

PROSPECTUS



EUROSPAN HOLDINGS BERHAD

(Company No: 351927-M)

(Incorporated in Malaysia under the Companies Act, 1965)

Public Issue

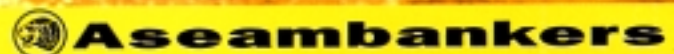
of 6,000,000 new
ordinary shares
of RM1.00 each and

Offer For Sale

of 12,060,000
ordinary shares of
RM1.00 each at an
issue and offer price
of RM1.90 per
ordinary share payable
in full on application



Adviser and Managing Underwriter



Aseambankers Malaysia Berhad (15998-H)

This Prospectus is Dated 7 June 2000

THE APPROVALS OF THE SECURITIES COMMISSION (“SC”) WHICH WAS OBTAINED ON 3 FEBRUARY 2000 AND 28 APRIL 2000 SHALL NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE PUBLIC ISSUE OF 6,000,000 AND OFFER FOR SALE OF 12,060,000 ORDINARY SHARES OF RM1.00 EACH IN EUROSPAN HOLDINGS BERHAD (351927-M) (“EHB”) AT AN ISSUE / OFFER PRICE OF RM 1.90 PER ORDINARY SHARE. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF ANY INVESTMENT.

THE KUALA LUMPUR STOCK EXCHANGE (“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 EHB GROUP OR ITS ORDINARY SHARES.

THE ISSUE / OFFER PRICE OF RM 1.90 PER ORDINARY SHARE WAS DETERMINED AND AGREED UPON BY EHB AND ASEAMBANKERS MALAYSIA BERHAD (15938-H) AS THE ADVISER AND MANAGING UNDERWRITER BASED ON VARIOUS FACTORS. INVESTORS SHOULD FORM THEIR OWN VIEWS ON THE VALUATION OF SUCH SECURITIES AND THE REASONABLENESS OF THE BASES USED.

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

DEFINITIONS

In this Prospectus, unless otherwise indicated, the following words and abbreviations shall have the following meanings:

“Acquisition of E-Wood”	: Acquisition of the entire issue and paid-up share capital of E-Wood comprising 2 ordinary shares of RM1.00 each for a purchase consideration of RM2.00 by EHB satisfied by cash to the vendor of E-Wood which was completed on 30 April 2000
“Acquisition of D-Word”	: Acquisition of the entire issue and paid-up share capital of D-Word comprising 2 ordinary shares of RM1.00 each for a purchase consideration of RM2.00 by EHB satisfied by cash to the vendor of D-Word which was completed on 30 April 2000
“Acquisition of EFSB”	: Acquisition of the entire issue and paid-up share capital of EFSB comprising 258,623 ordinary shares of RM1.00 each for a purchase consideration of RM27,073,048 by EHB satisfied by the issuance of 27,073,048 new ordinary shares in EHB to the vendors of EFSB at par which was completed on 30 April 2000
“Acquisition of DFSB”	: Acquisition of the entire issue and paid-up share capital of DFSB comprising 250,003 ordinary shares of RM1.00 each for a purchase consideration of RM3,340,887 by EHB satisfied partly by the issuance of 2,227,035 new ordinary shares in EHB at par and partly by cash amounting to RM1,113,852 to the vendors of DFSB which was completed on 30 April 2000
“Acquisitions”	: Acquisition of EFSB, Acquisition of DFSB, Acquisition of E-Wood and Acquisition on D-Word collectively
“ADA”	: Authorised Depository Agent
“Aseambankers”	: Aseambankers Malaysia Berhad [15938-H]
“BS”	: British Standard
“CDS”	: Central Depository System
“D-Word”	: Dynaword Sdn Bhd [373749-H]
“DFSB”	: Dynaspan Furniture Sdn Bhd [231752-D]
“E-Wood”	: Eurospan Furniture Sdn Bhd [372489-W]
“EFSB”	: Eurospan Furniture Sdn Bhd [177650-M]
“EHB Group” or “the Group”	: EHB and its subsidiary companies namely, EFSB, DFSB, E-Wood and D-Word
“EHB” or “the Company”	: Eurospan Holdings Berhad [351927-M]
“EPS”	: Earnings per share
“FIC”	: Foreign Investment Committee
“FRIM”	: Forest Research Institute of Malaysia

DEFINITIONS (Cont'd)

