF undertakes interior furnishing projects and renovation contracts for hotels, hostels, resorts and residential properties of both overseas and domestic markets. In line with THB's strategy to integrate further downstream and provide value-added services to customers, AF is capitalising on the strength of the Group's manufacturing and retailing activities to offer alternative furnishing packages for condominiums and apartments. As a spin-off from THB's existing activities, the contract renovation and project furnishing business is a value added services to customers seeking to furnish hotels, resorts and residences. Existing customers for this service area consists of property developers and owners of hotel, resorts and house owners, both local and overseas.

9. INFORMATION ON THB

9.8.4 Export Markets

The economic recovery of the major furniture-importing countries in recent years, coupled with a strong preference from consumers in these markets for solid rubberwood furniture which pass the eco-label certification, will ensure a continuous demand for rubberwood furniture. Indeed, it has been observed by a United Nations study that the global market for furniture would reach USD29 billion in real terms by the year 2000 from USD25 billion presently.

In this respect, THB is well positioned to tap in to the growing furniture market in view of the following:-

- (i) Through THB's participation in international furniture trade fairs, a high consumer awareness for its furniture products is created and sustained, building on THB's reputation; and
- (ii) THB's continuous efforts to establish business relationships in other countries, through the setting up of a marketing office in the UK, China and Australia. THB also plans to operate similar offices in France, Germany, Italy and the Middle East.

According to the Minister of Primary Industries, export demand for Malaysian furniture has grown from RM30 million in 1985 to nearly RM5 billion in 1999. The Minister represented that the target is for the value of furniture exports to reach RM7 billion by the year 2005. 80% of these exports comprise rubberwood furniture.

Since embarking on export sales in 1991, THB Group's most important market has been the USA, which in 1994 accounted for approximately 90% of total sales. Since then, the Group's marketing strategies have enabled its products to penetrate other markets, such as Canada, Asia (Japan, Korea, Singapore, China, Hong Kong, Taiwan, the Philippines, Thailand), Europe (UK, Ireland, France, Germany, Sweden), Middle East (U.A.E., Saudi Arabia, Bahrain, Jordan, Kuwait) and others (Australia, New Zealand, Mexico).

THB adopts a flexible export marketing strategy by selling its products to importers, distributors, manufacturers, wholesalers and retailers. THB's main objective has always been to get closer to the customers. This allows THB to have better awareness of the latest trends, information and market environment, thus enabling it to adjust to changing environments quicker. The setting up of TS (UK) for the Group's European market has been successful. Besides UK, the THB Group also has a marketing office in China and Australia. As THB's ultimate aim is to market and export its Original Design Manufactured (ODM) and Original Brand Manufactured (OBM) products worldwide, similar marketing offices will be set up in Germany, France, Italy and the Middle East.

9.8.5 Research and Development

THB's R&D Department's efforts are aimed at improving its manufacturing processes and create new products and product designs. In addition to the increased efficiency of internal processes, THB can satisfy customer requirements and therefore stay ahead of its competitors. THB places reliance on its R&D Department for a successful export performance by offering product differentiation strategies and value-added services. This leads to better profit margin and cultivates long term customer loyalty. THB's R&D Department is closely monitored by the its Managing Director and led by personnel experienced in designing and manufacturing of furniture products.

9. INFORMATION ON THB

In THB, innovation and product design are undertaken through a total development programme which consists of concept R&D, concept drawings, full size/workings drawings, prototyping, development of colour trends, packaging, cataloguing and presentations. The key process of concept R&D, which introduces new innovative product designs, is guided by the following factors and priorities:-

- a) Customer preference and market trend;
- b) Commercial and production viability;
- c) THB's marketing strategy (such as emphasis on products with longer life cycles and not easily emulated by competitors and on products with higher profit margin); and
- d) Capitalisation on THB's manufacturing strength, such as the patented MRIM wood board manufacturing process, CNC Router Machine, modern automated finishing equipment as well as those product designs that maximise the utilisation of plant and machinery.

The benefits that THB has obtained over the years from its R&D efforts are:-

- a) The emergence of brand names such as "*Tomisho Collection*", "*All Star Collection*" and "*Apota Design*", which contribute towards customer loyalty and higher premiums and margins;
- b) Production of good quality products at competitive prices;
- c) Product range of wider variety that enables THB to market and export mixed container services direct to smaller overseas retailers for higher profit margins; and
- d) Furniture products with unique designs, hence avoiding head-on competition based on pricing factors.

Through the efforts of the R&D department, THB has improved its production techniques and technologies, leading to higher process and product quality and lower production costs. The features of THB's efforts are as follows:-

- a) THB has successfully acquired patented MRIM manufacturing techniques which enables lower production costs through the utilisation of saw dust and discarded wood as raw material;
- b) Investment in modern automated finishing equipment to save paint cost, reduce labour cost and improve consistency of finished products;
- c) Investment in computerised CNC Router Machines to provide value-added customer services by offering accurate profile cuttings and machine carvings; and
- d) Successful ISO 9002 certification, enhancing THB's product and corporate image.

The efforts of THB's R&D Department enable THB to consistently offer its customers new products for introduction into their respective markets, thereby reducing competitive pressures based on pricing factors. By being able to act on its understanding of customers' priorities and market competitiveness, THB can direct its resources towards satisfying customer requirements. THB invested approximately RM800,000 in R&D in both 1998 and 1999, and currently employs 7 people in its R&D Department.

9. INFORMATION ON THB

9.8.6 Future Plans

In order to create a long-term sustainable competitive advantage, THB will continue to focus and rely on the 3 key elements of technology, brand name and management excellence. THB Group has set several objectives to be achieved in the future.

Short term

In the short term, THB intends to capitalise on the weak currency to further export THB's manufactured furniture, parts and components especially to non-traditional markets with good potential, such as China, India, Russia and Eastern Europe. THB also intends to set up a global network (through marketing offices and sales agents) in order to operate nearer to the market to serve its customers better and boost customer confidence. Through its subsidiary Tomisho, THB has already set up offices in the UK, China and Australia, and is now working on similar arrangements in Germany, France, Italy and the Middle East.

