

6. INFORMATION ON EHB GROUP (Cont'd)

Over the years, the Group has established a close business relationship with its suppliers.

6.4.11 Capability to Establish a Diversified Customer Base

The Group exports almost 100% of its products to overseas markets and its customers spread over in Japan, Korea, China, Hong Kong, Taiwan, Europe, Australia, New Zealand, Russia, Singapore, Latin America, Africa, USA and other countries.

The breakdown of the percentage of furniture exported to each country for the financial year ended 1999 is as follows :

Country	%
Japan	74.0
Korea	6.9
China/Hong Kong/Taiwan	6.0
Europe	5.4
Australia/New Zealand	3.0
Russia	2.5
Singapore/Latin America/ Africa/ USA/ Reunion Island and others	2.2
Total	100.0

The Group's marketing strategy is directed at customers who are established wholesalers, retailers or mail ordering companies in order to take advantage of their established distribution network. The extensive customer base is a testimony of the Group's strength in not depending on limited wholesalers and retailers or single customer. However, in line with the Group's diversification plans and marketing strategy, it has steadily established itself and exports to other countries over the past few years.

Besides widening its customer base by penetrating into new markets, the Group has also increased the number of customers it services over the years.

6.4.12 Competitive Conditions

In terms of furniture products, competition is based on design, innovation, experience and product quality. The Group is of the opinion that it has the following advantages to compete in the world markets :-

- i) Advance manufacturing technology;
- ii) On going research and development;
- iii) Consistent product quality;
- iv) Promote good customer service;
- v) Wide range of product designs;
- vi) Stringent quality control;
- vii) Locally produced raw material;
- viii) Experienced and committed management team;
- ix) Wide spectrum of customer base in various countries; and
- x) Timely delivery.

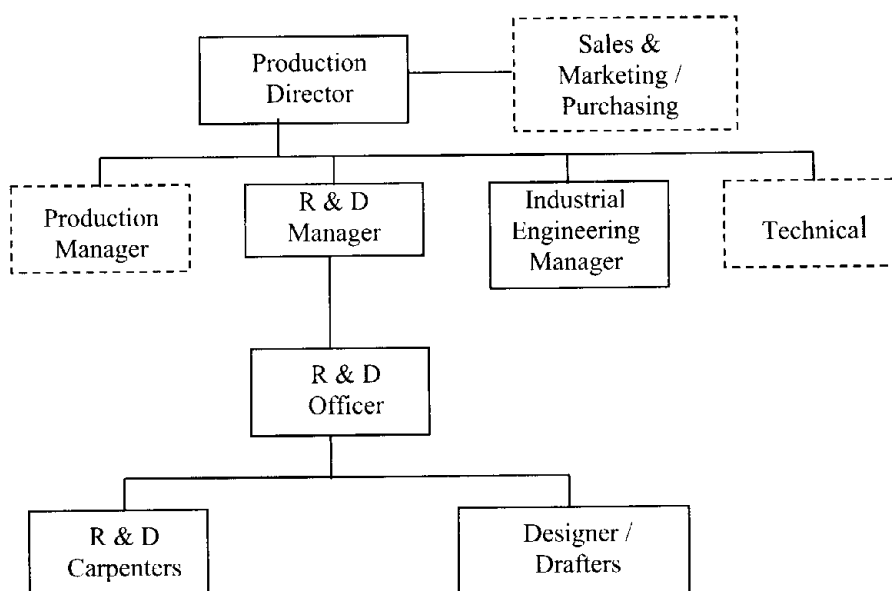
6. INFORMATION ON EHB GROUP (Cont'd)

6.4.13 Research and Development ("R&D")

Recognising the fact that certain furniture models have short product cycle due to the changing tastes and needs of customers, the Group places emphasis on the R&D activities in improving the production process and developing new product designs to meet the ever changing customer taste. Hence, the R&D activities have formed an integral and important function in the Group's furniture production.

The design activities are carried out by its R&D department for OEM products, a drawing specifications will be provided by the OEM buyers. EFSB will produce a prototype and if accepted by the OEM buyers, the specification will be incorporated into the production line and the specific model will then develop new design and produce prototypes before production.

The organisation chart of the R&D department is as follows :-



The key activity of the R&D team is focused on design innovation, which has been the Group's core strength in maintaining its competitive edge in the furniture industry. The R&D team conducts market research by attending exhibitions to understand the latest business trends and customer preference as well as to obtain feedback from buyers. This strategy has facilitated the Group to develop new designs, and set technical standards prior to producing products. These activities cover all aspects of manufacturing process from sourcing of raw materials to designing and packaging of the finished goods to maximise the usage of packing materials so as to minimise the cost of transportation. The suitability of packaging materials is an important factor to guarantee product quality of the Group during transportation. This is to ensure that goods arrived at the customers location in good and merchantable conditions. The R&D team also coordinates with the Sales and Production departments to ensure that customer orders especially special orders or prototypes can be delivered on time. The team would also study on how to manufacture new products effectively by using the existing production resources and to ensure that the production floor run smoothly with minimum interruption caused by the activities such as changeover of production line as well as down time due to mould changing and machine setting. The R&D team also carries out basic modification of machinery as well as design and fabrication of machinery activities. Participation in machinery exhibitions overseas has helped the Group to strengthen its strength in this area.