“KLSE”	:	Kuala Lumpur Stock Exchange
“Listing”	:	The admission to the official list and listing of and quotation for the entire issued and paid-up share capital of EHB comprising of 40,000,000 ordinary shares of RM1.00 each, on the Second Board of the KLSE
“MCD”	:	Malaysian Central Depository Sdn Bhd, a subsidiary of KLSE
“MI”	:	Minority Interest
“MIDA”	:	Malaysian Industrial Development Authority
“MIDFCCS” or “Issuing House”	:	MIDF Consultancy and Corporate Services Sdn Bhd
“MITI”	:	Ministry of International Trade and Industry
“MTC”	:	Malaysian Timber Council
“MTIB”	:	Malaysian Timber Industry Boards
“NBV”	:	Net book value
“Nomination of Rights to Allotment of Shares”	:	Nomination of Rights to Allotment of 15,511,810 ordinary shares of RM1.00 each representing 38.78% of the enlarged issued and paid-up share capital in EHB held by the promoters namely Mr Guan Kok Beng, Mr Guan Kim Heng and Mr Guan Kim Loong to an investment holding company controlled by them, TBHL
“NTA”	:	Net tangible assets
“OEM”	:	Original Equipment Manufacturer
“Offer for Sale” or “Offer”	:	Offer for sale by the offerors of 12,060,000 ordinary shares of RM1.00 each in EHB at an offer price of RM1.90 per share, payable in full on application, subject to the terms and conditions of this Prospectus
“Offer Shares”	:	12,060,000 ordinary shares of RM1.00 each in EHB, being the subject of the Offer
“Offerors”	:	Certain shareholders of EHB who are the registered and beneficial owners of the followings Offer Shares.
		Offer Shares
		Guan Kok Beng 5,197,965
		Guan Kim Heng 3,831,569
		Guan Kim Loong 2,659,011
		Ting Hon Sum 371,455
		<u>12,060,000</u>
“PE Multiple”	:	Price earnings multiple

DEFINITIONS (Cont'd)

“Public Issue Shares”	:	The 6,000,000 new ordinary shares of RM1.00 each in EHB being the subject of the Public Issue
“Public Issue” or “Issue”	:	Public Issue of 6,000,000 new EHB ordinary shares of RM1.00 each to the Malaysian public at RM 1.90 per ordinary share
“R & D”	:	Research and development
“Rights Issue”	:	Rights Issue of 4,699,915 new EHB ordinary shares of RM1.00 each issued at an issue price of RM1.86 per share on the basis of approximately sixteen (16) new ordinary shares for every one hundred (100) existing ordinary shares of RM1.00 each held after the Acquisitions.
“RM” and “sen”	:	Ringgit Malaysia and sen respectively
“ROC”	:	Registrar of Companies, Malaysia
“SC”	:	Securities Commission
“sq. ft”	:	Square foot/feet
“TBHL”	:	TBHL Holdings Sdn Bhd (511193-T)
“USD”	:	United States Dollar
“Vendors of D-Word”	:	EFSB
“Vendors of E-Wood”	:	EFSB
“Vendors of DFSB”	:	Guan Kok Beng, Guan Kim Heng, Guan Kim Loong and EFSB
“Vendors of EFSB”	:	Guan Kok Beng, Guan Kim Heng, Guan Kim Loong and Ting Hon Sum

TABLE OF CONTENTS

	Page
SUMMARY INFORMATION	i
INVESTMENT CONSIDERATIONS AND RISK FACTORS	v
1. INTRODUCTION	1
2. SHARE CAPITAL	2
3. CORPORATE INFORMATION	3
4. PARTICULARS OF THE PUBLIC ISSUE/OFFER FOR SALE	6
4.1 Particulars of the Public Issue/Offer for Sale	6
4.2 Basis of Arriving at the Issue/Offer Price	6
4.3 Purposes of the Public Issue/Offer for Sale	7
4.4 Proceeds of the Rights Issue and Public Issue	7
4.5 Underwriting Commission and Brokerage	9
5. INDUSTRY OVERVIEW	10
6. INFORMATION ON EHB GROUP	17
6.1 History and Principal Activities	17
6.2 Share Capital	17
6.3 Restructuring Scheme	17
6.4 Business Overview	21
6.5 Information on Subsidiary Companies	29
6.6 Summary of Landed Properties	32
6.7 Directors, Senior Management and Employees	33
7. FUTURE PLANS AND PROSPECTS OF EHB GROUP	38
7.1 Viability	38
7.2 Vulnerability	38
7.3 Future Plans	39
8. MORATORIUM ON SALE OF SHARES	41
9. INFORMATION ON THE OFFERORS	42
10. FINANCIAL INFORMATION	43
10.1 Profit And Dividend Record Of The Group	43
10.2 Working Capital, Borrowings and Contingent Liabilities	44
10.3 Consolidated Profit Estimate and Forecast And Principal Assumptions	44
10.4 Auditors' Letter on the Profit Estimate and Forecast	47
10.5 Dividend Estimate and Forecast	48
10.6 Proforma Consolidated Balance Sheets as at 31 December 1999	49
10.7 Auditors' Letter On The Proforma Consolidated Balance Sheet	52
11. ACCOUNTANTS' REPORT	53