THB intends to focus on its strength in patented manufacturing technology, patented design and marketing its unique-design furniture through a global network to generate a large sales volume to enhance its productivity. The proceeds from its listing will be utilised to invest and upgrade plant and equipment with the latest computer technology to further automate the manufacturing process and reduce its dependence on labour. To further eliminate the need for middleman function and to obtain better profit margins, THB plans to have a bigger warehouse capacity to store standard items that it manufactures. This will enable THB to provide mix container services directly to smaller retailers overseas at shorter notice. In addition, THB will continue to seek to increase sales in the domestic market through the promotion of "Apota Design" as a strong homegrown brand specialising in good quality and designed solid wood furniture. It is currently working on the possibility of franchising its retail concepts of "Apota Design", FD and LC retail concept stores.

Medium and Long Term

(a) **Manufacturing**

ASWP is negotiating with the owner of the patented technology to produce MRIM wood boards to market the technology via joint-venture or licensing arrangements especially overseas, with initial target markets being China and India. In addition, THB is exploring the possibility of expanding its existing manufacturing operations overseas, with possible countries being China, India, Vietnam, Indonesia and Myanmar.

(b) **Overseas Marketing**

In line with the Company's strategy to establish global network, THB intends to set up more overseas marketing offices especially in countries with high export potential, such as India, Russia, Eastern European countries, Turkey and other non-traditional markets.

(c) **Retailing**

THB is exploring the idea of exporting and franchising its successful retail concept of "Apota Design" to neighbouring countries.

10. FINANCIAL INFORMATION

10.1 PROFIT AND DIVIDEND RECORD

The following table sets out a summary of the proforma consolidated financial results of the THB Group for the two (2) financial years ended 31 July 1996, audited consolidated financial results of the THB Group for the financial period ended 31 July 1996, and for the three (3) financial years ended 31 July 1999. The table should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 11 of this Prospectus.

	←—Proforma—→		←————Audited————→			
	←—Financial year ended 31 July —→		20.10.1995 to	←—Financial year ended 31 July —→		
	1995 RM'000	1996 RM'000	31.7.1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Turnover	36,798	57,132	14,872	76,129	105,844	131,137
Profit before depreciation, interest and exceptional item	4,380	9,628	4,001	13,540	18,357	28,535
Depreciation	(643)	(1,142)	(315)	(2,739)	(3,975)	(7,420)
Interest expense	(744)	(1,390)	(411)	(3,024)	(2,948)	(6,664)
Interest income	-	-	57	230	337	307
Exceptional item	-	-	-	-	-	(1,378)
Profit before taxation	2,993	7,096	3,332	8,007	11,771	13,380
Taxation	(1,059)	(2,320)	(778)	(1,556)	(4,044)	(2,061)
Profit after taxation	1,943	4,776	2,554	6,451	7,727	11,319
Minority interest	(68)	(511)	-	-	-	(1,125)
Profit after taxation and minority interest	1,866	4,265	2,554	6,451	7,727	10,194
Issued and paid-up share capital ('000)	-	12,000	12,000	22,000	34,000	34,000
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	12,000	12,000	12,000	20,733	30,055	34,000
Gross EPS (sen)	24.4	54.9	27.8	38.6	39.2	36.0
Net FPS (sen)	15.6	35.5	21.3	31.1	25.7	29.9

Notes:-

1. The increase in profit before taxation for the financial year ended 31 July 1996 was due to the improved performances of Tomisho and SY.
2. Substantial increases in turnover and profit after taxation for the financial years ended 31 July 1997 and 1998 were mainly attributable to Tomisho's increase in export sales.
3. The increase in turnover for the financial year ended 31 July 1999 was mainly due to the acquisition of SY during the year, which contributed approximately RM11 million in turnover and RM1.2 million in profit after tax.
4. The increase in the profit after tax for the financial year ended 31 July 1999 was due to 1999 being a tax-exempt year as well as the additional profit contributed by SY which was acquired by Tomisho during the year.

10. FINANCIAL INFORMATION

5. *The exceptional item for the financial year ended 31 July 1999 relates to a write-off for assets lost in a fire at Tomisho during the year.*
6. *There was no extraordinary item in any of the financial year under review.*
7. *Gross earnings per share has been calculated based on profit before taxation and after minority interest divided by the proforma or weighted average number of ordinary shares of RM1.00 each in issue for the respective years. Net earnings per share has been similarly calculated based on the profit after taxation and after minority interest.*

The following subsidiaries of THB were acquired/incorporated during the financial year/period as follows:-

Subsidiaries	Financial year/period ended
Tomisho, Apota, PCC, ASWP, AF, TP	31 July 1996
LC	31 July 1997
TW, TS (UK), FD	31 July 1998
SY	31 July 1999

The following is a summary of the audited financial results of THB for the three (3) financial years ended 31 July 1999. The summary should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report.

Company	9 months period ended 31 July 1996 RM'000	<---Financial year ended 31 July--->		
		1997 RM'000	1998 RM'000	1999 RM'000
Turnover	-	1,296	7,370	4,400
Profit before taxation	-	1,291	6,954	3,720
Taxation	-	(362)	(1,705)	-
Profit after taxation	-	929	5,249	3,720
Issued and paid-up share capital ('000)	12,000	22,000	34,000	34,000
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	4,600	20,733	30,055	34,000
Net EPS (sen)	-	4.5	17.5	10.9
Gross dividend rate	-	-	13%*	10% [^]

* Consisting of 10% interim dividend taxed at 28% and 3% tax-exempt final dividend

[^] Tax-exempt

10. FINANCIAL INFORMATION

Notes:-

1. *THB commenced operations during the financial year ended 31 July 1997. Turnover represents dividend income and management fees from subsidiary companies*
2. *The increase in turnover, profit before taxation and profit after taxation for the financial year ended 31 July 1998 was due to higher dividend income receivable from THB's subsidiaries.*
3. *The decrease in turnover, profit before taxation and profit after taxation for the financial year ended 31 July 1999 was due to lower dividend income receivable from THB's subsidiaries.*
4. *The effective tax rate for the Company in 1998 is lower than the statutory tax rate due mainly to certain income not subject to tax. There was no tax charge for the financial year ended 31 July 1999 as 1999 is a tax-exempt year*
5. *There was no extraordinary or exceptional item during the period/years under review*

10.2 WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

(i) Working capital

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

(ii) Borrowings

As at 15 January 2000 (being the last practicable date prior to the printing of this Prospectus), the total borrowings and overdrafts of the THB Group amounted to approximately RM60.1 million.

Save as disclosed above, the THB Group has no loan capital outstanding or created but unissued, mortgages or charges outstanding as at 15 January 2000.