6. INFORMATION ON EHB GROUP (Cont'd)

As at 25 May 2000, EFSB and DFSB have five (5) and three (3) R&D staff respectively. The amount spent on R&D for the financial year ended 1998 and 1999 is RM319,633 and RM478,836 respectively for EFSB; and RM140,741 and RM144,943 respectively for DFSB.

The Group has taken measures to modernise its production facilities. It has introduced and adopted more technologically intensive manufacturing processes to improve production efficiency. Adopted mechanised production processes include automatic timber ripping, shaping, finishing, lamination, drilling, strapping and assembly operations. This has also led to skill development and a technical competent workforce to adapt to the more sophisticated production processes.

The Group has always taken the initiative to keep abreast with the latest development in furniture manufacturing technology, keeping a close watch over any change in trends and style in the furniture market and generally maintaining the competitiveness of its products.

6.5 Information on Subsidiary Companies

EFSB

(i) History and Business

EFSB was incorporated in Malaysia under the Companies Act, 1965 on 10 January 1989 under the name of Eurospan Sdn Bhd. On 27 May 1989, it changed and assumed its present name of Eurospan Furniture Sdn Bhd.

The principal activities of EFSB is manufacturing and exporting of furniture and wood-based products. EFSB manufactures a wide range of rubberwood furniture which includes colonial and contemporary designed dining furniture. The furniture are mainly exported to Japan, Korea, China, Hong Kong, Taiwan, Europe, Australia, New Zealand, Russia, Singapore, Latin America, Africa, USA and other countries

(ii) Share Capital

	No. of Ordinary Shares	Par Value RM	Amount RM
Authorised	300,000	1.00	300,000
Issued and Paid-up	258,623	1.00	258,623

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

Date of Allotment	No. of Ordinary Shares Allotted	Par Value RM	Consideration RM	Total Issued Share Capital RM
10.01.89	2	1.00	Cash	2
28.06.89	200,000	1.00	Other than cash	200,002
08.09.92	50,000	1.00	Other than cash	250,002
24.12.94	8,621	1.00	Cash	258,623

(iii) Subsidiary/Associated Company

None

6. INFORMATION ON EHB GROUP (Cont'd)

(iv) Profit and Dividend Record

Please refer Section 11 of this Prospectus.

DFSB

(i) History and Business

DFSB was incorporated in Malaysia under the Companies Act, 1965 on 4 January 1992.

The principal activities of DFSB is manufacturing of furniture and wood-based products. DFSB manufactures and processes furniture parts and components used by EFSB as part of its furniture making process. Besides that, DFSB also grows as an independent unit to manufacture certain product line.

(ii) Share capital

	No. of Ordinary Shares	Par Value RM	Amount RM
Authorised	260,000	1.00	260,000
Issued and Paid-up	250,003	1.00	250,003

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

Date of Allotment	No. of Ordinary Shares Allotted	Par Value RM	Consideration RM	Total Issued Share Capital RM
04.01.92	3	1.00	Cash	3
15.10.92	250,000	1.00	Other than cash	250,003

(iii) Subsidiary/Associated company

None

(iv) Profit and Dividend Record

Please refer to Section 11 of this Prospectus

E-Wood

(i) History and Business

E-Wood was incorporated in Malaysia under the Companies Act, 1965 on 3 January 1996 under the name of Geocraft Sdn Bhd. On 15 February 1996, it changed and assumed its present name of Euroswood Furniture Sdn Bhd.

E-Wood is an investment holding company. Currently, E-Wood has invested RM1,558,751 on 2 plots of land at the Sungai Baong Furniture Village, Seberang Prai Selatan.

6. INFORMATION ON EHB GROUP (Cont'd)**(ii) Share capital**

	No. of Ordinary Shares	Par Value RM	Amount RM
Authorised	100,000	1.00	100,000
Share capital	2	1.00	2

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

Date of Allotment	No. of Ordinary Shares Allotted	Par Value RM	Consideration RM	Total Issued Share Capital RM
03.01.96	2	1.00	Cash	2

(iii) Subsidiary/Associated company

None

(iv) Profit and Dividend Record

Please refer to Section 11 of this Prospectus.

D-Word**(i) History and Business**

D-Word was incorporated in Malaysia under the Companies Act, 1965 on 13 January 1996.

D-Word is an investment holding company. Currently, D-Word has invested RM1,501,121 on 2 plots of land at the Sungai Baong Furniture Village, Seberang Prai Selatan.

