



TOMISHO HOLDINGS BERHAD

(Company No. 364372-H)

(Incorporated in Malaysia under the Companies Act, 1965)

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Public issue of 6,150,000 new ordinary shares of RM1.00 each at an issue price of RM2.00 per share payable in full on application

Adviser and Managing Underwriter

PERWIRA AFFIN MERCHANT BANK BERHAD

(Company No. 9999-V)



THE APPROVAL OF THE SECURITIES COMMISSION ("SC") SHALL NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE PUBLIC ISSUE OF 6,150,000 NEW ORDINARY SHARES OF RM1.00 EACH IN TOMISHO HOLDINGS BERHAD (COMPANY NO: 364372-H) ("THB") AT AN ISSUE PRICE OF RM2.00 PER SHARE ("ISSUE") IN CONJUNCTION WITH THE ADMISSION TO THE OFFICIAL LIST AND THE LISTING OF AND QUOTATION FOR THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF THB ON THE SECOND BOARD OF THE KUALA LUMPUR STOCK EXCHANGE ("KLSE"). INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE ISSUE.

THE ISSUE PRICE OF RM2.00 PER SHARE WAS ENTIRELY DETERMINED AND AGREED UPON BY THB AND PERWIRA AFFIN MERCHANT BANK BERHAD (COMPANY NO: 9999-V), AS THE ADVISER AND MANAGING UNDERWRITER, BASED ON VARIOUS FACTORS. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE ISSUE.

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

THE KUALA LUMPUR STOCK EXCHANGE ("KLSE") ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS OR REPORTS EXPRESSED IN THIS PROSPECTUS. ADMISSION TO THE OFFICIAL LIST OF THE SECOND BOARD OF THE KLSE IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF THB OR OF ITS ORDINARY SHARES.

THE REPORTING ACCOUNTANTS' RESPONSIBILITY WITH REGARD TO THE PROSPECTUS DOES NOT EXTEND BEYOND THE ACCOUNTANTS' REPORT, CONSOLIDATED PROFIT FORECAST AND PROFORMA BALANCE SHEETS. APART FROM THE AFOREMENTIONED, THE REPORTING ACCOUNTANTS HAVE HAD NO INVOLVEMENT IN THE PREPARATION OF THIS PROSPECTUS.

DEFINITIONS

Unless otherwise stated, the following definitions shall apply throughout this Prospectus:-

"ADA"	:	Authorised Depository Agent
"ADA Code"	:	ADA (Broker) Code
"AF"	:	Apota Furnishing Sdn Bhd (Company No.: 299603-P), a wholly-owned subsidiary of THB
"Application"	:	Application for the Public Issue Shares by way of Application Forms or by way of Electronic Application
"Application Form"	:	Application for the Public Issue Shares by way of a printed Application Form
"Apota"	:	Apota Sdn Bhd (Company No.: 94099-A), a wholly-owned subsidiary of THB
"ASWP"	:	All Star Wood Products Sdn Bhd (Company No.: 362622-M), a wholly-owned subsidiary of THB
"BP"	:	British Pound
"CDS"	:	Central Depository System
"CNC"	:	Computer Numerical Control
"Electronic Share Application"	:	Application for the Public Issue Shares through a Participating Financial Institution's Automated Teller Machine ("ATM")
"EPS"	:	Earnings per share
"FD"	:	Furniture Discounters Sdn Bhd (Company No.: 450309-P), a wholly-owned subsidiary of Apota
"KLSE"	:	Kuala Lumpur Stock Exchange (Company No.: 30632-P)
"LC"	:	Le Creaciones Sdn Bhd (Company No.: 332940-A), a wholly-owned subsidiary of Apota
"MCD"	:	Malaysian Central Depository Sdn Bhd (Company No.: 165570-W), a subsidiary of the KLSE
"MDF"	:	Medium density fibreboard
"MFIC"	:	Malaysian Furniture Industry Council
"MIH"	:	Malaysian Issuing House Sdn Bhd (Company No.: 258345-X)
"MITI"	:	Ministry of International Trade and Industry
"MRIM"	:	Melamine resin integrated moulded

DEFINITIONS (Cont'd)

"NTA"	:	Net tangible assets
"PAMB"	:	Perwira Affin Merchant Bank Berhad (Company No.: 9999-V)
"Participating Financial Institution(s)"	:	Participating financial institutions for Electronic Application as listed in Section 14.8 of this Prospectus
"PCC"	:	P.C. Chains (Malaysia) Sdn Bhd (Company No.: 142730-K), a wholly-owned subsidiary of THB
"PE"	:	Polyester
"PE Multiple"	:	Price earnings multiple
"PU"	:	Polyurethane
"Public Issue"	:	The public issue of 6,150,000 new ordinary shares of RM1.00 each by THB at an issue price of RM2.00 per share, subject to the terms and conditions of this Prospectus
"Public Issue Share(s)"	:	The 6,150,000 new ordinary shares of RM1.00 each in THB to be issued pursuant to the Public Issue
"Proposed Flotation"	:	The proposed flotation of THB on the Second Board of the KLSE comprising the following stages:- Stage 1 : Public issue of 6,150,000 new ordinary shares of RM1.00 each in THB at an issue price of RM2.00 per share Stage 2 : Listing of and quotation for the entire issued and paid-up share capital of THB on the Second Board of the KLSE
"RM" and "sen"	:	Ringgit Malaysia and sen respectively
"R&D"	:	Research and Development
"ROC"	:	Registrar of Companies, Malaysia
"SC"	:	Securities Commission
"SY"	:	Seng Yip Furniture Sdn Bhd (Company No.: 258992-X), a 51%-owned subsidiary of Tomisho
"THB" or "Company"	:	Tomisho Holdings Berhad (Company No.: 364372-H)
"THB Group" or "Group"	:	THB and its subsidiary companies
"Tomisho"	:	Tomisho Sdn Bhd (Company No.: 144265-W), a wholly-owned subsidiary of THB

DEFINITIONS (Cont'd)

"TP"	:	Tomisho Properties Sdn Bhd (Company No.: 260720-D), a wholly-owned subsidiary of THB
"TS (UK)"	:	Tomisho UK Limited (Company Registration No.: 3409978), a wholly-owned subsidiary of THB and incorporated in the UK
"TW"	:	Tomisho Wood Tech Sdn Bhd (Company No.: 396813-U), a wholly-owned subsidiary of THB
"UK"	:	United Kingdom
"USA"	:	United States of America
"USD"	:	US Dollar

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1. PROSPECTUS SUMMARY

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

1.1 HISTORY AND PRINCIPAL ACTIVITIES

THB was incorporated in Malaysia under the Companies Act, 1965 on 20 October 1995 as a private limited company under the name Exclusive Symbol Sdn Bhd. The Company's name was changed to Tomisho Holding Sdn Bhd on 2 February 1996 and to Tomisho Holdings Sdn Bhd on 27 November 1996. It was subsequently converted to a public limited company under its present name on 16 December 1997. Its present authorised share capital is RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each and its issued and paid-up share capital is RM34,000,003, comprising 34,000,003 ordinary shares of RM1.00 each.