TABLE OF CONTENTS

	Page
12. DIRECTORS' REPORT	77
13. STATUTORY AND GENERAL INFORMATION.....	78
13.1 Share Capital	78
13.2 Articles of Association	78
13.3 Directors and Substantial Shareholders	87
13.4 General	89
13.5 Material Contracts	90
13.6 Material Litigation.....	91
13.7 Consents	92
13.8 Documents for Inspection.....	92
13.9 Responsibility.....	93
14. PROCEDURE FOR APPLICATION AND ACCEPTANCE	94
14.1 Opening and Closing of Application Lists	94
14.2 Application Forms	94
14.3 Procedure for Application	94
14.4 Applications and Acceptances.....	97
14.5 CDS Account.....	98
14.6 Notice of Allotment.....	98
14.7 Formalising CDS Account	98
14.8 List of Authorised Depository Agents	98

EUROSPAN HOLDINGS BERHAD (Company No.:351927-M)
(Incorporated in Malaysia under the Companies Act, 1965)

SUMMARY INFORMATION

The following information is derived from the full text of this Prospectus and should be read in conjunction with the full text of the Prospectus.

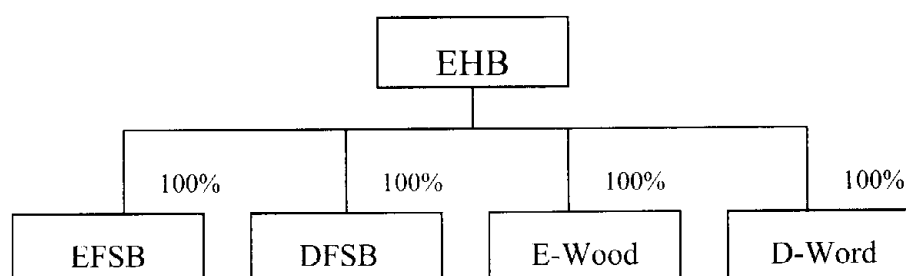
1. History and Business

EHB was incorporated in Malaysia on 19 July 1995 under the Companies Act, 1965 as a public limited company.

The Company is an investment holding company and its wholly owned subsidiary companies are EFSB, DFSB, E-Wood and D-Word. The principal activities of EHB's subsidiary companies are as follows:-

Name of Company	Date and Country of Incorporation	Equity Interest	Principal Activities
EFSB	10 January 1989 Malaysia	100%	Manufacturing and exporting of furniture and wood-based products
DFSB	4 January 1992 Malaysia	100%	Manufacturing of furniture and wood-based products
E-Wood	3 January 1996 Malaysia	100%	Investment holding
D-Word	13 January 1996 Malaysia	100%	Investment holding

The corporate structure of the EHB Group is set out below:



SUMMARY INFORMATION (Cont'd)**2. Financial Highlights**

The following which has been extracted from the Accountants' Report is a summary of the audited proforma consolidated profit and loss accounts of EHB and its subsidiary companies for the five (5) financial years ended 31 May 1995 to 1999 and 7 months ended 31 December 1999 have been prepared based on the assumptions that the Acquisitions had been in effect throughout the period under review

	←----- Year ended 31 May ----->					7 Months
	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	Ended 31.12.99 RM'000
Turnover	28,057	33,815	39,752	45,814	45,719	41,130
Profit before depreciation and interest	6,786	7,714	8,404	9,290	9,947	7,165
Depreciation	(534)	(562)	(782)	(933)	(1,394)	(986)
Interest expenses	(58)	(20)	(27)	(34)	(19)	(6)
Profit before taxation	6,194	7,132	7,595	8,323	8,534	6,173
Extraordinary item	-	-	-	-	-	-
Taxation	(1,440)	(1,168)	(1,492)	(1,738)	163	(1,006)
Profit after taxation	4,754	5,964	6,103	6,585	8,697	5,167
No. of ordinary shares in issue ('000)	29,300	29,300	29,300	29,300	29,300	29,300
Gross EPS (sen)	21.14	24.34	25.92	28.41	29.13	36.12*
Net EPS (sen)	16.22	20.35	20.83	22.47	29.68	30.23*

Notes:

- (i) Turnover increased progressively from 1995 to 1997 at the growth rate of 17% to 21%, mainly due to increase in orders from overseas customers.
- (ii) The strengthening of US Dollar has contributed to a higher turnover for 1998 and 1999 as sales were mostly billed in US Dollars
- (iii) Gross margin was constant at 25% to 28%, throughout 1995 to 1998.
- (iv) There were no extraordinary items in all the financial years under review.
- (v) In 1999, there was a substantial increase in depreciation of approximately 49.4%. This is due to major expansion undertaken by EFSB for the construction of its new factory building as well as addition of new plant and machineries in 1998.