(ii) Share capital

	No. of Ordinary Shares	Par Value RM	Amount RM
Authorised	100,000	1.00	100,000
Issued and Paid-up	2	1.00	2

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

Date of Allotment	No. Of ordinary Shares Allotted	Par Value RM	Consideration RM	Total Issued Share Capital RM
13.01.96	2	1.00	Cash	2

(iii) Subsidiary/Associated company

None

(iv) Profit and Dividend Record

Please refer to Section 11 of this Prospectus

6. INFORMATION ON EHB GROUP (Cont'd)

6.6 Summary of Landed Properties

A summary of the properties owned by EHB Group are as follows:

Registered / Beneficial Owner	Title and location	Description of Building / (Existing Use)	Tenure / (Approximately Age of Building)	Total Land Area / (Approximate Built-up Area) sq.ft.	Audited NBV 31 Dec 1999 RM
EFSB	Lot 2991, Kg Teluk, Sungai Dua, 13800 Butterworth	Office Building and Factory	Freehold / (1.5 years)	61,914 / (62,600)	4,675,043
	Lot 2992, Kg Teluk, Sungai Dua, 13800 Butterworth	Factory	Freehold / (7 years) ⁽¹⁾	66,750 / (40,947)	1,661,550
EFSB	No. 14 & 16, Lorong Perusahaan Sg. Lokan 3, Taman Perindustrian Baru Butterworth, Sg Dua, 13800 Butterworth	Terrace Light Industrial Building	Freehold / (2 years)	4,368 / (6,218)	697,600
EFSB	No. 15, Lrg Sg Lokan 3/2, Sungai Dua, 13800 Butterworth	Terrace Light Industrial Building	Freehold / (3 years)	1,920 / (2,880)	288,750
DFSB	Lot 14, Jalan Perusahaan Kawasan Perusahaan Kulim, 09000 Kulim, Kedah	Office Building and Factory	Leasehold ⁽²⁾ / (4 years)	86,249 / (38,320)	2,282,764
E- Wood	Plot A7 & A8, Furniture Village, Sg Baong, Seberang Prai Selatan	Vacant, Industrial Land [^]	Freehold (-)	247,420	1,558,751
D-Word	Plot A9 & A10 Furniture Village, Sg Baong, Seberang Perai Selatan	Vacant Industrial Land	Freehold (-)	238,278	1,501,121
					12,665,579

[^] E-Wood is currently in the process of transferring the land to DFSB at the net book value as at 31 December 1999 of RM1,558,751.

(1) The approximate age of the building is based on the latest upgrading date of the building on 1992.

(2) The lease will expire in year 2080

6. INFORMATION ON EHB GROUP (Cont'd)

6.7 Directors, Senior Management and Employees

(i) Directors

GUAN KOK BENG, aged 47, is the Chairman and Managing Director of EHB. He was appointed to the Board of EHB on 30 April 2000. He is also the Managing Director and founder member of EFSB. He is also the Chairman and founder member of DFSB. He plays an active role in the Penang Furniture Manufacturers and Dealers Association (PFMDA). He was the Advisor of the Association from 1995 to 1998 and was the President for four years from 1992 to 1995. He initiated the setting up of the furniture village in Sg. Baong in Seberang Perai through the PFMDA involvement. He is also involved in the Penang Furniture Technology Centre (FURNITECH), a Government sponsored project, and is an appointed Director representing the private sector. FURNITECH is a centre involved in training of manpower for the woodbased / furniture industries. He was also a committee member from 1992 to 1995 in the Malaysian Furniture Industry Council. He was appointed as a director of TBHL on 2 May 2000.

He has been in the furniture business for the past 25 years. Together with the other family members, he has successfully built up the business. His entrepreneur skills has steered EHB Group from a small establishment to become one of the leading furniture exporters in Malaysia. Over the years, he has built up and firmly established the Group's manufacturing operations and marketing strategy. He also leads the R&D team and provides support to the members to develop new products and improving the manufacturing capabilities of the Group. He always participates in trade fairs and promotions overseas to keep abreast with the latest development in the furniture trade and market requirements. He is responsible for strategic business development, providing direction and coordinating the overall marketing and production operations of the Group. He has contributed significantly to the successful development and expansion of the Group and is the prime mover of the Group's achievements.

GUAN KIM HENG, aged 42, is an executive director of EHB. He was appointed to the Board of EHB on 30 April 2000. He is also the Executive Director and founder member of EFSB and DFSB. He is responsible for the Group's finance and corporate functions. He attended local and overseas courses on management, entrepreneurship and export marketing to enrich his knowledge. He was also appointed as a director of TBHL on 2 May 2000.

He has been actively involved in the furniture business since 1980 when he joined Sin Bin Furniture, and learnt about the art of furniture production. With his extensive experience in the furniture industry, he was made the Production Manager from 1980 - 1988 to cope with the increasing demand when the company's products were distributed throughout Peninsular Malaysia.