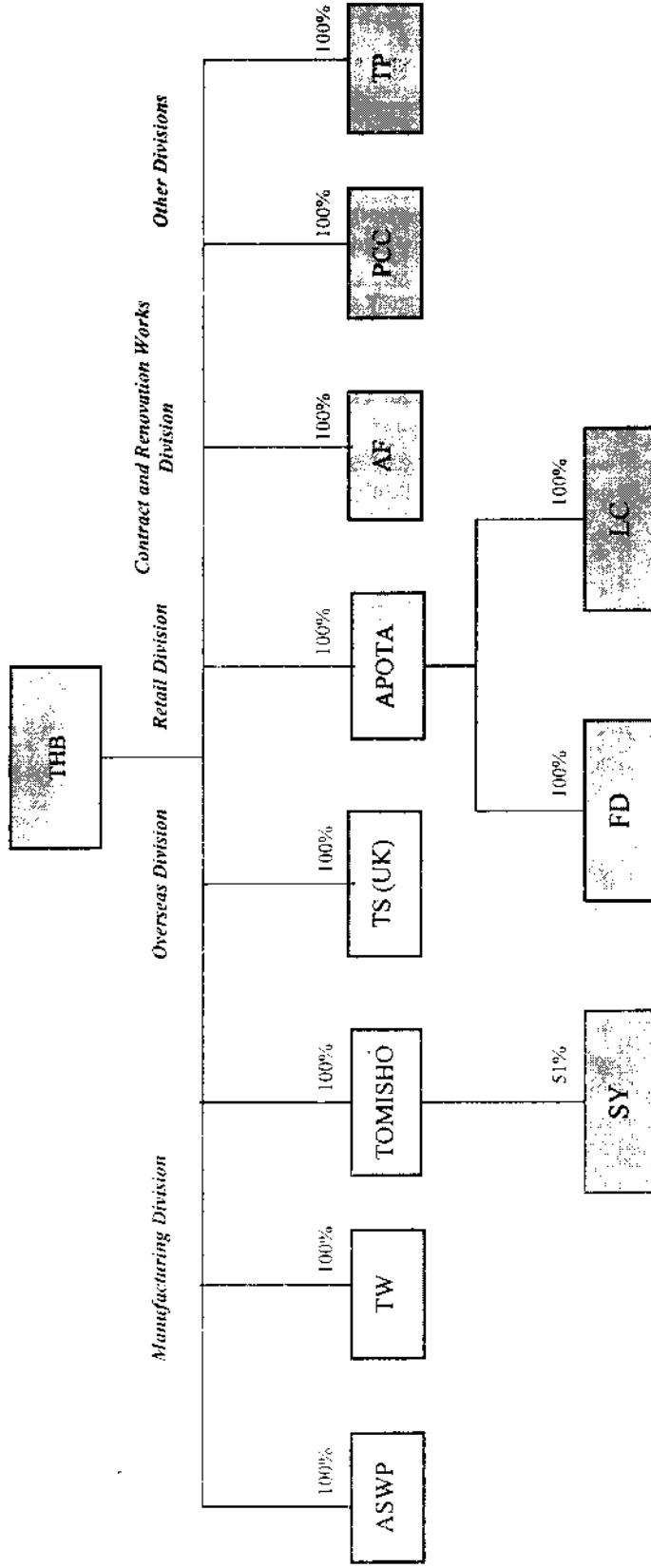
The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are as follows:-

Companies	Effective Equity Interest	Principal Activities
<u>Manufacturing</u>		
Tomisho	100%	Manufacturing and export of furniture component parts, industrial and engineering parts
ASWP	100%	Manufacturing and export of wood chip furniture, veneered parts and components
SY	51%*	Rubberwood treatment processing, manufacturer and trader of moulded timber and manufacturer of rubberwood furniture
TW	100%	Dormant
<u>Retail</u>		
Apota	100%	Distribution and retailing of furniture, interior furnishing, golf equipment and accessories
FD	100%	Distribution and retailing of furniture
LC	100%	Retailing in furniture, artefacts, bedding and sofa sets
<u>Contract & renovation works</u>		
AF	100%	General contractor and interior design consultant
<u>Other divisions</u>		
PCC	100%	Trading of conveying chains and engineering parts
TP	100%	Dormant
<u>Overseas division</u>		
TS (UK)	100%	Overseas marketing office

* With the other 49% shareholding being held by Ng Ah Chai (1,510,000 shares), Lee Soo Seng (490,000 shares) and Chee Ah Kuan (450,000 shares)

1. PROSPECTUS SUMMARY

The corporate structure of the THIB Group is as follows:-



* With the exception of TS (UK) which is incorporated in England and Wales, all the other companies are incorporated in Malaysia

1. PROSPECTUS SUMMARY

1.2 OWNERSHIP AND MANAGEMENT

THB's management team is headed by its Managing Director, Mr. Lim Eng Huat. As the founder of THB, he has extensive experience in the furniture industry and has been responsible for the overall business development and formulation of the Group's strategic plans and policies. By virtue of his interests in Eastern Premium Sdn Bhd and Kota Infotek Sdn Bhd, Mr Lim has an indirect shareholding of 17,310,998 shares in THB (constituting 43.12% of the enlarged issued and paid-up share capital of THB after the Public Issue).

The key management team of the THB Group comprises personnel with specialised capabilities and experience in their respective fields of design, manufacturing, production planning, quality control, R&D, marketing and human resource management. These personnel have been instrumental in leading THB to become the progressive furniture manufacturer that it is today.

1.3 INVESTMENT CONSIDERATIONS

Applicants for the Public Issue Shares should carefully consider all information contained in this Prospectus and in particular, the following investment considerations before making an application:-

(a) No Prior Market for THB shares

Prior to this Public Issue, there has been no public market for THB shares. There can be no assurance that an active market for THB shares will develop upon their listing on the Second Board of the KLSE.

(b) Business Risks

THB is subject to certain risks inherent in the furniture industry. Although the Group seeks to limit these risks, no assurance can be given that these factors will not have any material adverse effect on the Group's business.

(c) Competition

THB faces competition from various local and foreign furniture manufacturers. There can be no assurance that the Company will be able to increase or maintain its existing market share in the future.

(d) Political, Economic and Environmental Factors

Political and economic developments in Malaysia and in THB's foreign export markets could materially and adversely affect THB's financial prospects and profitability.

(e) Dependence on Key Personnel

THB Group's continued success will depend to a significant extent upon the abilities and continued efforts of its existing Directors and senior management.

(f) Foreign Exchange Fluctuations

THB is exposed to foreign exchange fluctuations through its exports and to a lesser extent, its imports. No assurance can be given that the Group will be able to successfully minimise any losses due to adverse currency fluctuations in the future.

1. PROSPECTUS SUMMARY

(g) Controlling Shareholders

Following the Proposed Flotation, Lim Eng Huat, Lim Eng Ann, Eastern Premium Sdn Bhd and Kota Infotek Sdn Bhd will collectively hold 43.12% of THB's issued and paid-up share capital and will therefore have effective control over THB.

(h) Profit Forecast

No assurance can be given that the profit forecast contained herein will be realised.

(i) Year 2000 Compliance

Although THB is confident that it has taken all necessary steps to eliminate the risks associated with the Year 2000 issue, no assurance can be given that the Group will not be materially affected through exposure to external parties.

1.4 FINANCIAL HIGHLIGHTS

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 31.7.1996	←---Financial year ended 31 to July ---→		
	1995 RM'000	1996 RM'000	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 EPS (sen)	15.6	35.5	21.3	31.1	25.7	29.9

1. PROSPECTUS SUMMARY

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.*
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 following financial years/periods:-

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

1.5 PRINCIPAL STATISTICS RELATING TO THE PUBLIC ISSUE

(a) Share Capital	RM
<i>Authorised</i>	
50,000,000 ordinary shares of RM1.00 each	50,000,000
	=====
<i>Issued and paid-up as at the date of this Prospectus</i>	
34,000,003 ordinary shares of RM1.00 each	34,000,003
<i>To be issued pursuant to the Public Issue</i>	
6,150,000 ordinary shares of RM1.00 each	6,150,000

	40,150,003
	=====
(b) Issue price per ordinary share of RM1.00 each	RM2.00

1. PROSPECTUS SUMMARY

(c)	Proforma Group NTA	RM
	Proforma Group NTA as at 31 July 1999 <i>(After deducting estimated listing expenses of RM1,200,000)</i>	65,006
	Proforma Group NTA per share <i>(Based on the enlarged and issued and paid-up share capital of 40,150,003 ordinary shares of RM1.00 each)</i>	1.62
(d)	Forecast Consolidated Profit Forecast	
	Financial year ending 31 July 2000	RM'000
	Consolidated profit before taxation but after minority interests	17,108
	Less: Taxation	(4,717)
	Consolidated profit after taxation and minority interests	----- 12,391 -----
	Based on weighted average number of shares in issue of 36,562,000 on the assumption that the Public Issue will be completed by February 2000	
	Gross EPS (sen)	46.8
	Gross PE Multiple based on issue price of RM2.00 per share (times)	4.3
	Net EPS (sen)	33.9
	Net PE Multiple based on issue price of RM2.00 per share (times)	5.9
	Based on enlarged number of shares in issue of 40,150,003	
	Gross EPS (sen)	42.6
	Gross PE Multiple based on issue price of RM2.00 per share (times)	4.7
	Net EPS (sen)	30.9
	Net PE Multiple based on issue price of RM2.00 per share (times)	6.5
(e)	Dividend Forecast	
	Financial year ending 31 July 2000	
	Tax-exempt dividend per share (sen)	5.0
	Dividend yield (%)	2.5
	Net dividend cover based on the enlarged issued and paid-up share capital of 40,150,003 ordinary shares (times)	6.17