(iii) Contingent liabilities

As at 15 January 2000 (being the latest practicable date at which such amounts could be calculated prior to the printing of this Prospectus), the THB Group does not have any material contingent liabilities.

(iv) Capital commitments

As at 15 January 2000 (being the latest practicable date at which such amounts could be calculated prior to the printing of this Prospectus), the THB Group has capital commitments (approved but not contracted) amounting to approximately RM0.9 million, for the purchase of additional woodworking and moulding machines.

10. FINANCIAL INFORMATION

10.3 AUDITORS' LETTER ON THE CONSOLIDATED PROFIT FORECAST
(Prepared for inclusion in this Prospectus)



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The Board of Directors
Tomisho Holdings Berhad
Lot 6069, Jalan Haji Abdul Manan
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Selangor Darul Ehsan

Our ref HLLS/JKSK/FCD

20 January 2000

Dear Sirs

TOMISHO HOLDINGS BERHAD ("THB")
Auditor's Letter On The Consolidated Profit Forecast For The Year Ending 31 July 2000

We have reviewed the accounting policies and calculations for the consolidated profit forecast of THB and its subsidiary companies ("the Group"), for the year ending 31 July 2000, (for which the Directors are solely responsible) as set out in the Prospectus to be dated 28 January 2000 in connection with the Public Issue of 6,150,000 new ordinary shares of RM1.00 at an offer price of RM2.00 per share and the listing of and quotation for the entire enlarged issued and paid up share capital of 40,150,003 ordinary shares of RM1.00 each on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the above mentioned consolidated profit forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully

KPMG
Firm Number: AF 0758
Public Accountants

Hew Lee Lam Sang
Partner
Approval Number : 1862/10/01(J)



10. FINANCIAL INFORMATION

10.4 CONSOLIDATED PROFIT FORECAST



**CONSOLIDATED PROFIT FORECAST FOR
THE YEAR ENDING 31 JULY 2000 OF THE THB GROUP
AND THE PRINCIPAL BASES AND ASSUMPTIONS
BEFORE AND AFTER THE PROPOSED FLOTATION EXERCISE**

The Directors forecast that, barring unforeseen circumstances, the consolidated profit after taxation of the THB Group for the year ending 31 July 2000 before and after the Proposed Flotation Exercise will be approximately as follows:

Year ending	Forecast 31.7.2000 RM'000
Consolidated profit after taxation	
Before Proposed Flotation Exercise	12,271
After Proposed Flotation Exercise	12,391

PRINCIPAL BASES AND ASSUMPTIONS

The consolidated profit forecast has been prepared on the basis of the principal bases and assumptions set out below.

- There will be no material changes in the present legislation or government regulations including direct or indirect taxes and duties, affecting the activities of the Group and the markets in which the Group operates.
- There will be no significant changes in the prevailing political, economic and market conditions in Malaysia and elsewhere that will adversely affect the activities or performance of the Group.
- There will be no significant changes in the current principal activities, composition and structure of the Group.
- There will be no significant changes in the accounting and management policies currently adopted by the Group.
- There will be no major breakdown or disruption in the manufacturing facilities, industrial disputes or other abnormal factors affecting the operations of the Group.
- There will be no major changes in the existing key personnel and management and trading policies.

10. FINANCIAL INFORMATION



- There will be no significant changes in the supply and prices of raw materials and labour.
- Existing and further financing facilities enjoyed by the Group will remain available.
- Foreign currency will not fluctuate materially from current levels.
- Inflation and interest rates will not change materially from current levels.
- The Group's capital expenditure plans are in accordance with budget and commissioned as scheduled.
- New products introduced will obtain market acceptance and achieve forecast and projected sales.
- The proceeds from the Public Issue will be received by February 2000 .

10. FINANCIAL INFORMATION

10.4 DIVIDEND FORECAST

THB intends to pursue a dividend policy in line with its profitability, which would allow shareholders to participate in the profits of the Group as well as maintaining adequate reserves for its future growth and expansion.

On the basis of the consolidated profit forecast after minority interest and extraordinary items, and on the assumption that the present basis for calculating taxation and rates of taxation will remain unchanged, the Directors of the THB Group anticipate that the Company will be in a position to propose a net dividend of 5.0% based on the enlarged issued and paid-up share capital of 40,150,003 ordinary shares of RM1.00 each, for the financial year ending 31 July 2000.

The intended appropriation of the forecast consolidated profit after taxation for the financial year ending 31 July 2000 is as follows:-

	RM'000
Consolidated profit before taxation but after minority interests	17,108
Profit after taxation and minority interest	12,391
Less : Proposed Dividend of 5.0% (tax-exempt)	(2,008)
Retained profit for the year	<u>10,383</u>
Tax-exempt dividend per share (sen)	<u>5.0</u>
Dividend yield (%)*	2.5
Net dividend cover (times)**	6.17

* *Based on the issue price of RM2.00 per share and the prospective tax-exempt dividend per share of 5.0%*

** *Based on the prospective net dividend of 5.0% to be declared by the Company for the year ending 31 July 2000.*

10. FINANCIAL INFORMATION

10.6 AUDITORS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS
(Prepared for inclusion in this Prospectus)



KPMG (Firm No. AF 0758)
Public Accountants
Wisma KPMG
Jalan Dungun, Damansara Heights
50490 Kuala Lumpur, Malaysia

P.O. Box 10047
50702 Kuala Lumpur
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Tel + (603) 255 3388
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The Board of Directors
Tomisho Holdings Berhad
Lot 6069, Jalan Haji Abdul Manan
41050 Klang
Selangor Darul Ehsan

Our ref HLLS/JKSK/FCD

20 January 2000

Dear Sirs

TOMISHO HOLDINGS BERHAD ("THB")
Auditor's Letter On The Proforma Consolidated Balance Sheets As At 31 July 1999

We have reviewed the proforma consolidated balance sheets of THB as at 31 July 1999 together with the notes thereon, (for which the Directors are solely responsible) as set out in the Prospectus to be dated 28 January 2000 in connection with the Public Issue of 6,150,000 new ordinary shares of RM1.00 at an offer price of RM2.00 per share and the listing of and quotation for the entire enlarged issued and paid up share capital of 40,150,003 ordinary shares of RM1.00 each on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the above mentioned proforma consolidated balance sheets together with the notes thereon are presented on a basis consistent with the accounting policies normally adopted by the Group and in the form suitable for inclusion in the abovementioned prospectus.