Presently, he is the Finance and Corporate Director of the Group and is primarily involved in corporate planning, providing direction and overseeing the finance and administration functions of the organisation. He also liaises with various Government and statutory authorities, financial institutions and professional advisers.

His role also include project development, evaluation of corporate business opportunities and identifying strategic business partners. With his vast experience and knowledge of 20 years in the furniture business, he is one of the driving force behind the Group's growth.

6. INFORMATION ON EHB GROUP (Cont'd)

GUAN KIM LOONG, aged 36, an executive director of EHB. He holds a Diploma in Electronic Engineering from Tunku Abdul Rahman ("TAR") College, Kuala Lumpur in 1989. He joined EFSB as the Production Manager in 1989 and was subsequently appointed as the Executive Director of EFSB in 1995. He is also a Director of DFSB. He was appointed to the Board of EHB on 30 April 2000. He is responsible for the operations of the R&D, production and engineering functions, subcontractors' product development activities as well as the quality control and quality assurance procedures of the Group. He was appointed as a director of TBHL on 2 May 2000.

He has gained extensive exposure and experience in furniture production and technology after more than 10 years of involvement in the furniture business. With more than 10 years of valuable experience behind him, his responsibilities also include overseeing the setting up of all the manufacturing processes, strengthening product development, ensuring high quality standard of the Group's products and improving production efficiency.

DATO' NOOR AHMAD MOKHTAR BIN HANIFF, aged 61, was appointed to the Board of EHB on 19 May 2000. He was the General Manager of the Penang Development Corporation ("PDC") until 1997 when he retired from service. He started working in the PDC in 1972 as the director of the first Free Industrial Zone in the country that he helped plan, develop and manage.

Dato' Mokhtar received a Bachelor of Arts Degree (Hons) in Economics from University Malaya in 1964 and a year later a post-graduate Diploma in Education, from the same university. He also obtained a certificate in Top Management from the Asian Institute of Management in Manila in 1977 and a certificate in Development Economics from the World Bank in Tokyo in 1980.

While in service, Dato' Mokhtar was extensively involved in and sat on numerous councils dealing with economic planning, investment, tourism, education and environmental conservation matters in the state of Penang.

Now, Dato' Mokhtar sits on the Boards of a few companies listed on the KLSE, namely Texchem Resources Bhd, Globetronics Technologies Bhd, Transcapital Holdings Bhd and Amtek Holdings Bhd. He is also the Chairman of the Audit Committees of those companies.

DIONG CHIN TECK, aged 66, was appointed to the Board of EHB on 19 May 2000. He is a Fellow of The Institute of Chartered Accountants in Australia and joined KPMG, Kuala Lumpur on his return from Australia in 1967. He was transferred to Ipoh Office in 1970 and to Penang in 1974. He was made a Partner of the Firm in 1971 and retired in 1988.

He was appointed the Secretary of Oriental Holdings Berhad and its subsidiary companies in 1974, a position he still holds. He has served as a Director of ABN Amro Bank Berhad since June 1994.

Family Relationship

Guan Kok Beng, Guan Kim Heng and Guan Kim Loong are brothers.

6. INFORMATION ON EHB GROUP (Cont'd)

(ii) Management Team

The day-to-day operation of the EHB Group is undertaken by Guan Kok Beng as the Managing Director. The following team of experienced and dedicated personnel as detailed below :-

Senior Management

GUAN CHENG MUAN, aged 29, is an executive director of EFSB. She joined EFSB in 1992 as Purchasing Executive and was subsequently appointed as the Executive Director in 1996. She obtained a Certificate in Accounting with Business Computing from TAR College, Kuala Lumpur in 1991. With her knowledge and experience gained in purchasing and computer applications, she is assigned to head the materials and procurement division responsible for the entire spectrum of inventory and stock control, raw materials procurement and material planning and control of the company. She also takes charge of materials management which includes costing, budgeting, Manufacturing Inventory System (MISYS), Material Requirement Planning (MRP), sourcing of raw materials locally and overseas and negotiating with vendors and suppliers.

TING HON SUM, aged 48 is the Managing Director of DFSB. He is responsible for the overall management of the company and concentrates on product development, engineering, quality systems and industrial engineering. He has been in the furniture business for about 18 years. His involvement began in 1981 when he started Sim Bee Wood Product, to produce simple timber parts and subsequently expanded to manufacture furniture components and parts by mass production. In 1992, DFSB was incorporated to take over the business operations of Sim Bee Wood Products and he was appointed as Managing Director since its incorporation. Presently, he is the 1st Vice President of the Penang Furniture Manufacturers and Dealers Association.

LEE BENG TEK, aged 32, is the Production Director of DFSB and responsible for all the production activities including production planning, machining, inventory control and coordination of subcontractors' activities. He joined DFSB in 1989 as Production Manager and was appointed as Production Director in 1995. He has more than 10 years of working experience in the furniture industry. Prior to joining the company, he worked as a Production Supervisor in Prai Malaysia Rattan & Wood Sdn Bhd from January 1988 to April 1989.