2. CORPORATE INFORMATION

BOARD OF DIRECTORS

Name	Address	Occupation	Nationality
Lim Eng Huat	28, Jalan SS2/79 47300 Petaling Jaya Selangor Darul Ehsan	Chairman and Managing Director	Malaysian
Lim Eng Ann	16, Jalan SS23/37 47400 Petaling Jaya Selangor Darul Ehsan	Executive Director	Malaysian
Zahari bin Kechik	Pekan Batu Gajah 17510 Tanah Merah Kelantan	Executive Director	Malaysian
Kee Lian Yong	8, Jalan SL 3/2 Bandar Sungai Long 43000 Kajang Selangor Darul Ehsan	Director	Malaysian
Lim Seng Chai	No. 34, Jalan Kajang 2 Taman Sri Kajang 43000 Kajang Selangor Darul Ehsan	Advocate & Solicitor	Malaysian
Md Nahar bin Noordin	1572 Jalan Merpati Taman Ulu Kelang 68000 Ampang Selangor Darul Ehsan	Independent non- executive director	Malaysian
Liew Yong Choon	1, Jalan Perdana 9/3 Pandan Perdana 55300 Kuala Lumpur	Independent non- executive director	Malaysian
Siew Boon Yeong	B301 Casa Mila Condo Bukit Idaman 68100 Batu Caves Selangor Darul Ehsan	Independent non- executive director	Malaysian

AUDIT COMMITTEE

Name	Responsibility	Directorship
Siew Boon Yeong	Chairman of audit committee	Independent non-executive director
Lim Eng Huat	Member of audit committee	Chairman and Managing Director
Liew Yong Choon	Member of audit committee	Independent non-executive director

2. CORPORATE INFORMATION

COMPANY SECRETARY	:	Tai Siew May (MAICSA 7015823) F2.02.11 Persiaran Kewajipan Subang Perdana Goodyear Court 6, 47610 Petaling Jaya Selangor Darul Ehsan
REGISTERED OFFICE	:	16th Floor, Menara Summit Persiaran Kewajipan, USJ 1 47600 UEP Subang Jaya Selangor Darul Ehsan
PRINCIPAL BANKERS	:	Standard Chartered Bank Malaysia Berhad Petaling Jaya Branch 30-36 Jalan 52/4 46200 Petaling Jaya Selangor Darul Ehsan Arab-Malaysian Bank Berhad Ground Floor, Plaza See Hoy Chan Jalan Raja Chulan 50200 Kuala Lumpur Perwira Affin Merchant Bank Berhad 26th Floor, Menara Boustead 69 Jalan Raja Chulan 50200 Kuala Lumpur
AUDITORS AND REPORTING ACCOUNTANTS	:	KPMG (<i>formerly known as KPMG Peat Marwick</i>) (Firm No. AF 0758) Public Accountants Wisma KPMG, Jalan Dungun Damansara Heights 50490 Kuala Lumpur
SOLICITORS FOR THE PUBLIC ISSUE	:	Abdullah, Ooi & Chan Lot 17.03, 17th Floor Menara MCB Changkat Raja Chulan 50200 Kuala Lumpur
ISSUING HOUSE	:	Malaysian Issuing House Sdn Bhd 27th Floor, Menara Multi-Purpose Capital Square No 8, Jalan Munshi Abdullah 50100 Kuala Lumpur
REGISTRAR	:	Signet & Co. Sdn Bhd 11 th Floor, Tower Block Kompleks Antarabangsa Jalan Sultan Ismail 50250 Kuala Lumpur

2. CORPORATE INFORMATION

ADVISER AND MANAGING UNDERWRITER	:	Perwira Affin Merchant Bank Berhad 27th Floor, Menara Boustead 69 Jalan Raja Chulan 50200 Kuala Lumpur
UNDERWRITERS	:	Arab-Malaysian Merchant Bank Berhad 21 st - 25 th Floors Bangunan Arab Malaysian 55 Jalan Raja Chulan 50200 Kuala Lumpur
		Hwang-DBS Securities Berhad Level 8 Wisma Sri Pinang 60 Green Hall 10200 Pulau Pinang
		Kuala Lumpur City Securities Sdn Bhd 23-1 Jalan Sri Hartamas 7 Sri Hartamas 50480 Kuala Lumpur
		MIDF Sisma Securities Sdn Bhd 17 th & 18 th Floor, Empire Tower 182 Jalan Tun Razak 50400 Kuala Lumpur
LISTING SOUGHT	:	Second Board of the Kuala Lumpur Stock Exchange

3. INVESTMENT CONSIDERATIONS

Applicants for the Public Issue Shares should carefully consider all information contained in this Prospectus and in particular, the following investment considerations before making an application:-

(a) No Prior Market for THB shares

Prior to this Public Issue, there has been no public market for THB shares. There can be no assurance that an active market for THB shares will develop upon being listed on the Second Board of the KLSE, or if developed, that such market will be sustained. The issue price of the RM2.00 for the Public Issue Shares has been determined after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and conditions, its prospects and the prospects for the industry in which the Group operates, the management of THB, the market prices for the shares of companies engaged in businesses similar to that of the Group and prevailing market conditions.

(b) Business Risks

THB is subject to certain risks inherent in the furniture industry. These include the availability of raw materials at economic prices, supply of labour and labour costs, changes in the economy, furniture industry, legal framework, credit and interest rate conditions. Although the Group seeks to limit these risks, no assurance can be given that these factors will not have any material adverse effect on the Group's business.

(c) Competition

THB faces competition from various local and foreign furniture manufacturers. By investing in R&D and cultivating its own brand names, THB seeks to develop a reputation for quality design and differentiation of its products, in order to gain a competitive advantage in its selected markets. There can be no assurance that the Company will be able to increase or maintain its existing market share in the future.

(d) Political, Economic and Environmental Factors

Political and economic developments in Malaysia and in THB's foreign export markets could materially and adversely affect THB's financial prospects and profitability. These include risks of riots, war, global or regional economic downturn and unfavourable government policies and regulations. Environmental concerns will also be a point of consideration as THB is principally involved in the furniture industry.

(e) Dependence on Key Personnel

THB Group's continued success will depend to a significant extent upon the abilities and continued efforts of its existing Directors and senior management. The loss of any of its existing Directors or key members of the management team could adversely affect the operations of the Group, albeit temporarily. THB's Directors play active and significant roles in the overall planning and implementation of the Group's business strategy, while the senior management team employs its experience and respective skills in running the Group's business. Furthermore, the younger members of the management team are trained and groomed to ensure a smooth transition of management in the future.

(f) Foreign Exchange Fluctuations

THB is exposed to foreign exchange fluctuations through its exports and to a lesser extent, its imports. The risk of foreign exchange fluctuations has been limited since the imposition of a fixed exchange rate for RM against USD (RM3.80 to USD1.00) in September 1998.

3. INVESTMENT CONSIDERATIONS

(g) Controlling Shareholders

Following the Proposed Flotation, Lim Eng Huat, Lim Eng Ann, Eastern Premium Sdn Bhd and Kota Infotek Sdn Bhd ("Controlling Shareholders") will collectively hold approximately 43.12% of THB's issued and paid-up share capital. The Controlling Shareholders will be able to exercise the voting rights attached to their shares in respect of matters requiring shareholders approval, such as the election of directors. The Controlling Shareholders may therefore exercise their significant influence over matters that require the vote of the Company's shareholders, unless they are required to abstain from voting by law and/or by any relevant authorities.

(h) Profit Forecast

This Prospectus contains the profit forecast of the Group for the financial year ending 31 July 2000 which is based on reasonable assumptions that are subject to uncertainties and contingencies. As such, no assurance can be given that the forecast contained herein will be realised, and actual results may differ materially from the forecast. Investors are deemed to have read and understood the underlying assumptions and uncertainties upon which the financial forecast has been based.

(i) Year 2000 Compliance

The Year 2000 issue ("Millennium Bug") arises from the use of electronic equipment and computerised systems, data bases and applications that require dates in order to operate and store or use those dates as two (2) digits (such as 00) rather than four (4) (such as 1900, 2000). Upon the commencement of the year 2000, these systems, databases and applications may fail to process correctly two-digit date references and mistakenly interpret "00" in the year field as the year "1900" instead of the year "2000". This may lead to systems failures and wide-ranging repercussions, which can only be ascertained from 1 January 2000 onwards. As at the date of this Prospectus, the THB Group has not faced any problems related to the Year 2000 issue.

THB is aware of the potential risks posed by the Millennium Bug on computer and telecommunications systems, equipment and machinery using microchips as well as software which were not Year 2000-compliant. As such, it has taken steps to address and resolve the conversion or replacement of non-compliant technologies. THB has utilised approximately RM350,000 towards upgrading and replacement of hardware and software costs, as follows:-

Description	Amount (RM)
Upgrade of payroll system software (Quick Pay)	2,150
Installation of new point of sale software for cash registers	78,555
Upgrade of financial system	271,258
TOTAL	351,963

In May 1998, THB set up a Year 2000 committee headed by its Managing Director and assisted by its Financial Controller to deal with the Year 2000 issue. The committee has since taken necessary steps to ensure Year 2000 compliance, such as the conduct of tests by the management information system (MIS) department on THB's computers and seeking written confirmations from THB's major suppliers of machines and equipment. In addition, software upgrades and fixes were utilised to update THB's computer operating systems and application software. Contingency steps taken THB include regular back-ups of data and the printing of necessary documents for safekeeping and verification.