Yours faithfully

KPMG
Firm Number: AF 0758
Public Accountants

Hew Lee Lam Sang
Partner
Approval Number : 1862/10/01(J)



10. FINANCIAL INFORMATION

10.7 CONSOLIDATED PROFORMA BALANCE SHEETS

**CONSOLIDATED PROFORMA BALANCE SHEETS AS AT 31 JULY 1999 AFTER
THE PROPOSED FLOTATION EXERCISE**

The Proforma Consolidated Balance Sheets of THB have been prepared for illustrative purposes only and are based on accounting policies and bases consistent with those previously adopted in the preparation of the audited financial statements of THB. The Proforma Consolidated Balance Sheets are based on the audited accounts of THB as at 31 July 1999 to reflect THB's Proposed Public Issue as if it had been effected on that date.

	<i>Audited as at 31 July 1999 RM'000</i>	<i>Proforma After Public Issue RM'000</i>
FIXED ASSETS	109,622	109,622
GOODWILL ON CONSOLIDATION	11,437	11,437
EXPENDITURE CARRIED FORWARD	115	115
CURRENT ASSETS		
Stocks	24,223	24,223
Trade debtors	25,475	25,475
Other debtors and prepayments	6,159	6,159
Deposits and bank balances	5,810	16,910
	<hr/> 61,667	<hr/> 72,767
CURRENT LIABILITIES		
Trade creditors	15,387	15,387
Other creditors and accruals	8,498	8,498
Amount due to director	268	268
Hire purchase and lease creditors	3,640	3,640
Short term borrowings	40,854	40,854
Provision for taxation	4,025	4,025
	<hr/> 72,672	<hr/> 72,672
NET CURRENT (LIABILITIES)/ASSETS	<hr/> (11,005)	<hr/> 95
	<hr/> <hr/> 110,169	<hr/> <hr/> 121,269

10. FINANCIAL INFORMATION



**CONSOLIDATED PROFORMA BALANCE SHEETS AS AT 31 JULY 1999 AFTER
THE PROPOSED FLOTATION EXERCISE
(continued)**

Financed by:

SHARE CAPITAL	34,000	40,150
SHARE PREMIUM	11,400	16,350
PROFIT AND LOSS ACCOUNT	20,058	20,058
	<hr/>	<hr/>
Shareholders' funds	65,458	76,558

LONG TERM AND DEFERRED LIABILITIES

Advance from a shareholder	6,350	6,350
Hire purchase and lease creditor	1,192	1,192
Long term loan	21,654	21,654
Deferred tax	4,985	4,985
Minority interest	10,530	10,530
	<hr/>	<hr/>
	110,169	121,269
	<hr/>	<hr/>
NTA per share (RM)	1.59	1.62
	<hr/>	<hr/>

10. FINANCIAL INFORMATION



**CONSOLIDATED PROFORMA BALANCE SHEETS AS AT 31 JULY 1999 AFTER
THE PROPOSED FLOTATION EXERCISE
(continued)**

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS

- The Proforma Consolidated Balance Sheets of THB have been prepared for illustrative purposes only and are based on accounting policies and bases consistent with those previously adopted in the preparation of the audited financial statements of the THB Group. The Proforma Consolidated Balance Sheets are based on the audited accounts of the THB Group as at 31 July 1999 to reflect THB's Proposed Public Issue as if it had been effected on that date.
- The Proforma Consolidated Balance Sheets incorporate the following adjustments:-
 - (i) a Public Issue by THB of 6,150,000 new ordinary shares of RM1.00 each at an issue price of RM2.00 per ordinary share of RM1.00 each.
 - (ii) Listing expenses, estimated to be RM1.2 million, are fully written off against the share premium account.

11. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)

The Board of Directors
Tomisho Holdings Berhad
Lot 6069, Jalan Haji Abd. Manan
Off Jalan Meru
41050 Klang
Selangor Darul Ehsan
Malaysia

20 January 2000

Dear Sirs,

**Tomisho Holdings Berhad
Accountants' Report**

This report has been prepared for inclusion in the Prospectus to be dated 28 January 2000 in connection with the Public Issue of 6,150,000 new ordinary shares of RM1.00 each at a price of RM2.00 per ordinary share in Tomisho Holdings Berhad (hereinafter referred to as "THB" or "the Company), and the listing of and quotation for the entire issued and paid-up share capital THB on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

1. GENERAL INFORMATION

1.1 Background

1.1.1 The Company was incorporated in Malaysia under the Companies Act, 1965 on 20 October 1995 as a private limited company under the name of Exclusive Symbol Sdn Bhd. On 2 February 1996, it was renamed Tomisho Holding Sdn Bhd and on 27 November 1996 it was renamed again as Tomisho Holdings Sdn Bhd ("THSB"). On 16 December 1997, THSB's status was converted to a public limited company and the present name, THB, was adopted.

1.1.2 The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are described in 1.4 below. The principal activity of the Company and its subsidiary companies remained unchanged during the year.

1.2 Changes in Share Capital

1.2.1 At the date of incorporation, THB's authorised share capital was RM100,000 comprising 100,000 ordinary shares of RM1.00 each with an issued and paid-up share capital of RM2.00, comprising 2 ordinary shares of RM1.00 each. On 29 February 1996, the authorised share capital of THB was increased to RM25,000,000.

11. ACCOUNTANTS' REPORT

On 27 November 1997, the authorised share capital of THB was increased to RM50,000,000 consisting of 50,000,000 ordinary shares of RM1.00 each.

1.2.2 Details of the change in issued and paid-up share capital of THB since its incorporation to the completion of the proposed public issue are as follows:-

Date of allotment	No. of ordinary shares	Par value RM	Purpose	Total issued and paid-up share capital RM
20.10.95	2	1.00	Subscribers' shares	2
11.03.96	12,000,000	1.00	Investment in subsidiaries	12,000,002
06.09.96	2,000,000	1.00	Rights issue	14,000,002
18.09.96	8,000,000	1.00	Working capital	22,000,002
28.11.97	12,000,001	1.00	Rights issue	34,000,003

1.3 Proposed Listing and Quotation

1.3.1 In conjunction with, and as an integral part of the proposed listing and quotation for the entire issued and paid-up share capital of THB on the Second Board of KLSE, the Company will undertake the following:

- **Public Issue**

The Company is undertaking a public issue of 6,150,000 new THB shares representing approximately 15.3% of the enlarged issued and paid-up share capital of the Company at an issue price of RM2.00 per share to be allocated as follows:-

	No. of new THB shares	% of THB's enlarged share capital
Malaysian Public	4,350,000	10.8
Eligible employees of the THB Group	1,800,000	4.5
	<u>6,150,000</u>	<u>15.3</u>

- **Listing on KLSE**

Upon completion of the Public Issue, the Company will seek a listing of and quotation for the entire enlarged issued and paid-up share capital of the company comprising 40,150,003 ordinary shares of RM1.00 each on the Second Board of the KLSE.