* Annualised

SUMMARY INFORMATION (Cont'd)**3. Principal Statistics Relating to the Public Issue/Offer for Sale**

The following statistics relating to the issue/offer are derived from the full text of this Prospectus and should be read in conjunction with the text.

SHARE CAPITAL	RM
Authorised: 50,000,000 ordinary shares of RM1.00 each	<u>50,000,000</u>
Existing issued and fully paid-up: 34,000,000 ordinary shares of RM1.00 each	34,000,000
To be issued pursuant to the Public Issue: 6,000,000 new ordinary shares of RM1.00 each	<u>6,000,000</u>
Enlarged issued and paid-up share capital	<u>40,000,000</u>
To be offered pursuant to the Offer for Sale 12,060,000 ordinary shares of RM1.00 each	12,060,000
 ISSUE/OFFER PRICE PER ORDINARY SHARE	 RM1.90
 PROFORMA GROUP NTA	
Proforma consolidated NTA as at 31 December 1999 ⁽¹⁾ <i>(based on the proforma consolidated balance sheets for the period ended 31 December 1999)</i>	RM53,047,000
Proforma consolidated NTA per ordinary share ⁽²⁾	RM1.33

Notes:

- 1 *The bases and assumptions of the proforma consolidated balance sheets of EHB are set out under Section 10.6 of this Prospectus.*
- 2 *Based on the enlarged issued and paid-up share capital of 40,000,000 ordinary shares of RM1.00 each.*

SUMMARY INFORMATION (Cont'd)**CONSOLIDATED PROFIT ESTIMATE AND FORECAST**

Financial Years Ending 31 May	2000 RM'000	2001 RM'000
Consolidated profit before taxation	10,527	11,000
Taxation	(2,317)	(1,477)
Consolidated profit after taxation and before pre-acquisition profit	8,210	9,523
Pre-acquisition profit (after taxation)	(1,912)	-
Consolidated profit after taxation and after pre-acquisition profit	6,298	9,523
Enlarged issued and paid-up share capital	40,000,000	40,000,000
Gross EPS (sen)	26.80 ⁽¹⁾	27.50
Net EPS (sen)	21.50 ⁽²⁾	23.81
Gross PE multiple based on the Issue/Offer Price of RM1.90 per ordinary share (times)	7.09	6.91
Net PE multiple based on the Issue/Offer Price of RM1.90 per ordinary share (times)	8.84	7.98
Notes :		
1	<i>Calculated based on the consolidated profit before taxation and after accounting for the pre-acquisition profit totalling RM7,849,000 and the weighted average number of ordinary shares in issue of 29,300,085 ordinary shares.</i>	
2	<i>Calculated based on the consolidated profit after taxation and after accounting for the pre-acquisition profit totalling RM6,298,000 and the weighted average number of ordinary shares in issue of 29,300,085 ordinary shares.</i>	

DIVIDEND ESTIMATE AND FORECAST

Financial year ending 31 May	2000	2001
Dividend per ordinary share (tax exempt)	-	8 sen
Dividend yield based on the Issue/Offer Price of RM1.90 per ordinary share	-	4.2%
Net dividend cover (times)	-	2.98

INVESTMENT CONSIDERATIONS AND RISK FACTORS

In addition to considering carefully all the relevant information contained elsewhere in this Prospectus, prospective investors should rely on their own examination of the Company and the terms of this Public Issue and Offer for Sale, including the following risks involved and investment considerations:

1. Marketability of EHB Shares

Prior to this Public Issue, there has been no public market for EHB's shares and there can be no assurance regarding the future development of the market for the shares. The issue price of RM 1.90 per ordinary share has been determined after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and standing, the future prospects of the Group, the valuation of the management of the Group, the market prices for shares of other companies engaged in businesses similar to that of the Group and the prevailing market condition prior to the execution of the underwriting ceremony.

There can be no assurance that the issue price will correspond to the price at which EHB's shares will be traded on the Second Board of the KLSE upon or subsequent to its listing or that an active market for EHB's shares will develop or, if developed, that such market will be sustained.