THB is currently Year 2000-compliant. Confirmation has also been obtained from THB's registrar, Signet & Co. Sdn Bhd ("Signet"), that Signet is Year 2000-compliant. Although THB is confident that it has taken all necessary steps to eliminate the risks associated with the Year 2000 issue, no assurance can be given that the Group will not be materially affected through exposure to external parties.

4. INTRODUCTION

This Prospectus is dated 28 January 2000.

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

The approval of the SC shall not be taken to indicate that the SC recommends the Public Issue. Investors should rely on their own evaluation to assess the merits and risks of making an investment.

Approval-in-principle has been obtained from the KLSE for admission to the Official List of the Second Board of the KLSE and for permission to deal in and quotation of the entire issued and paid-up ordinary shares of THB including the Public Issue Shares which are the subject of this Prospectus. These ordinary shares will be admitted to the Official List of the Second Board of the KLSE and official quotation will commence after receipt of confirmation from MCD that all CDS accounts of the successful applicants have been duly credited and the notices of allotment have been dispatched to all the successful applicants.

Acceptance of applications will be conditional upon permission being granted to deal in and quotation for all the issued and fully paid-up share capital of THB on the Second Board of the KLSE. Accordingly, monies paid in respect of any application accepted will be returned if the said permission is not granted.

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

Pursuant to the SC's Policies and Guidelines on Issue/Offer of Securities, THB is required to have at least 25% but not more than 50% of its issued and paid-up share capital in the hands of public shareholders and a minimum number of 500 public shareholders (excluding employees) holding not less than 1,000 shares each upon completion of the Public Issue and at the point of listing. THB is expected to achieve this at the point of listing. However, in the event that the above requirement is not met pursuant to the Public Issue, the Company may not be allowed to proceed with its listing plan.

An applicant who presently has a CDS account should state his CDS account number in the space provided in the Application Form and he should not complete the preferred ADA Code. Where an applicant does not presently have a CDS account, he should state in the Application Form his preferred ADA Code.

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

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by THB. Neither the delivery of this Prospectus nor any Public Issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of THB since the date hereof.

4. INTRODUCTION

The distribution of this Prospectus and the sale of the Public Issue Shares in certain other jurisdictions outside Malaysia may be restricted by law. Persons into whose possession this Prospectus may come are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an offer to sell or invitation of an offer to buy any Public Issue Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such issue or invitation.

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

5. SHARE CAPITAL

	RM
<i>Authorised</i>	
50,000,000 ordinary shares of RM1.00 each	50,000,000
	=====
<i>Issued and paid-up</i>	
34,000,003 ordinary shares of RM1.00 each	34,000,003
<i>To be issued pursuant to the Public Issue</i>	
6,150,000 new ordinary shares of RM1.00 each	6,150,000
	=====
	40,150,003
	=====

The issue price of RM2.00 per ordinary share is payable in full upon application.

There is only one class of shares in the Company, namely ordinary shares of RM1.00 each. The Public Issue Shares will rank *pari passu* in all respects with one another and the other existing issued and paid-up ordinary shares of the Company including voting rights and the right to all dividends and other distributions that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of ordinary shares in the Company shall, in proportion to the amount paid up on the shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and in respect of the whole of any surplus in the event of the liquidation of the Company.

Each ordinary shareholder of the Company shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and, on a show by hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held.

6. PARTICULARS OF THE PUBLIC ISSUE

6.1 DETAILS OF THE PUBLIC ISSUE

The issue price of RM2.00 per share for the 6,150,000 Public Issue Shares is payable in full upon application. The Public Issue is subject to the terms and conditions of this Prospectus and upon acceptance, the Public Issue Shares will be allocated in the following manner:-

- a) 1,800,000 Public Issue Shares have been reserved for eligible Directors and employees of the THB Group; and
- b) 4,350,000 Public Issue Shares will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, co-operatives, societies and institutions.

The Public Issue Shares under paragraph (a) do not require to be underwritten and are therefore not underwritten. However, in the event that any of the Public Issue Shares under paragraph (a) are not taken up, they will be made available for application by the Malaysian public stated under paragraph (b). All the Public Issue Shares under paragraph (b) above have been fully underwritten together with any Public Issue Shares not subscribed for under paragraph (a).

6.2 BASIS OF ARRIVING AT THE ISSUE PRICE

The issue price of RM2.00 per Public Issue Share was determined and agreed upon by the Company and PAMB as Adviser and Managing Underwriter, after taking into consideration the following factors:-

- (i) The Group's financial and operating history and conditions as outlined in Sections 9 and 10 of this Prospectus;
- (ii) THB's proforma consolidated NTA of RM1.62 per share as at 31 July 1999;
- (iii) Forecast gross PE Multiple of 4.3 times and 4.7 times based on the forecast gross EPS of 46.8 sen and 42.6 sen, as computed based on the weighted average number of 36,562,000 shares in issue and the enlarged number of 40,150,003 shares respectively;
- (iv) Dividend yield of 2.5%, based on the forecast tax-exempt dividend of 5.0 sen per share for the financial year ending 31 July 2000 and the issue price of RM2.00; and
- (v) Prospects of the Group and the furniture industry as outlined in Sections 8 and 9 of this Prospectus.

6.3 PURPOSES OF THE PUBLIC ISSUE

The purposes of the Public Issue are as follows:-

- (i) To obtain a listing of and quotation for the entire issued and paid-up share capital of THB on the Second Board of the KLSE;
- (ii) To enable the Group to gain greater access to the capital market to obtain funds for its future growth and expansion; and
- (iii) To provide an opportunity for Bumiputera investors, the Malaysian public, eligible Directors and employees to participate in the continuing growth of the Group by way of equity participation.

6. PARTICULARS OF THE PUBLIC ISSUE

6.4 PROCEEDS FROM THE PUBLIC ISSUE

The gross proceeds of RM12,300,000 arising from the Public Issue will accrue entirely to the Company and will be utilised in the following manner:-

	Note	RM'000
Repayment of bank borrowings	1	3,000
Purchase of fixed assets and upgrading of production facilities	2	4,100
Working capital	3	3,000
Overseas expansion	4	1,000
Listing expenses		1,200
TOTAL		<u><u>12,300</u></u>

Note 1. Repayment of bank borrowings

An amount of RM3,000,000 of the proceeds from the Public Issue will be used to repay bank borrowings from Sime Bank Berhad (now known as RHB Bank Berhad), used to finance the purchase of plant and machinery (MRIM machines, moulds and installation costs) for the setting up of THB's factory in Meru, Klang. The amount borrowed was RM7.0 million and the amount outstanding as at 31 December 1999 was approximately RM5.7 million. Assuming an average interest rate of 8.0%, the repayment of bank borrowings would result in interest savings of approximately RM240,000 per annum.

Note 2. Purchase of fixed assets and upgrading of production facilities

The Group intends to utilise RM4,100,000 of the proceeds from the Public Issue to fund its planned purchase of equipment and machinery, and for construction of new production facility, as follows:-

Description	Cost (RM'000)	Operational/ Installation date	Country
1. Construction of new factory (50,000 square feet) for assembly and warehousing function at Mukim Semenyih	1,800	May 2000	-
2. One set of ANDI woodworking CNC router	520	June 2000	Taiwan
3. One unit of double-end tetoner (4 heads)	100	June 2000	Taiwan
4. One unit of hydraulic fully automatic Clamp Carrier Roll Type Glue Spreader	370	June 2000	Taiwan
5. One unit of white-belt sander-48" width belt	320	October 2000	Italy
6. One unit of generator set - 600KVA	260	March 2000	Taiwan
7. Two units of moulding machine - 6 heads	410	June 2000	Taiwan
8. One unit of finger-joint machine	320	June 2000	Taiwan
TOTAL	<u><u>4,100</u></u>		

6. PARTICULARS OF THE PUBLIC ISSUE

The equipment and machinery are expected to increase the Company's production capacity in the following manner:-

<i>Items</i>	<i>Existing monthly production capacity</i>	<i>Expected increase in production capacity</i>
<i>Dining sets</i>	<i>30,000 sets</i>	<i>10,000 sets</i>
<i>Beds</i>	<i>4,000 sets</i>	<i>-</i>
<i>Sofa</i>	<i>500 sets</i>	<i>200 sets</i>
<i>Bedroom sets</i>	<i>1,000 sets</i>	<i>-</i>
<i>Veneered wood boards</i>	<i>150,000 square feet</i>	<i>-</i>
<i>Semi-processed wood components</i>	<i>650 cubic metre.</i>	<i>150 cubic metres</i>
<i>Rough sawn timber</i>	<i>3,000 metric tonnes</i>	<i>-</i>

Note 3. Working Capital

An amount of RM3,000,000 of the proceeds will be utilised as working capital to support the Group's existing business operations, such as financing its purchases of raw material and factory operating expenses.