11. ACCOUNTANTS' REPORT

1.4 Information on Subsidiary Companies

1.4.1 The subsidiary companies of THB, all incorporated in Malaysia (except as indicated), as at the date of this report and their principal activities are as follows:-

Company	Principal activity	Effective Interest	Date of incorporation
Tomisho Sdn Bhd ("TSB")	Manufacture and export of furniture component parts, industrial and engineering parts	100%	2 September 1985
Apota Sdn Bhd ("ASB")	Distribution and retailing of furniture, interior furnishing, golf equipment and accessories	100%	9 December 1982
* Seng Yip Furniture Sdn Bhd ("SYF")	Manufacture and trading of moulded timber and manufacture of furniture products	51%	5 March 1993
All Star Wood Products Sdn Bhd ("ASWP")	Manufacture and export of veneer parts and components	100%	7 October 1995
PC Chains (M) Sdn Bhd ("PCC")	Trading of conveying chains and engineering parts	100%	26 July 1985
Tomisho Wood-Tech Sdn Bhd ("TWSB")	Dormant	100%	5 August 1996
Tomisho (UK) Ltd (Incorporated in the United Kingdom) ("TUK")	Marketing office for TSB	100%	23 July 1997
Apota Furnishing Sdn Bhd ("AFSB")	General contractor and interior design consultant	100%	11 May 1994

11. ACCOUNTANTS' REPORT

Company	Principal activity	Effective Interest	Date of incorporation
** Le Creaciones Sdn Bhd("LC")	Retailing in furniture, artifacts, bedding and sofa sets	100%	7 February 1995
** Furniture Discounters Sdn Bhd ("FDSB")	Distribution and retailing of furniture	100%	16 October 1997
Tomisho Properties Sdn Bhd ("TPSB")	Dormant	100%	7 April 1993

* Held directly through Tomisho Sdn Bhd

** Held directly through Apota Sdn Bhd

1.4.2 THB together with its subsidiary companies are hereinafter referred to as "the Group".

1.4.3 On 10 June 1999, THB completed the acquisition of the entire issued and paid-up share capital of Seng Yip Furniture Sdn Bhd (SYF) comprising of 5,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM16,500,000 based on the unaudited NTA of SYF as at 31 May 1999. The purchase consideration was satisfied by way of an assignment of debts in favour of the vendor.

1.5 Accounts and Auditors

The financial year end of the Group is 31 July. We have acted as the auditors of THB only since the date of its incorporation. The subsidiaries are audited by other firms of accountants.

The Auditors' reports of the THB Group and its subsidiaries for the financial years/periods under review were not subject to any qualification.

1.6 Dividends

Details of dividends paid by THB in respect of the five financial years ended 31 July 1999 are as follows:-

Financial year ended	Issued & paid-up capital RM'000	Dividend rate %	Net dividend RM'000
31.7.1995	-	-	-
31.7.1996	12,000	-	-
31.7.1997	22,000	-	-
31.7.1998	34,000	13*	3,468
31.7.1999	34,000	10 - tax exempt	3,400

* 10% per share less tax and 3% per share, tax exempt.

11. ACCOUNTANTS' REPORT

2 SUMMARY OF RESULTS**2.1 Proforma / Audited Consolidated Results**

The following table sets out a summary of the proforma consolidated financial results of the THB Group for the two (2) financial years ended 31 July 1996, audited consolidated financial results of the THB Group for the financial period ended 31 July 1996, and for the three (3) financial years ended 31 July 1999.

	←---Proforma---→		←-----Audited-----→			
	←-Year ended 31 July --→		20.10.1995	←---Year ended 31 July ---→		
	1995	1996	31.7.1996	1997	1998	1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	36,798	57,132	14,872	76,129	105,844	131,137
Profit before depreciation, interest and exceptional item	4,380	9,628	4,001	13,540	18,357	28,535
Depreciation	(643)	(1,142)	(315)	(2,739)	(3,975)	(7,420)
Interest expense	(744)	(1,390)	(411)	(3,024)	(2,948)	(6,664)
Interest income	-	-	57	230	337	307
Exceptional item	-	-	-	-	-	(1,378)
Profit before taxation	2,993	7,096	3,332	8,007	11,771	13,380
Taxation	(1,059)	(2,320)	(778)	(1,556)	(4,044)	(2,061)
Profit after taxation	1,934	4,776	2,554	6,451	7,727	11,319
Minority interest	(68)	(511)	-	-	-	(1,125)
Profit after taxation and minority interest	1,886	4,265	2,554	6,451	7,727	10,194
Issued and paid-up share capital ('000)	-	12,000	12,000	22,000	34,000	34,000
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	12,000	12,000	12,000	20,733	30,055	34,000
Gross EPS (sen)	24.4	54.9	27.8	38.6	39.2	36.0
Net EPS (sen)	15.6	35.5	21.3	31.1	25.7	29.9

11. ACCOUNTANTS' REPORT

The subsidiaries of THB were purchased/incorporated during the financial year/period ended:-

Subsidiaries	Year/Period ended
TSB, ASB, PCC, ASWP, AFSB, TPSB	31 July 1996
LC	31 July 1997
TWSB, TUK, FDSB	31 July 1998
SYF	31 July 1999

Notes to the Summary of Results

(i) Minority Interest

Minority interest for financial years ended 31 July 1995 to 1999 relates to the 49% equity interest in SYF held by 2 minority shareholders.

(ii) Earnings Per Share

Gross earnings per share has been calculated based on profit before taxation and after minority interest on the proforma number of 12,000,000 ordinary shares of RM1.00 each in issue for the financial years ended 31 July 1995 and 1996, on the weighted average number of 20,733,000 and 30,000,000 ordinary shares of RM1.00 each in issue for the financial years ended 31 July 1997 and 31 July 1998 and on 34,000,000 ordinary shares of RM1.00 each in issue for the financial year ended 31 July 1999. The net earnings per share is similarly calculated using the profit after taxation.