NG CHEW LIEW, aged 35, is the Administration Manager of DFSB. She joined the company as Accounts Assistant in 1993. She holds a Certificate in LCCI Higher Accounting which she obtained in 1992. She was promoted to the position of Factory Coordinator in 1996 and was subsequently promoted to the present position in 1998. As Administration Manager, she is responsible for the administration function of the company.

CHOO KOH BOON, aged 32, joined EFSB as Production Officer in 1993 and was promoted to the position of Production Manager in 1996. He graduated from University Utara Malaysia (UUM) in 1992 with BBA (Hons) majoring in production management. His responsibilities include production planning and control, parts/ raw materials control, general production activities and taking charge of subcontractors' activities. Prior to joining EFSB, he worked for Silitek Corp. Sdn Bhd as Material Controller from early 1993 to October 1999. Silitek Corp. Sdn Bhd is involved in the manufacturing of keyboard and rubber pad.

6. INFORMATION ON EHB GROUP (Cont'd)

CHEN MUN HENG, aged 33, is the Industrial Engineering Manager of EFSB. He graduated from University Malaya in 1992 with a degree in Mechanical Engineering. He is responsible for industrial engineering which involve machining layout, improvement and installation, planning and coordinating R&D activities. Before joining EFSB in 1997, he gained working experience in project and plant development, engineering, equipment maintenance and Internal Quality Auditing (IQA) having worked in Penfabric Sdn Bhd, a textile manufacturing company as a Senior Officer from 1992 to 1996. He joined Prime Granite Sdn Bhd, a natural stone manufacturing company from 1996 to 1997 as a Operations Engineer.

CHEW KOK LEONG, aged 27, is the Regional Sales & Marketing Manager responsible for the Japan market. He holds a degree in B.Econs majoring in International Trade & Business from University Utara Malaysia in 1997. He joined EFSB in early 1997 as a Sales & Marketing Executive and has acquired valuable experience and knowledge on furniture products especially in marketing aspects. He was subsequently promoted to the post of Regional Sales & Marketing Manager in 1999 and responsible for the marketing functions which include developing and implementing of EFSB's marketing strategy and coordination as well as launch of new products. He is also responsible for the sales performance of the company's Japan market.

CHONG SIN HEE, aged 26, is the Regional Sales and Marketing Manager responsible for the markets other than Japan. He graduated with a degree in Bachelor of Business Administration from University of Mississippi, USA in 1996. He joined EFSB in March 1997 as a Sales & Marketing Executive and has acquired substantial knowledge on the marketing aspects of the furniture products. He was subsequently promoted to the post of Regional Sales & Marketing Manager in 1999 and responsible for the marketing aspects which include defining of major market opportunities, identify customer needs and contribute to the development of appropriate products. He is also responsible for the sales performance of EFSB's overseas markets other than Japan.

CHUAH PHAIK KHIM, aged 29, is the Administration Manager of EFSB. She holds a professional qualification in the Institute of Chartered Secretaries and Administrators ("ICSA"), United Kingdom which she obtained in 1997. She is also an associate member of the ICSA (UK). She joined EFSB in 1997 as Administration Officer and was subsequently promoted to the post of Administration Manager in October 1998. As Administration Manager, she is responsible for the administration and company secretarial function of the company. Prior to joining EFSB, she serves in Tropical Plastic Products Sdn Bhd, a manufacturer and exporter of plastic bags as an Administration Manager from March 1995 to June 1997.

CHIN JOO MEE, aged 31, is the Human Resource Manager of EFSB. She obtained a Bachelor of Human Resource Management degree from University of South Alabama, USA in 1994. She joined the company in 1995 as a Human Resource Officer and was promoted to the present position in 1998. She is responsible for human resource functions which include recruitment, training and development, industrial relation as well as developing human resource policies and programmes.

LIM CHUN THANG, aged 35, is the Corporate Planning Manager of EFSB. He joined the company in 1998 and is responsible for EFSB's corporate planning and restructuring functions, evaluation of business ventures as well as business research. He obtained his honours degree in Accounting and Finance from the Middlesex University, London in 1995. His working experience has been in corporate advisory, company restructuring, corporate planning, finance, accounting and administration. He joined Arab-Malaysian Merchant Bank Berhad in 1995 and left in 1997 as a Corporate Finance Officer. In 1997, he joined Pin-Wee Group of Companies, which involves in the manufacturing of compound animal feeds and poultry farming of broilers, as the Finance & Administration Manager from 1997 to 1998.