Note 4. Overseas Expansion

An amount of RM1,000,000 of the proceeds will be utilised for the purpose of expanding THB's overseas operations. This is in line with THB's corporate objective of identifying the needs of its customers through closer geographical proximity and therefore being able to provide more value-added services to its customers. The funds will be used for:-

- (i) the expansion of THB's existing showrooms and offices in UK and China*
- (ii) employment of more marketing staff*
- (iii) capital investment in computers and related items*
- (iv) capital investment in transport vehicles.*

In addition, THB also intends to set up offices in Germany and France within 12 months from its date of listing on the KLSE. By setting up a warehouse and distribution system, THB will be able to serve smaller retailers in UK and capitalise on the opportunity to increase its competitiveness and profit margins

All expenses such as brokerage, underwriting commission, stamp duty and registration fees incidental to the Proposed Flotation will be borne by THB.

6.5 BROKERAGE AND UNDERWRITING COMMISSION

The Managing Underwriter and Underwriters, as stated in Section 2 of this Prospectus, have underwritten the 4,350,000 Public Issue Shares available for application by the Malaysian public. Any of the 1,800,000 Public Issue Shares reserved for the eligible Directors and employees of the THB Group but are not subscribed will be made available for application by the Malaysian public. The Managing Underwriter will arrange for the underwriting of these shares. Underwriting commission is payable by the Company at the rate of 2.0% of the issue price of RM2.00 per Public Issue Share.

Brokerage relating to the Public Issue Shares is payable by the Company at the rate of 1.0% of the issue price of RM2.00 per Public Issue Share in respect of successful applications bearing the stamp of PAMB, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

7. MORATORIUM ON DISPOSAL OF SHARES

The SC, in approving the Proposed Flotation of the Company, has imposed a moratorium on the disposal of shares by the promoters of THB.

It is also a condition of the SC that the promoters/ substantial shareholders of THB will not be allowed to sell, transfer or assign their respective shareholdings in THB representing 45% of the enlarged issued and paid-up share capital of THB within one (1) year from the date of admission of THB to the Official List of the Second Board of the KLSE. Thereafter, these substantial shareholders are permitted to sell, transfer or not more than one third per annum (on a straight line basis) of their respective shareholdings under moratorium for each subsequent year.

The shareholdings of the substantial shareholders after the Public Issue which are under moratorium as imposed by the SC and the KLSE are set out below:-

Shareholder	No. of THB shares under moratorium	% of enlarged share capital
Perbadanan Nasional Berhad	3,400,000	8.47
Kumpulan Emas Berhad	4,490,000	11.18
Eastern Premium Sdn Bhd	10,177,000	25.34
Lim Eng Ann	3,000	0.01
Total	18,070,000	45.00

The restriction is specifically endorsed on the share certificates representing the respective shareholdings of the substantial shareholders which are under moratorium to ensure that trading of these shares are not allowed in compliance with the restriction imposed by the SC and the KLSE. The restriction is fully accepted by the substantial shareholders and the public is deemed to have notice of this restriction.

The statement to be endorsed on the said share certificates is as follows:-

"The shares comprised herein are not capable of being sold transferred or assigned for a period as determined by the Securities Commission ("Moratorium Period"). Accordingly, the shares comprised herein will not constitute good delivery pursuant to the Rules of the Exchange during the Moratorium Period. No share certificate or certificates will be issued to replace this certificate during the Moratorium Period unless the same shall be endorsed with this restriction."

8. INDUSTRY OVERVIEW

8.1 OVERVIEW OF THE MALAYSIAN ECONOMY

The Malaysian economy has recovered in 1999 from the severe deflationary impact of the regional financial crisis which had resulted in a 7.5% contraction of the economy in 1998. Real Gross Domestic Product (GDP) growth is expected to further accelerate to an average annual rate of 7.2% during the second half of 1999, against 1.4% real growth in the first half. The economic recovery has been underpinned by policies initiated by the National Economic Action Council in line with its National Economic Recovery Plan as well as other favourable domestic and external developments. The imposition of selective exchange controls and the pegging of the ringgit against the USD since 2 September 1998 brought stability and consequently, confidence in the financial markets. Fiscal stimulus provided through an expansionary budget in 1999, the easing of monetary policies as well as enhanced efforts to speed up the implementation of approved public sector projects have assisted in reviving domestic demand associated with public sector spending and private consumption. Reforms introduced by the Government to strengthen and restructure the banking system have enabled the banking sector to carry out its intermediation function more effectively and, thereby, support the economic recovery process. These policy initiatives, coupled with the strong pick up in external demand following improvements in economic conditions in East Asia as well as continued robust growth in the United States of America, have spurred output increases especially in the manufacturing sector. A recovery in agricultural output, underpinned by a significant improvement in palm oil yield, has also contributed towards the positive growth in the economy.

(Source:- Economic Report 1999/2000)

The real Gross Domestic Product (GDP) is expected to grow by 4.3% in 1999, based on expectations of a stronger growth of 7.2% in the second half of 1999. Malaysia's economy is expected to grow by 5% in 2000, with strengthening domestic demand from improved private consumption and a recovery in private sector investment. Underlying this positive outlook is an economy that is becoming increasingly resilient to external shocks and systemic risks, made possible by recent policy measures to strengthen the nation's external reserves position, financial system and the corporate sector.

(Source:- Highlights of Economic Report 1999/2000, The Star, 30 October 1999)

After registering a contraction of 13.7% in 1998, the manufacturing sector is expected to record a growth of 8.9% in 1999. The recovery is generally broad-based, both in the export-oriented and domestic industries. Export of wood products recorded a double-digit growth of 15.2% during the first eight months of 1999, compared to 6% for the corresponding period in 1998. *(Source:- Highlights of Economic Report 1999/2000, New Straits Times, 30 October 1999)*

8.2 FURNITURE INDUSTRY

After 10 years of intensive growth, the Malaysian furniture industry has transformed itself from a cottage industry to a commendable exporter of all types of furniture. The next surge in the development of the Malaysian furniture industry hinges on its ability to add value to its products using creative designs and brand marketing. With abundant raw materials and ample production capacity, the furniture industry will pay close attention to enhancing value via innovative designs and creative marketing. A positive step in the right direction has been made with the official opening of the Malaysian Furniture Design Centre. The expansion of the country's furniture showcase, the Malaysian International Furniture Fair and the birth of several local furniture brands will strengthen the country's marketing expertise.

(Source: Malaysia Furniture 1999-Malaysian Timber Industry Board, Malaysian Furniture Industry Council ("MFIC"))

8. INDUSTRY OVERVIEW

Emphasising on consistent quality and delivery, most exporters have turned to automation to improve the production process. The range of products produced is extremely wide in variety and styles. Bedroom, dining, living, sofas, occasional, outdoor and office furniture are available. Styles come in various dimensions from classic to country and contemporary. Investments in technology are now manifest in the quality of finishing and durability of Malaysian-made furniture. On top of this, several larger manufacturers have reinforced their quality assurance with ISO 9002 certification.

(Source: Malaysia Furniture 1999-Malaysian Timber Industry Board, MFIC)

Over 70% of Malaysian furniture exports are made from rubberwood. The wood, a renewable plantation resource, is in abundant supply due to the vast tracks of about 1.8 million hectares of plantations. It is also highly versatile and attractive for making various types of furniture. Extensive research and development has made many breakthroughs in the treatment, drying and joining properties of the wood for the furniture industry.

(Source: Malaysia Furniture 1999-Malaysian Timber Industry Board, MFIC)

The Malaysian government has accorded high priority to the furniture industry, devising major guidelines for growth under the First and Second Industrial Master Plan (1986-2005) namely, sustaining raw material supply, intensifying research and development and increasing the level of automation and modernisation.

(Source: Malaysia Furniture 1999-Malaysian Timber Industry Board, MFIC)

Local furniture manufacturers differ in size, ranging from large manufacturers involved in exporting and having their own R&D and designing facilities, to small and medium-sized industries supplying furniture parts to the larger players. Currently, most of furniture and furniture part manufacturers in Malaysia belong in the Small and Medium-sized Industries ("SMI") category. As production capabilities improve, product variety is expected to increase with greater emphasis placed on product designing through extensive R&D and a more comprehensive marketing and distribution network.

(Source: Malaysian Industry, October 1998)

The fast maturing Malaysian furniture industry expands vigorously every year. It has been identified as a "target industry" under the government's second Industrial Master Plan for the period 1998 to 2005. Since 1986, the furniture industry has grown by leaps and bounds and has become more export-oriented. Its growth has been underpinned by the government's encouragement under the First Industrial Master Plan 1986-1995 for the wood-based industry to move into higher value added downstream activities such as furniture. Among the different segments of the wood-based industry such as log, sawn wood, kiln dry timber, panel products, mouldings and joinery, and furniture, the manufacturing of furniture is the one with the greatest development potential and has the highest possible value added.