(iii) There were no extraordinary items during the years under review.

11. ACCOUNTANTS' REPORT

2.2 Summarised Profit and Loss Accounts**2.2.1 THB**

	9 months period to <-----Year ended 31 July----->			
	31/7/96 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Turnover	-	1,296	7,370	4,400
Profit before depreciation and interest	-	1,291	7,016	3,853
Depreciation	-	-	(80)	(116)
Interest expense	-	-	(10)	(17)
Interest income	-	-	28	-
Profit before taxation	-	1,291	6,954	3,720
Less : Taxation	-	(362)	(1,705)	-
Profit after taxation	-	929	5,249	3,720
No. of ordinary shares of RM 1.00 each in issue ('000)	12,000	22,000	34,000	34,000
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	4,600	20,733	30,055	34,000
Net earnings per share (Sen)	NA	4.5	17.5	10.9

11. ACCOUNTANTS' REPORT

Note :-

- (a) THB commenced operations during the year ended 31 July 1997. Turnover represents dividend income and management fees from subsidiary companies.
- (b) The effective tax rate for the Company in 1998 is lower than the statutory tax rate due mainly to certain income not subject to tax.

There was no tax charge for the year ended 31 July 1999 in view of the tax waiver in 1999 announced by the First Minister of Finance in the 1999 Budget Proposals tabled in Parliament on 23 October 1998.

- (c) There were no extraordinary or exceptional items during the years/period under review.

11. ACCOUNTANTS' REPORT

2.3 Summary of Results of Subsidiaries**2.3.1 TSB**

	<---Year ended 31 Dec--->			7 months ended 31 July	<---31 July --->	
	1994	1995	1996	1997	1998	1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	19,493	30,354	41,828	33,098	75,725	88,440
Profit before depreciation, interest and exceptional item	2,629	5,258	7,759	6,028	12,292	15,591
Depreciation	(297)	(613)	(1,092)	(990)	(2,330)	(2,913)
Interest expense	(316)	(869)	(1,593)	(1,645)	(1,530)	(3,855)
Interest income	47	84	111	194	302	269
Exceptional item	-	-	-	-	-	(1,378)
Profit before taxation	2,063	3,860	5,185	3,587	8,734	7,714
Less : Taxation	(304)	(810)	(1,073)	(755)	(2,575)	(500)
Profit after taxation	1,759	3,050	4,112	2,832	6,159	7,214
No. of ordinary shares of RM 1.00 each in issue ('000)	280	660	1,980	5,000	5,000	5,000
Weighted average number of ordinary shares of RM1.00 each in issue ('000) including bonus issues of 1,320,004 shares and 1,000,000 shares issued in December 1996 and July 1997 respectively	2,600	2,603	2,980	3,037	5,000	5,000
Net earnings per share (RM)	0.68	1.17	1.38	1.60 *	1.23	1.44

* Annualised

11. ACCOUNTANTS' REPORT

Note :-

- (a) Turnover increased significantly from 1995 to 1999 as TSB strengthened its position in the market by increasing its product range, and continued to expand its customer base. Its production capacity has also increased due to the semi-automation of its production line.
- (b) The exceptional item for the year ended 31 July 1999 was in respect of losses as a result of a fire breakout in one of the factories.

There were no extraordinary item during the years/period under review.

- (c) There was no tax charge for the year ended 31 July 1999 in view of the tax waiver in 1999 announced by the First Minister of Finance in the 1999 Budget Proposals tabled in Parliament on 23 October 1998. Taxation shown was in respect of underprovision of taxation and deferred taxation in previous years.

11. ACCOUNTANTS' REPORT

2.3.2 ASB

	Year ended			11 months	Year ended	
	<-----31 August----->			ended	<----31 July---->	
	1994	1995	1996	1997	1998	1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	1,638	1,773	4,376	8,049	12,645	10,019
Profit before depreciation and interest	8	229	823	1,145	1,482	1,126
Depreciation	-	(1)	(173)	(272)	(380)	(548)
Interest expense	-	-	(1)	(33)	(322)	(377)
Interest income	-	-	-	5	8	8
Profit before taxation	8	228	649	845	788	209
Less : Taxation	(2)	(71)	(211)	(265)	(175)	(38)
Profit after taxation	6	157	438	580	613	171
No. of ordinary shares of RM 1.00 each in issue ('000)	600	600	600	1,000	1,000	1,000
Weighted average number of ordinary shares of RM1.00 each in issue ('000) including bonus issue of 150,000 shares issued in July 1997	750	750	750	761	1,000	1,000
Net earnings per share (RM) 0.21	0.01	0.21	0.58	0.88 *	0.61	0.17

* Annualised

11. ACCOUNTANTS' REPORT

Note :-

- (a) In addition to the sale of golf equipment and accessories, the business and operations of ASB expanded in 1996 to include the retail of furniture and accessories and interior designing services. This has resulted in higher profits for 1996 to 1998. The decrease in turnover in 1999 is mainly due to the economic downturn.
- (b) Reduction in profit before taxation is mainly due to the economic downturn which forced the company to close most of its showrooms and this resulted in a write off of fixed assets and a loss on disposal of fixed assets of RM177,000 and RM258,000 respectively.
- (c) There was no tax charge for the year ended 31 July 1999 in view of the tax waiver in 1999 announced by the First Minister of Finance in the 1999 Budget Proposals tabled in Parliament on 23 October 1998. Taxation shown was in respect of underprovision of taxation in previous years.
- (d) There were no extraordinary or exceptional items during the years/period under review.

11. ACCOUNTANTS' REPORT

2.3.3 SYF

	Year ended ←-----31 August----->					11 months ended 31 July
	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Turnover	2,574	5,367	12,102	14,022	21,894	37,755
Profit before depreciation and interest	218	400	1,698	2,709	3,335	6,686
Depreciation	(81)	(138)	(267)	(484)	(660)	(1,027)
Interest expense	(115)	(98)	(243)	(434)	(822)	(712)
Interest income	-	-	-	-	5	30
Profit before taxation	22	164	1,188	1,791	1,858	4,977
Less : Taxation	-	(15)	(63)	(79)	(130)	(901)
Profit after taxation	22	149	1,125	1,712	1,728	4,076
No. of ordinary shares of RM 1.00 each in issue	200	200	300	600	1,000	5,000
Weighted average number of ordinary shares of RM1.00 each in issue ('000) including bonus issue of 4,000,000 shares issued in May 1999.	4,200	4,200	4,251	4,336	4,723	5,000
Net earnings per share (sen)	0.52	3.54	26.4	39.48	36.58	81.52

11. ACCOUNTANTS' REPORT

Note :-

- (a) SYF became part of the THB group in June 1999.