2. Business Risk

The principal business activities of the EHB Group is in the manufacture and exporting of rubberwood based furnitures and is therefore subject to certain risk inherent in the furniture industry. The risks include the possible increase in the operating and capital costs due to increase in the cost of labour and raw materials, changes in economic and business conditions, foreign exchange rate fluctuations, increase in the prices of the imported and local components, changes in Government and international policies, the introduction of new and superior technology or products by competitors.

The Group seeks to limit these risks through inter-alia, expansion of both existing and new markets, developing and maintaining a diversified market network, investment in automated and semi automated machinery to improve efficiency.

However, no assurance can be given that changes to the above factors will not have an adverse effect on the Group's business and financial conditions.

3. Competition

EHB Group faces competition from both local and foreign producers. The Group expects that with the advantage of an increase in production capacity and automation from the new factory at Sungai Baong furniture village and the move towards production of zero-defect products and timely delivery, the Group is able to position itself competitively among major players in the furniture market.

Nevertheless, no assurance can be given that the Group will be able to maintain its existing market share in the future.

Although, the Group has taken every effort to maintain its competitiveness, there is still no assurance that the plan will have a favourable result. Further details and assessment of the Group's competitive position among major players in the industry are provided in Section 6.4 of this Prospectus.

INVESTMENT CONSIDERATIONS AND RISK FACTORS *(Cont'd)*

4. Dependence on Key Personnel

The Company's future success will also depend upon its ability to attract and retain skilled personnel.

The Group's manufacturing plants are equipped with modern facilities which are characterised by high precision, with a high degree of automation. Expertise and experience are therefore the necessary ingredients of the Group's workforce. The Group's future success, to a certain extent, will therefore depend on its ability to retain and at the same time attract skilled personnel to the Group.

To ensure this, the Group has devised a comprehensive human resource management policy covering the areas of continuous education and training, career development as well as a conducive working environment with emphasis on safety, health and the promotion of positive working cultures.

5. Raw Material

The Group's profitability is much dependent on the costs of its raw materials. EHB Group sources almost all of its raw materials locally.

The main raw material used in the production is rubberwood. Testimonially, Malaysia is one of the largest producers of rubber products and has a huge plantation of rubber estates. *(Source : Malaysian 1996-1998, Published by Business Monitor International Ltd.)*

The Group purchases its raw materials, rubberwood from companies that are able to provide the raw materials in constant supply and at competitive prices. While the Group has established excellent long-term relationship with its major suppliers there is no guarantee of sufficient rubberwood supply. However, the Directors and Senior Management of the Group are confident that the long-term relationship that they have nurtured with its rubberwood suppliers over the years will assist the Group in being able to acquire rubberwood efficiently.

In addition, EFSB and DFSB, EHB's subsidiaries had in August 1999, entered into contracts in relation to the supply of rubberwood materials with six (6) of its rubberwood supplier. The said contracts are for a period between 1 September 1999 to 31 August 2002, of which the suppliers will make available for sale to EFSB and DFSB such volume of the raw material that EFSB and DFSB may order from time to time as EFSB and DFSB and the supplier may mutually agree upon. The said supply agreement testified the supplier's commitment to establish a long-term business relationship with the Group.

However, no assurance can be given that the Group would be able to enjoy complaisant rubberwood supply in the future.

6. Foreign Exchange Fluctuation

The Group exports almost all of its products. The Group's products are exported to various countries such as Japan, Korea, China, Hong Kong, Taiwan, Europe, Australia, New Zealand, Russia, Singapore, Latin America, Africa, United States of America ("USA") and other countries. The transactions are denominated mainly in foreign currencies. The risk of foreign exchange fluctuation has been further reduced since the imposition of a fixed exchanged rate for the RM against the USD (USD1 : RM3.80) in September 1998. However, in the event that the fixed exchange rate is lifted, the Group is exposed to foreign currency fluctuation.

In order to minimize the expected risk fluctuation, it has always been a policy and concerted effort of the management of EHB, wherever possible, for foreign currency transactions, to hedge against the fluctuations of the foreign currencies.

INVESTMENT CONSIDERATIONS AND RISK FACTORS *(Cont'd)*

7. Estimate and Forecast

This Prospectus contains certain estimate and forecast for EHB that are based on assumptions, which the Directors deem to be reasonable, but which nevertheless are subject to uncertainties and contingencies. Due to the subjective judgements and inherent uncertainties of estimate and forecast and because events and circumstances frequently do not occur as expected, there can be no assurance that the estimate and forecast contained herein will be realized and actual results may be materially different from those shown. Investors will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the estimate and forecast that are contained herein.