The furniture manufacturing business experienced phenomenal change in the mid-1980s following the successful utilisation of rubberwood as a newly discovered resource. This dramatically changed the downstream activities of the wood-based industry and spurred the tremendous growth of Malaysia's furniture industry. Currently, rubberwood furniture is by far the most popular wood-based furniture exported from the country and Malaysia is now the world's largest exporter of rubberwood furniture. Rubberwood furniture is beginning to become the mainstay of Malaysia's wooden furniture exports.

8. INDUSTRY OVERVIEW

In 1998, 85.1% of Malaysia's furniture exports consisted of wooden furniture, due to the abundant supply of wood-based raw material in the country. With an export value increasing from RM27 million in 1988 to RM4.36 billion in 1998, the furniture industry's export value is forecast to further increase by 10% to 15% between 1998 and 2005. The upturn in furniture exports has helped to lessen the impact of falling domestic demand for furniture.

(Sources: MFIC, "The wood-based industry in Malaysia", Economics Bulletin, BHL Bank, April-June 1997, Malaysian Industry, October 1998)

Factors contributing towards the strong performance of the furniture industry are the strong external demand, the efforts of the Malaysian Timber Board ("MTB") and the Malaysian Timber Council ("MTC") which provide support in advisory services and technical expertise, the adoption of automation by the industry, abundant supply of raw materials and labour, as well as the availability of technology in utilising rubberwood as a raw material for furniture.

The Government, through MTC and MTB, has through the years provided continuous support in advisory services and technical expertise to the ambitious furniture industry, contributing greatly to its current success. In line with the Government's continuing efforts at conservation of forest resources, Forest Research Institute of Malaysia ("FRIM") has intensified its research activities on rubberwood. FRIM and Rubber Research Institute of Malaysia (RRIM) provides R&D support activities such as advice on suitable logging and processing methods, optimum utilisation of sawn rubberwood and research on designs applicable to rubberwood.

(Source: MFIC)

The Malaysian Furniture Design Centre ("MFDC"), established at Menara PGRM in Kuala Lumpur, seeks to provide computer-aided design equipment and facilities as well as export contacts for the small and medium-scale furniture firms. Apart from the goal of creating marketable Malaysian designs in the near future, MFDC offers marketing and promotional services to firms wanting to venture into the export market.

(Source: Malaysian Industry, October 1998)

The Malaysian Furniture Industrial Fair is organised on an annual basis and is internationally recognised as the venue to source for Malaysian furniture. Domestic furniture manufacturers face competition from developing countries such as China and Indonesia, which enjoy labour cost advantages over Malaysia. Malaysia however seeks to maintain its competitive advantages by being more capital-intensive, through the utilisation of automation, improved labour efficiency through training and education; and investment in R&D. Focus can then be shifted to producing higher quality and more value-added products catering to the medium and higher market segments.

The future of the wood-based industry largely hinges on the interplay of three major factors, namely the availability of raw materials, the ability of the industry to undergo the necessary structural transformation and the ability to maintain competitiveness in the export markets.

(Source: "The wood-based industry in Malaysia", Economics Bulletin, BHL Bank, April-June 1997)

8. INDUSTRY OVERVIEW

The Malaysian furniture industry has over the years created awareness for its ability to supply and manufacture furniture in the long term, based on the nation's richness in natural resources and its continuous replanting of trees. In line with the environmental consciousness of the world community, the Malaysian furniture industry has kept well within those limits. Furthermore, rubberwood trees could easily be replanted and its contribution to the preservation of the environment is sustainable as compared to forest trees, which are not considered to be easily replenishable. Large scale planting and replanting of fast-growing rubber trees in more than 12.7 million hectares of forest reserves are being implemented to ensure ample and adequate supply of raw material for the furniture industry.

(Sources: MFIC, "The wood-based industry in Malaysia", Economics Bulletin, BHL Bank, April-June 1997)

8.3 INDUSTRY OUTLOOK AND AREAS OF GROWTH

Exports of wooden furniture are expected to reach USD 4.6 billion (RM17.5 billion) in less than five (5) years from just USD 868.4 million (RM3.3 billion) in 1998. By then, the country would have achieved the target of elevating its standing at 15th position to among the world's top 10 wooden furniture exporting countries, according to the Malaysian Timber Industry Board (MTIB). Although Malaysia's share of wooden furniture exports are currently at about 2% of the global furniture market, MTIB is confident that Malaysia can secure at least 10% of the global market share within the next five years. The local wooden furniture industry had recorded 30% annual growth in exports over the last five years, reaching a value of RM3.3 billion in 1998 compared with only RM270 million in 1990. Malaysia is blessed with abundant natural wood resources, technological knowhow and skilled manpower, and was already in the forefront of rubberwood processing technology, being a world pioneer.

(Source: The Star, 18 October 1999)

Malaysia is targeting the production of higher-end and value-added furniture products to maintain a lead over its competitors. As such, the production of original design manufacturing (ODM) is emphasised over original equipment manufacturer arrangements dictated by foreign manufacturers. For this purpose, the Government has set up at least four centres, including the Malaysian Furniture Design Centre in Kuala Lumpur, to encourage the development of original local furniture designs.

(Source: The Star, 18 October 1999)

The prospects of the Malaysia's furniture industry, in particular the rubberwood furniture industry, remain bright. The favourable outlook of this industry is mainly due to the following reasons:-

- (i) On the domestic front, the market for processed wood products will be on an increasing trend given the high pace of economic development and both the population and housing growth. Not only will demand expand in quantity, local consumers will also be more discerning with regard to quality of products. Demand is expected to be strong for office, residential, hotel and children's furniture. The growing population of the world, driven by its increasing affluence, has heightened demand for residential, commercial and industrial properties as well as hospitality complexes, and ultimately furniture and fittings to fill them;

8. INDUSTRY OVERVIEW

- (ii) Malaysian furniture exports totalled RM4.36 billion in 1998, and MFIC expects Malaysia's furniture exports to reach at least RM4.5 billion by the end of 1999 and to almost RM5.0 billion by the end of 2000. MFIC has also projected the industry's annual growth rate to be sustained at 10% annually from 2000-2005, and the value of furniture exports is projected to reach at least RM7 billion by the year 2005;
(Sources: New Straits Times, 3 March 1999, The Star, 28 September 1999 and MFIC)
- (iii) The export ban imposed on rubberwood sawn timber by the government since December 1998 would ensure adequate supply at reasonable prices and create more opportunities for local manufacturers to venture into value-added manufacturing and processing of rubberwood furniture;
- (iv) With conventional tropical wood becoming scarce, rubberwood furniture is gaining popularity. One of the advantages that rubberwood has over traditional hardwood is the easier extraction of rubber logs from rubber plantations, arising from existing infrastructure;
- (v) Continuing greater efficiency, productivity and competitiveness of the local industry through improved management and production practices adopted;
- (vi) Continuing greater efficiency, productivity and competitiveness of the local industry through improved management and production practices adopted from foreign furniture makers who set up plants in Malaysia; and
- (vii) Malaysia now commands three per cent of the global market share in the world furniture market and is set to grow further.
(Source: New Straits Times, 3 March 1999)

9. INFORMATION ON THB GROUP

9.1 INCORPORATION AND PRINCIPAL ACTIVITIES

THB was incorporated in Malaysia on 20 October 1995 under the Companies Act, 1965, as a private limited company under the name of Exclusive Symbol Sdn Bhd. Its name was changed to Tomisho Holding Sdn Bhd on 2 February 1996 and to Tomisho Holdings Sdn Bhd on 27 November 1996. It was subsequently converted into a public limited company on 16 December 1997 under its present name.

THB is principally an investment holding company. The principal activities of THB's subsidiaries are as detailed under Section 9.5 of this Prospectus.

9.2 PROPOSED FLOTATION

(a) Public Issue

THB shall carry out a Public Issue of 6,150,000 Public Issue Shares to eligible directors and employees of the THB Group and to the Malaysian public at an issue price of RM2.00 per share. The Public Issue Shares represent approximately 15.32% of the enlarged issued and paid-up share capital of THB of 40,150,003 ordinary shares of RM1.00 each, upon completion of the Public Issue. The utilisation of the proceeds arising from the Public Issue is as detailed in Section 6.4 of this Prospectus.

(b) Listing and Quotation

The listing of and quotation of the entire enlarged issued and paid up share capital of THB comprising 40,150,003 ordinary shares of RM1.00 each on the Second Board of the KLSE.