6. INFORMATION ON EHB GROUP (Cont'd)

ONG YENG SENG, aged 45, is the R&D Manager of EFSB. He is responsible for the coordination of R&D activities which includes product design and development, carries out feasibility study on machinery as well as material requirements and specifications for new product designs. He joined the Production Department of the company in 1989 as a Senior Supervisor, In 1996 he was subsequently promoted to the position of Product Development Executive of the R&D section. In 1998, he was promoted to the position of R&D Manager. He has involved in the furniture industry since 1973 and has more than 25 years of extensive experience in all the aspects of furniture manufacturing process. His valuable experience and skills will help to spearhead the Group's R&D operations to a greater heights.

SIM YEE FUAN, aged 33, joined EFSB in 1995 as an Accountant and was subsequently promoted to Finance Manager in 1997. He is responsible for the financial planning and accounting functions of the Group. He graduated from University Malaya in 1991 with a bachelor degree in Accounting. He is a member of the Malaysian Institute of Accountants (MIA) and also a member of the Malaysian Association of Certified Public Accountants (MACPA). He has also completed his Master in Business Administration ("MBA") course in year 2000. Prior to joining EFSB, he was with Bank Negara Malaysia as an Administration Officer from 1992 to 1995 and had gained experience from the Exchange Control Department and Bank Examination Department.

TAN GEE BENG, aged 32, is the Technical Manager of EFSB. He has 12 years of working experience in industrial engineering, pneumatics and general engineering maintenance. He started working with EFSB in 1989 as a supervisor in-charge of maintenance and production. He was subsequently promoted to the position of Production Executive in 1994. In 1996, he was promoted to the present post and takes charge of the production machinery designs, electrical/mechanical engineering, tools & machine maintenance, industrial safety and building/facilities maintenance. Prior to joining EFSB, he worked in a technical position in Gi Pee Motors Sdn Bhd which involves in the trading of motorcycles for 2 years.

(iii) Employees

As at 25 May 2000, the Group has a total of approximately 380 employees under its employment. None of them is a member of any union. The management of the Group enjoys a cordial relationship with its employees. The Group has not experienced any disruption in its operations due to employee problems.

(iv) Family Relationship

Save for Guan Cheng Muan who is the sister to the Guan Kok Beng, Guan Kim Heng and Guan Kim Loong, none of the members of the senior management team of the Group are related to each other.

7. FUTURE PLANS AND PROSPECTS OF EHB GROUP

7.1 Viability

(i) Management Team

The management team of the Group is headed by the Managing Director, Mr. Guan Kok Beng and assisted by Directors Mr. Guan Kim Heng and Mr. Guan Kim Loong who have years of experience in the furniture business. Their in-depth knowledge and wealth of experience of the industry enable them to weather through the economic downturns of the 70's, 80's and 90's and, their resilience and commitment in overcoming obstacles has helped to steer the Group to grow from strength to strength. This is reflected in the strong financial and cash flow position of the Group.

Professionals and qualified personnel who possess relevant expertise in the areas of R&D, industrial engineering, production, corporate development, finance & administration were employed to strengthen the management and ensure the smooth running of the business operations of the Group. The strength of its management team has helped to maintain the impressive growth of the Group.

(ii) Marketing Strategy/Marketing Team

The Group's ability to establish a firm foothold and good reputation in the international furniture market is mainly attributed to its aggressive marketing strategy which is well supported by a team of marketing professionals who are equipped with in-depth knowledge and comprehensive experience of the furniture industry.

Their participation in international trade fairs and exhibitions both locally and overseas have assisted them to keep abreast with the latest development in the furniture trade and market requirements. In addition, in-house training are provided to the marketing team on the finer aspects of marketing skills, customer service and comprehensive product knowledge.

7.2 Vulnerability

(i) Capability to Diversify

With the experience and technical know-how in furniture manufacturing, the Group is able to diversify its range of products. Over the years, the Group has exhibited the ability to produce various types of furniture products which range from colonial and contemporary designed dining furniture to bar counter sets and lounge settees. Efforts has always been taken to incorporate new and improved designs to its chair and table range. The Group's product diversification strategy is to design extensive models for its furniture products so that it is not vulnerable to the risk of relying on a single product model.

Besides product diversification, the Group is also diversifying into other markets. The Group recognises that as an export oriented manufacturing company, *the whole world is the market*. In order to take advantage of this, the Group has diversified its market and exports its products to Japan, Korea, China/Hong Kong, Taiwan, Europe, Australia, New Zealand, Russia, Singapore, Latin America, Africa, USA and other countries. The product and market diversification strategy has ensured the Group a consistent growth in demand for its furniture products. This is reflected in the increase in turnover of the Group over the years.

7. FUTURE PLANS AND PROSPECTS OF EHB GROUP (Cont'd)

(ii) Sensitivity to Economic Downturn

The Group endeavours to be resilient to economic downturn as it manufactures a wide range of furniture products catering for customers of different countries. In addition, furniture can be classified as a "need" item as the products are being used in many places such as restaurants, hotels, offices, pubs, homes, schools, institutions and most premises generally. Furthermore, the Group also has the competitive advantage in terms of its plant and machinery capability and capacity as well as the innovative Research & Development team which is able to design products to meet the various customer requirements. These factors have enabled the Group to strategically position itself to withstand an economic downturn.