Before 1995, SYF was mainly involved in upstream timber processing business. Sales increased in 1996 and 1997 when it successfully penetrated into downstream furniture manufacturing. The further increase in sales from 1998 and 1999 was due to the continued success of its main product line which attracted customers from overseas.

SYF being also a major upstream timber board supplier, has benefited in 1999 from the boom in upstream timber business which saw very high margins for this sector during the period.

- (b) The effective tax rate for the years/period ended 31 August 1995 to 1999 is lower than the statutory rate because SYF was granted investment tax allowance under the Promotion of Investments Act 1986 for the manufacturing of wooden furniture and parts. The tax effects on timing differences which may give rise to deferred tax was only accounted for in 1999, resulting in a tax charge for 1999 eventhough 1999 is a tax waiver year.
- (c) There were no extraordinary or exceptional items during the years/period under review.

11. ACCOUNTANTS' REPORT

2.3.4 ASWP

	Period from 7 Oct 1995 to 31 July 1996 RM'000	<-----Year ended 31 July----->		
		1997 RM'000	1998 RM'000	1999 RM'000
Turnover	-	8,749	12,681	14,614
Profit before depreciation and interest	-	2,875	4,730	5,062
Depreciation	-	(773)	(1,103)	(1,144)
Interest expense	-	(505)	(1,050)	(702)
Interest income	-	-	-	-
Profit before taxation	-	1,597	2,577	3,216
Less : Taxation	-	-	(259)	(300)
Profit after taxation	-	1,597	2,318	2,916
No. of ordinary shares of RM 1.00 each in issue ('000)	2,000	2,000	2,000	2,000
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	NA	2,000	2,000	2,000
Net earnings per share (RM)	NA	0.80	1.16	1.46

Note :-

- (a) Turnover comprises mainly of sale of table tops and chair seats. Sales and the corresponding profit before taxation increased from 1997 to 1999 due to aggressive marketing and promotion efforts.
- (b) ASWP is eligible for pioneer status under the Promotion of Investments Act, 1986 and has been granted approval by MIDA.
- Taxation shown were in respect of under-provision of deferred taxation in previous years.
- (c) There were no extraordinary or exceptional items during the years/period under review.

11. ACCOUNTANTS' REPORT

2.3.5 PCC

	<-----Year ended 31 Dec----->				7 months	Year	
	1993	1994	1995	1996	ended	Ended	
	RM'000	RM'000	RM'000	RM'000	31/7/97	<---31July-->	1998 1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	502	2,809	2,831	2,664	1,531	2,679	1,482
(Loss)/Profit before depreciation and interest	(1)	2	62	249	234	128	432
Depreciation	-	-	-	-	(68)	-	-
Interest expense	-	-	-	-	-	(32)	-
Interest income	-	-	-	-	-	-	-
Profit before taxation	(1)	2	62	249	166	96	432
Less : Taxation	-	-	(10)	(75)	(47)	(31)	-
Profit after taxation	(1)	2	52	174	119	65	432
No. of ordinary shares of RM 1.00 each in issue	*	*	*	*	*	100	100
Weighted average number of ordinary shares of RM1.00 each in issue	*	*	*	*	*	70	100
Net earnings per share (RM)	(500)	1,000	26,000	87,000	59,500	0.93	4.32

* 2 ordinary shares of RM1.00 each.

Note :-

- Sales decreased in 1999 mainly due to the slow down in economy. However, profit before taxation improved due to gains in foreign exchange and sale of higher margin products.
- There was no tax charge for the year ended 31 July 1999 in view of the tax waiver in 1999 announced by the First Minister of Finance in the 1999 Budget Proposals tabled in Parliament on 23 October 1998.
- There were no extraordinary or exceptional items during the years/period under review.

11. ACCOUNTANTS' REPORT

2.3.6 AFSB

	14 months period to 30/6/95 RM'000	Year ended 30/6/96 RM'000	13 months ended 31 July 1997 RM'000	Year ended <---- 31 July ----> 1998 1999 RM'000 RM'000	
Turnover	3,233	5,750	6,353	13,977	11,432
Profit before depreciation and interest	18	477	402	626	477
Depreciation	(16)	(10)	(2)	(12)	(12)
Interest expense	(2)	(2)	-	(3)	(3)
Interest income	2	7	-	-	-
Profit before taxation	2	472	400	611	462
Less : Taxation	(1)	(144)	(111)	(174)	-
Profit after taxation	1	328	289	437	462
No. of ordinary shares of RM 1.00 each in issue ('000)	100	100	100	100	100
Net earnings per share (RM)	0.01	3.28	2.67*	4.37	4.62

* Annualised

Note:-

(a) AFSB became part of the THB group in March 1996.

(b) Turnover started to pick-up in 1996 as new projects were secured during that year. Being a related company of ASB, AFSB also benefited from sales to ASB's customers who require interior decorating and furnishing services.

Turnover dropped in 1999 due to the economic downturn.

(c) There was no tax charge for the year ended 31 July 1999 in view of the tax waiver in 1999 announced by the First Minister of Finance in the 1999 Budget Proposals tabled in Parliament on 23 October 1998.

(d) There were no extraordinary or exceptional items during the years/period under review.

11. ACCOUNTANTS' REPORT

2.3.7 LC

	11 months period to 31/12/95 RM'000	Year ended 31/12/96 RM'000	7 months ended 31 July 1997 RM'000	<- Year ended 31 July ->	
				1998 RM'000	1999 RM'000
Turnover	598	463	314	1,599	842
Profit before depreciation and interest	(100)	(128)	51	249	204
Depreciation	(20)	(32)	(12)	(66)	(53)
Interest expense	-	-	-	-	-
Interest income	-	-	-	-	-
(Loss)/Profit before taxation	(120)	(160)	39	183	151
Less : Taxation	-	-	-	(58)	9
(Loss)/Profit after taxation	(120)	(160)	39	125	160
No. of ordinary shares of RM 1.00 each in issue ('000)	300	300	300	452	452
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	300	300	300	367	452
Net (loss)/earnings per share (RM)	(0.40)	(0.53)	0.22 *	0.34	0.35

* Annualised

11. ACCOUNTANTS' REPORT

Note :-

- (a) LC became part of the THB Group with effect from March 1997.
- (b) The decrease in turnover in 1996 was mainly due to LC's business strategy to shift its focus from project based business to the furniture retail business (which has a higher gross margin).