9.3 HISTORY AND BUSINESS

Tomisho was incorporated as a trading company in September 1985 with Mr Lim Eng Huat as the Managing Director. The early activities of the company were the import of chains from the UK to be used as replacement parts and for supply to turnkey projects building palm oil mills. In 1987, Tomisho commenced the export of sawn rubberwood, furniture parts and components. PCC was also formed in 1987 for the marketing of chains to Indonesia, Thailand and the Philippines. In 1988, the company became a pioneer in the import of equipment and parts for supply to the latex glove industry. Except for the export of sawn rubberwood, these activities are still carried on today, although their contribution to the Group's profit performance is relatively small.

Mr Lim Eng Huat's family has traditionally been involved in the timber industry in Peninsular Malaysia. Tomisho's first factory was located along the 5th mile of Jalan Kapar, Klang, and commenced operations in 1991 with 20 workers and initially produced PU and PE finished furniture for export to Japan. In 1992, the Group's export markets expanded to include the USA. In order to cope with the increased demand, two more factories were set up in Klang in June and December 1993 respectively. Currently, manufacturing is the major activity of the Group. For the year ended 31 July 1999, the manufacturing division of THB contributed 81.4% and 94.3% to the Group's turnover and profit after taxation respectively.

9. INFORMATION ON THB GROUP

In June 1999, Tomisho acquired a 51% stake in SY consisting of 2,550,000 ordinary shares of RM1.00 each from SY's shareholders Ng Ah Chai and Lee Soo Seng for a purchase consideration of RM16.5 million satisfied by way of assignment of debt. The principal activities of SY are processing of raw rubberwood, trading of treated rubberwood, manufacturing and exporting of standard dining set. The main objective of this acquisition was mainly to ensure the continuous and uninterrupted supply of rubberwood raw materials.

In addition to manufacturing activities, the Group undertakes retailing activities through Apota, FD and LC, with each individual company focusing on different market segments. Apota, which was then a distributor and retailer of golfing equipment and accessories, was acquired in March 1993 from Gomex Sdn Bhd for a cash consideration of RM630,000 for the entire issued and paid-up share capital of Apota consisting of 600,000 ordinary shares of RM1.00 each. At present, Apota's golf discount card scheme has attracted more than 10,000 members. In line with the corporate strategy of expanding its retail sales to the local market, the "Apota Design" brand name was introduced in 1995, signifying the Group's entrance into the furniture retail market. Apota, in promoting its "Apota Design" brand name, has also launched a new retail concept of Apota Lifestyle, which is a one-stop shop for home furniture and furnishings at The Summit Shopping Complex in USJ, Subang Jaya.

Through LC, the Group focuses on a selected group of customers with an aesthetic taste for exclusive home furnishing and decorative accessories. Currently, LC is the exclusive distributor of Natuzzi leather sofas from Italy, and Sealy mattresses and divans from USA.

As a vertically-integrated furniture manufacturing company, THB also has central warehousing facilities in Klang. These warehousing facilities function as a distribution centre for the Group's products, and enables the Group to provide logistical support in achieving economies of scale and timely delivery of products.

Methods of marketing and distribution of THB's products

THB adopts a flexible export marketing strategy. Its products are sold to importers, distributors, manufacturers, wholesalers, agents and retailers. THB's main objective in doing so is to cut off non-value adding middlemen and to get closer to its markets. This enables THB to be aware of the latest trends, information and market environment in order for it to be able to adjust to its changing environment in a timely manner. The setting up of TS (UK) for the Group's European market has been successful. THB also anticipates Europe to be its main market in the future, especially for its original design manufactured products. THB has also set up marketing offices in China and in Australia and intends to set up similar offices in France and Germany within 12 months from the date of its listing on the KLSE.

In order to maintain and increase consumer awareness of its new products and designs in the overseas markets, THB participates in numerous trade fairs such as the following:-

The Furniture Show, Birmingham, UK
International Furniture Fair, Tokyo, Japan
Guangzhou International Furniture & Lighting Trade Fair, China
Malaysian International Furniture Fair (MIFF)
Australia International Furniture & Interiors Fair
2nd South Africa International Furniture Fair
Middle East International Furniture & Interior Design Exhibition (INDEX), Dubai, UAE
International Home Furnishing Market, High Point, North Carolina, USA
Cologne International Fair, Germany

9. INFORMATION ON THB GROUP

Product contribution to turnover and profit

THB's product mix, in terms of sales value,) for the past five (5) financial years ended 31 July 1999 are as follows:-

	Products	1995	1996	1997	1998	1999
1.	Breakfast Island sets	20%	6%	2%	3%	-
2.	Drop Leaf tables	15%	13%	12%	6%	-
3.	Dining tables	42%	48%	42%	39%	40%
4.	Dining chairs	10%	12%	15%	20%	18%
5.	Occasional furniture	9%	13%	16%	17%	15%
6.	Bed sets, wardrobe, nightstands	4%	8%	13%	15%	20%
7.	Sofas and components	-	-	-	-	7%
	TOTAL	100%	100%	100%	100%	100%

THB products' contribution to profits for the past five (5) financial years ended 31 July 1999 are as follows:-

	Products	1995	1996	1997	1998	1999
1.	Breakfast Island sets	7.6%	2.0%	0.6%	0.9%	-
2.	Drop Leaf tables	9.1%	6.8%	5.8%	2.8%	-
3.	Dining tables	48.0%	47.1%	38.2%	33.8%	31.5%
4.	Dining chairs	15.2%	15.7%	18.2%	23.1%	18.9%
5.	Occasional furniture	12.3%	15.3%	17.5%	17.7%	14.2%
6.	Bed sets, wardrobe, nightstands	7.8%	13.1%	19.7%	21.7%	26.2%
7.	Sofas and components	-	-	-	-	9.2%
	TOTAL	100%	100%	100%	100%	100%

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

	Products	1995	1996	1997	1998	1999
		(Units)	(Units)	(Units)	(Units)	(Units)
1.	Breakfast Island sets	39,600	16,800	4,440	15,000	-
2.	Drop Leaf tables	30,000	36,000	26,400	30,000	-
3.	Dining tables	48,000	75,600	52,800	111,600	151,200
4.	Dining chairs	100,800	168,000	165,600	432,000	516,000
5.	Occasional furniture	20,400	39,600	38,400	94,800	110,400
6.	Bed sets, wardrobe, nightstands	3,360	8,640	12,240	30,000	50,400
7.	Sofas and components	-	-	-	-	9,600
	TOTAL	242,160	344,640	299,880	713,400	837,600

9. INFORMATION ON THB GROUP

9.4 SHARE CAPITAL

The authorised share capital of THB is RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each, of which 34,000,003 are issued and paid up.

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

Date of allotment	No. of ordinary shares of RM1.00 each	Consideration	Total issued and paid-up share capital (RM)
20.10.95	2	Subscribers' shares	2
11.03.96	12,000,000	Shares issued in consideration for the acquisitions of Tomisho, Apota, ASWP, AF, TP and PCC, at an issue price of RM1.00 per share	12,000,002
06.09.96	2,000,000	Rights issue of one (1) new THB share for every six (6) THB shares held, at an issue price of RM1.70 per share	14,000,002
18.09.96	8,000,000	Special Bumiputera share allotment, at an issue price of RM1.50 per share	22,000,002
28.11.97	12,000,001	Rights issue of six (6) new THB shares for every eleven (11) THB shares held, at an issue price of RM1.50 per share.	34,000,003

9.5 SUBSIDIARY COMPANIES

The Company's subsidiaries, all of which are incorporated in Malaysia with the exception of TS (UK) which is incorporated in the United Kingdom, are as follows:-

Company	Date of incorporation	Issued and paid-up share capital (RM)	Effective equity interest %	Principal activities
Tomisho	02.09.85	5,000,000	100	Manufacturing and export of furniture component parts, industrial and engineering parts
ASWP	07.10.95	2,000,002	100	Manufacturing and export of wood chip furniture, veneered parts and components
Apota	09.12.82	1,000,000	100	Distribution and retailing of furniture, interior furnishing, golf equipment and accessories
AF	11.05.94	100,000	100	General contractor and interior design consultant
TW	05.08.96	2	100	Dormant

9. INFORMATION ON THB GROUP

Company	Date of incorporation	Issued and paid-up share capital (RM)	Effective equity interest %	Principal activities
PCC	26.07.85	100,000	100	Trading of conveying chains and engineering parts
TP	07.04.93	2	100	Dormant
TS (UK)	28.07.97	BP1	100	Overseas marketing office
SY	05.03.93	5,000,000	51	Rubberwood treatment processing, manufacturer and trader of moulded timber and manufacturer of rubberwood furniture
LC	07.02.95	452,000	100	Retailing in furniture, artefacts, bedding and sofa sets
FD	16.10.97	2	100	Distribution & retailing furniture

Notes:-

1. *SY is a 51%-owned subsidiary of Tomisho*
2. *LC and FD are both wholly-owned subsidiaries of Apota*

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

9.5.1 TOMISHO**(i) History and Business**

Tomisho was incorporated in Malaysia on 2 September 1985 as a private limited company under the Companies Act, 1965. The principal activities of the company are manufacturing and export of furniture component parts, industrial and engineering parts.