(iii) Market Access

Whilst it may be relatively easy to enter into the furniture industry, it is not easy to become a competitive furniture manufacturer due to the following factor :-

Industry Expertise

Today, furniture manufacturing is no longer a backyard industry. Huge capital investment is required in acquiring high technology machinery to produce high quality products at competitive pricing. Besides this, the production capabilities would also need to be flexible in order to produce products to meet various customer requirements. Inexperienced manufacturers would not have the knowledge or expertise required in acquiring the right type of machinery or redesigning the machinery to meet the product specification. Besides the technology know-how to start a production line, factors such as material suitability and consumers' preference are also important factors which can only be obtained through years of experience in the furniture industry.

7.3 Future Plans

As Malaysia is aiming to be a developed nation by the year 2020, the EHB Group's challenge is to be the leading furniture manufacturer in Malaysia. The Group's proactive future plans amongst others include the following:

(a) Product Diversification

The Group will continue to expand its product range. It will remain focus on fast moving dining set product line but will continue to maintain its strategy of new product development.

The Group plans to introduce new range of furniture products in future in addition to develop new product designs for its existing product lines. This is in line with the Group's product strategy which emphasise on producing multiplicity product designs to provide buyers from all over the world a wide choice and enable the Group to meet the ever changing customer taste and preference.

In future, the Group hopes to tap funds from capital market to produce other furniture products and achieve its product expansion objective. This product strategy will enable the Group to meet the varied demands of its customers and further increase its market share in the world furniture market.

7. FUTURE PLANS AND PROSPECTS OF EHB GROUP (Cont'd)

(b) Production Expansion

The proposed listing exercise will generate a net proceeds of approximately RM20 million, of which RM14 million will be utilised to construct a new manufacturing plant at Sungai Baong Furniture Village, Seberang Perai Selatan, as well as to purchase machineries and equipment in order to increase the Group's production capacity and to further improve the profitability position of the Group. The Group's production capacity is expected to increase by 50,000 chairs and 12,500 tables per month from the additional capacity in the Sungai Baong Furniture Village new plant. The new plant will be equipped with up-to-date advance manufacturing technology capable of meeting high quality standard set by the Group and its customers. This strategy will enable the Group to achieve economies of scale, capacity to meet demand, ability to provide timely delivery service and to maintain the Group's stringent quality standard. This production expansion strategy will expedite the Group to achieve its vision of becoming a leading furniture manufacturers and exporters in the region.

(c) Market Expansion

The group is an export oriented furniture manufacturer and exporter. As an exporter, the Group seeks to expand its business geographically. Presently, the Group has penetrated into the Japan, Korea, Australia, New Zealand, China/Hong Kong, Taiwan, Latin America, Russia, Africa, Europe and USA market. The Group plans to establish a significant presence in the overseas markets particularly the European and USA market. This is in line with the Group's marketing strategy directed at increasing and expanding its clientele base through diversifying its market by capitalizing its goodwill, market information and experience in the furniture industry. The market diversification strategy will be well supported by the Group's production capacity from its existing two manufacturing plants and the proposed third manufacturing plant.

(d) Potential Business Venture

The Group is constantly looking for viable business ventures related to the industry, either by way of acquisition or joint venture whose principal activities are synergistic to the Group's business operations.

(e) Upstream Diversification

The Group is also planning to diversify its business upstream in future to complement the Group's manufacturing activities. The Group aims to become a fully integrated furniture manufacturer and exporter in the region with the ability to provide one-stop service for its customers as well as to complement the business activities of its subsidiaries within the Group.

Taking into cognizance the above mention future plans of the Group and the expected increase in turnover and profitability of the Group will be made possible by the continued improvement in product quality, increasing its production capacity, up-to-date market intelligence, extensive research and development programmes and improving its operational efficiency. This course of action will enable the Group to meet future challenges with confidence and continue to sustain its business growth.

8. MORATORIUM ON SALE OF SHARES

It is a condition of the SC vide its approval letter dated 3 February 2000 and 28 April 2000 that, the substantial shareholders/promoters of EHB are not allowed to sell, transfer or assign their shares in EHB amounting to 18,000,000 which represents 45% of the enlarged issued and paid-up capital of EHB for a period of one year from the date of admission of EHB to the Second Board of the KLSE. Thereafter, they are permitted to sell, transfer or assign their shares in EHB subject to a maximum of one third per annum (on a straight line basis) of their shareholdings in EHB.