Turnover dropped by approximately 46% in 1999 as the retail sector for high end market was badly hit by the economic downturn. However profit before taxation improved due to sale of some high margin products in the year.

- (c) There was no tax charge for the year ended 31 July 1999 in view of the tax waiver in 1999 announced by the First Minister of Finance in the 1999 Budget Proposals tabled in Parliament on 23 October 1998. Taxation shown was in respect of over provision of taxation in previous year.
- (d) There were no extraordinary or exceptional items during the years/period under review.

11. ACCOUNTANTS' REPORT

2.3.8 FDSB

	Period from 16 October 1997 to 31 July 1998 RM'000	Year ended 31 July 1999 RM'000
Turnover	569	261
Profit before depreciation and interest	45	25
Depreciation	(12)	(22)
Interest in expense	-	-
Interest income	-	-
Profit before taxation	33	3
Less : Taxation	(9)	-
Profit after taxation	24	3
No. of ordinary shares of RM 1.00 each in issue	2	2
Net earnings per share (RM)	12,000	1,500

Note :-

- (a) FDSB was incorporated on 16 October 1997 and its first set of accounts was from the date of incorporation to 31 July 1998.
- (b) There were no extraordinary or exceptional items during the years/period under review.

11. ACCOUNTANTS' REPORT

2.3.9 TUK

	Period from 23 July 1997 to 31 July 1998 RM'000	Year ended 31 July 1999 RM'000
Turnover	-	516
(Loss)/Profit before depreciation and interest	(590)	96
Depreciation	(1)	(1)
Interest in expense	-	-
Interest income	-	-
Profit before taxation	(591)	95
Less : Taxation	-	-
Profit after taxation	(591)	95
No. of ordinary shares of £1 each in issue	*	*
Net earnings per share (RM)	(591)	95

Note :-

- (a) TUK was incorporated on 23 July 1997 and its first set of accounts was from the date of incorporation to 31 July 1998.
- (b) There were no extraordinary or exceptional items during the years/period under review.

** 1 ordinary shares of £1 each.*

11. ACCOUNTANTS' REPORT**3 SUMMARISED BALANCE SHEETS****3.1 THB**

The following financial information of THB is based on the audited accounts of THB as at 31 July 1996 to 31 July 1999.

	< ----- As at 31 July ----- >			
	1996	1997	1998	1999
	RM'000	RM'000	RM'000	RM'000
Fixed assets	-	-	454	427
Subsidiary companies	11,975	26,503	16,370	16,370
Expenditure carried forward	25	25	20	15
Current assets	-	1,806	33,273	57,769
Less : Current liabilities	-	(5)	(1,667)	(17,196)
Net current assets	-	1,801	31,606	40,573
	<u>12,000</u>	<u>28,329</u>	<u>48,450</u>	<u>57,385</u>
Financed by:-				
Share capital	12,000	22,000	34,000	34,000
Share premium	-	5,400	11,400	11,400
Unappropriated profit	-	929	2,710	3,030
Shareholders' funds	<u>12,000</u>	<u>28,329</u>	<u>48,110</u>	<u>48,430</u>
Long term liabilities	-	-	340	8,955
	<u>12,000</u>	<u>28,329</u>	<u>48,450</u>	<u>57,385</u>
NTA per ordinary share (RM)	1.00	1.29	1.42	1.42

11. ACCOUNTANTS' REPORT**3.2 TSB**

The following financial information of TSB is based on the audited accounts of TSB as at 31 December 1993 to 31 December 1996 and as at 31 July 1997 to 31 July 1999.

	< ----- As at 31 Dec----- >				< --- As at 31 July --- >		
	1993	1994	1995	1996	1997	1998	1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed assets	1,792	4,692	8,524	19,144	23,715	53,841	54,902
Building in progress	-	-	-	-	8,667	-	-
Subsidiary company	-	-	-	-	-	-	16,342
Current assets	4,068	8,177	16,342	22,690	29,117	35,886	34,066
Less: Current liabilities	(5,244)	(9,677)	(17,668)	(31,005)	(37,775)	(55,681)	(50,197)
Net current liabilities	(1,176)	(1,500)	(1,326)	(8,315)	(8,658)	(19,795)	(16,131)
	621	3,192	7,198	10,829	23,724	34,046	55,113
Financed by :-							
Share capital	280	280	660	1,980	5,000	5,000	5,000
Unappropriated profit	-	1,965	5,015	7,391	8,873	11,431	16,146
Shareholders' funds	280	2,245	5,675	9,371	13,873	16,431	21,146
Deferred & long term liabilities	341	947	1,523	1,458	9,851	17,615	33,967
	621	3,192	7,198	10,829	23,724	34,046	55,113
NTA per ordinary share (RM)	1.00	8.02	8.60	4.73	2.78	3.29	4.23

11. ACCOUNTANTS' REPORT**3.3 ASB**

The following financial information of ASB is based on the audited accounts of ASB as at 31 December 1993 to 31 December 1996 and as at 31 July 1997 to 31 July 1999.

	< ----- As at 31 Dec ----- >				< ----- As at 31 July ----- >		
	1993	1994	1995	1996	1997	1998	1999
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed assets	-	5	9	1,262	1,673	20,193	19,410
Investment in subsidiary	-	-	-	-	120	272	272
Current assets	611	762	944	1,598	3,831	5,681	6,812
Less: Current liabilities	(11)	(161)	(189)	(1,594)	(2,183)	(9,256)	(7,370)
Net current assets/(liabilities)	600	601	755	4	1,648	(3,575)	(558)
	600	606	764	1,266	3,441	16,890	19,124
Financed by :-							
Share capital	600	600	600	600	1,000	1,000	1,000
Unappropriated profit	-	6	163	601	891	1,145	1,266
Shareholders' funds	600	606	763	1,201	1,891	2,145	2,266
Deferred & long term liabilities	-	-	1	65	1,550	14,745	16,858
	600	606	764	1,266	3,441	16,890	19,124
NTA per ordinary share (RM)	1.00	1.01	1.27	2.00	1.89	2.15	2.27