Tomisho has 657 local and foreign employees. The principal products that it manufactures are rubberwood chairs, tables, dining sets, bedroom sets and components. Tomisho sources for its raw materials (rubberwood, plywood, lacquer and paint) locally due to their superior quality. Its major markets are USA, UK, Japan, Middle East and Australia. Tomisho's current monthly production capacity is 15,000 dining sets, 10,000 sets of occasional furniture (coffee tables), 4,000 beds, 500 sofas sets and 1,000 bedroom sets and 650 cubic metres of semi-processed wood components on a one 12-hour shift. It currently has five production lines.

9. INFORMATION ON THB GROUP

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

Products	1995 (units)	1996 (units)	1997 (units)	1998 (units)	1999 (units)
1. Breakfast island sets, Drop Leaf tables, Dining tables and occasional furniture (coffee tables)	170,000	170,000	170,000	300,000	300,000
2. Dining chairs	300,000	300,000	300,000	600,000	720,000
2. Bed sets, wardrobe, nightstands	20,000	20,000	20,000	60,000	60,000
3. Sofas and components	-	-	-	-	6,000
TOTAL	490,000	490,000	490,000	960,000	1,086,000

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

Products	1995 (units)	1996 (units)	1997 (units)	1998 (units)	1999 (units)
1. Breakfast Island sets	39,600	16,800	4,440	15,000	-
2. Drop Leaf tables	30,000	36,000	26,400	30,000	-
3. Dining tables	48,000	75,600	52,800	111,600	151,200
4. Dining chairs	100,800	168,000	165,600	432,000	110,400
5. Occasional furniture (coffee tables)	20,400	39,600	38,400	94,800	50,400
6. Bed sets, wardrobe, nightstands	3,360	8,640	12,240	30,000	516,000
7. Sofas and components	-	-	-	-	9,600
TOTAL	242,160	344,640	299,880	713,400	837,600

9. INFORMATION ON THB GROUP

(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 Tomisho since its incorporation are as follows:-

Date of allotment	No. of ordinary shares	Consideration	Total (RM)
02.09.55	2	Subscribers' shares	2
25.11.86	20,000	Cash	20,002
29.03.90	260,000	Cash	280,002
28.12.95	380,000	Cash	660,002
18.12.96	1,320,004	Bonus issue (2 for 1)	1,980,006
25.07.97	1,000,000	Bonus issue	2,980,006
25.07.97	2,019,994	Cash	5,000,000

(iii) Subsidiaries and Associated Companies

As at the date of this Prospectus, Tomisho has the following subsidiary:-

Subsidiary	Date and place of incorporation	Issued and paid-up share capital (RM)	Effective equity interest %	Principal activities
SY	05.03.1993 Malaysia	5,000,000	51	Rubberwood treatment processing, manufacturer and trader of moulded timber and manufacturer of rubberwood furniture and standard dining sets.

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

9. INFORMATION ON THB GROUP

(iv) Profit and Dividend Record

Tomisho'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'00	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000
Turnover	19,493	30,354	41,828	33,098	75,725	88,440
Profit before exceptional item	2,063	3,860	5,185	3,587	8,734	9,092
Exceptional item	-	-	-	-	-	(1,378)
Profit before taxation	2,063	3,860	5,185	3,587	8,734	7,714
Taxation	(304)	(810)	(1,073)	(755)	(2,575)	(500)
Profit after taxation	1,759	3,050	4,112	2,832	6,159	7,214
Weighted average no. of ordinary shares in issue ('000)	2,600	2,603	2,980	3,037	5,000	5,000
Net EPS (RM)	0.68	1.17	1.38	1.60*	1.23	1.44
Gross dividend rate (%)	-	-	30	10	100	50

* Annualised

Notes:-

1. Significant increase in turnover for the financial years ended 31 December 1994 and 1995 was due to increase in Tomisho's product range.
2. Significant increase in turnover for the financial year ended 31 December 1996, seven months ended 31 July 1997 and the financial years ended 31 July 1998 and 1999 was due to marketing and expansion efforts undertaken by Tomisho. In addition, its production capacity has also increased due to the semi-automation of its production lines.
3. The increase in profit before and after taxation for the financial years ended 31 December 1995 and 1996, and for the financial year ended 31 July 1998 was due to the increase in business volume and operational efficiency. Tomisho's financial results for the seven months ended 31 July 1997, if annualised, would also show an improvement over the prior year's results.
4. Tomisho changed its financial year-end from 31 December to 31 July in 1997 to be co-terminous with its holding company, THB
5. The increase in Tomisho's profit after taxation for the financial year ended 31 July 1999 was due to 1999 being a tax-exempt year. Taxation charge for the financial year ended 31 July 1999 was in respect of underprovision of taxation in previous years and deferred taxation.

9. INFORMATION ON THE GROUP

6. *The exceptional loss for the financial year ended 31 July 1999 relates to losses sustained as a result of a fire in one of Tomisho's factories during the year. There was no extraordinary item in all the financial years/period under review.*

9.5.2 ASWP**(i) History and Business**

ASWP was incorporated in Malaysia on 7 October 1995 as a private limited company under the Companies Act, 1965. The principal activities of the company are manufacturing and export of wood chip furniture, veneered parts and components.

ASWP has 62 employees comprising local and foreign employees. The range of products it manufactures are chair seats, table tops of various sizes and varied sizes of tables' aprons. ASWP enjoys a pioneer status due to its range of manufactured products. Raw materials utilised by ASWP are wood waste and sawdust from Tomisho factories, chemicals and glue purchased locally, wood and wood veneer which are imported from Taiwan. Its major markets are China, Taiwan, Hong Kong, the Middle East and USA. ASWP has 44 MRIM machines of various sizes which were imported from Taiwan. The machines are organised into one material preparation line and two hot-press production lines. The factory operates on two shifts and are capable of producing 150,000 square feet of veneered products per month on a 12-hour shift.

ASWP's production capacity for the last four (4) financial years ended 31 July 1999 are as follows:-

Products	1996 (units)	1997 (units)	1998 (units)	1999 (units)
1. Table tops	1,000,000	2,100,000	2,600,000	2,600,000
2. Chair seats	500,000	900,000	900,000	900,000
3. Aprons	50,000	100,000	100,000	100,000
TOTAL	1,550,000	3,100,000	3,600,000	3,600,000
No. of machines	18	36	44	44

ASWP's production output for the last four (4) financial years ended 31 July 1999 are as follows:-

Products	1996 (units)	1997 (units)	1998 (units)	1999 (units)
1. Table tops	*	1,317,028	2,035,100	2,345,100
2. Chair seats	*	564,397	705,000	812,100
3. Aprons	*	62,874	77,900	90,150
TOTAL	-	1,944,299	2,818,000	3,247,350

* *No commercial production during the year*

9. INFORMATION ON THE GROUP

(ii) Share Capital

	No. of ordinary shares	Par Value (RM)	Total (RM)
Authorised	5,000,000	1	5,000,000
Issued and paid-up	2,000,002	1	2,000,002

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

Date of allotment	No. of ordinary shares	Consideration	Total (RM)
07.10.95	2	Subscribers' shares	2
22.04.96	2,000,000	Cash	2,000,002

(iii) Subsidiaries and Associated Companies

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

(iv) Profit and Dividend Record

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

	Financial period ended 31 July 1996 RM'000	←--Financial year ended 31 July--→		
		1997 RM'000	1998 RM'000	1999 RM'000
Turnover	-	8,749	12,681	14,614
Profit before taxation	-	1,597	2,577	3,216
Taxation	-	-	(259)	(300)
Profit after taxation	-	1,597	2,318	2,916
No. of ordinary shares in issue ('000)	2,000	2,000	2,000	2,000
Net EPS (RM)	-	0.80	1.16	1.46
Gross dividend rate (%)	-	-	75	75

Notes:-

- ASWP commenced production and sales during the financial period ended 31 July 1996, and its turnover mainly comprise sale of tabletops and chair seats.
- The increased product range, such as different sizes of table tops, chair seats and table aprons, has resulted in higher turnover for the financial years ended 31 July 1998 and 1999.
- The increase in gross profit after taxation margin for the financial years ended 31 July 1997 and 1998 was due to improved workforce efficiency in veneer-handling and reduction in wastage and overhead costs.