On completion of the Offer/Public Issue, TBHL and Ting Hon Sum will hold 18,675,764 ordinary shares of RM1.00 each in EHB, representing 46.69% equity interest therein. The moratorium on sale of shares by TBHL and Ting Hon Sum as imposed by KLSE and the SC are as follows :

Substantial Shareholders	No. of EHB Shares Held After the Offer and Public Issue	% of the Enlarged Issued and Paid-Up Share Capital	No. of EHB Shares Placed under Moratorium	% of the Enlarged Issued and Paid-up Share Capital
TBHL	18,000,000	45.00	17,445,590	43.61
Ting Hon Sum	675,764	1.69	554,410	1.39
	18,675,764	46.69	18,000,000	45.00

* *TBHL is collectively owned by the following shareholders namely Mr Guan Kok Beng (44.47%), Mr Guan Kim Heng (32.78%) and Mr Guan Kim Loong (22.75%)*

The restriction is fully accepted by TBHL and Ting Hon Sum.

The endorsement to be affixed on the share certificate of the moratorium shares are as follows:

“The share comprised herein are not capable of being sold, transferred or assigned for a period as determined by the SC (“the Moratorium Period”). Accordingly, the shares comprise herein will not constitute good delivery pursuant to the Rules of the KLSE 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.”

9. INFORMATION ON THE OFFERORS

Details of Offerors are as follows :-

Name	Address	Occupation	Nationality
Guan Kok Beng	109-06-08, Persiaran Bayan Indah Sungai Nibong 11900 Bayan Lepas Penang	Managing Director	Malaysian
Guan Kim Heng	109-06-08, Persiaran Bayan Indah Sungai Nibong 11900 Bayan Lepas Penang	Company Director	Malaysian
Guan Kim Loong	109-06-08, Persiaran Bayan Indah Sungai Nibong 11900 Bayan Lepas Penang	Company Director	Malaysian
Ting Hon Sum	20-8-C Halaman Pulau Tikus Lengkok Berjaya Pulau Tikus 10350 Penang	Company Director	Malaysian

Shareholding of the Offerors before and after the Offer For Sale :

	Before the Public Issue/Offer For Sale				After the Public Issue/Offer For Sale			
	Direct		Indirect		Direct		Indirect	
	No of shares	%	No of shares	%	No of shares	%	No of shares	%
Guan Kok Beng	6,649,589	16.63	18,000,000*	45.00	1,451,624	3.63	18,000,000*	45.00
Guan Kim Heng	4,901,605	12.25	18,000,000*	45.00	1,070,036	2.68	18,000,000*	45.00
Guan Kim Loong	3,401,587	8.50	18,000,000*	45.00	742,576	1.86	18,000,000*	45.00
Ting Hon Sum	1,047,219	2.62	-	-	675,764	1.69	-	-

* Deemed to be interested by virtue of their substantial shareholdings in TBHL

10. FINANCIAL INFORMATION**10.1 Profit and Dividend Record of the Group**

The following table is a summary of the audited proforma consolidated results of the EHB Group for the five (5) financial years ended 31 May 1999 and 7 months ended 31 December 1999 have been prepared on the assumption that the current structure of the Group had been in existence throughout the period under review:-

	<----- Year ended 31 May ----->					7 Months
	1995	1996	1997	1998	1999	Ended 31.12.99
	RM'000	RM'000	RM'000	RM'000	RM'000	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*
Dividend rate	-	-	-	-	-	-

Notes:

1. Turnover increased progressively from 1995 to 1997 at the growth rate of 17% to 21%, mainly due to increase in orders from overseas customers.
2. The strengthening of US Dollar has contributed to a higher turnover for 1998 and 1999 as sales were mostly billed in US Dollars
3. Gross margin was constant at 25% to 28%, throughout 1995 to 1998.
4. There were no extraordinary items in all the financial years under review.
5. 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 new factory building as well as addition of new plant and machineries in 1998.
6. There were no dividends paid or declared by EHB during the financial years/period under review.

10. FINANCIAL INFORMATION (Cont'd)**10.2 Working Capital, Borrowings and Contingent Liabilities**

The Directors of EHB are of the opinion that, barring unforeseen circumstances and after taking into account the cashflow projections and banking facilities available, the Company will have adequate working capital for its present foreseeable requirements.

As at 25 May 2000 (being the latest practicable date prior to printing).

- (a) the total outstanding bank borrowings, overdrafts, hire purchase and banking facilities of the Group amounted to approximately RM200,154;
- (b) the Group has no outstanding material contingent liabilities;
- (c) the Company has no material commitments; and
- (d) Save as disclosed above and in Section 11 of this Prospectus, EHB Group does not have any loan capital or convertible debt securities outstanding or created but unissued nor any mortgages or charges outstanding.

10.3 Consolidated Profit Estimate and Forecast And Principal Assumptions

The Directors of Eurospan Holdings Berhad estimate and forecast that, barring any unforeseen circumstances and on the bases and assumptions set out below, the consolidated profit after taxation for the years ending 31 May 2000 and 2001 will be as follows:-

	Estimate 2000 RM'000	Forecast 2001 RM'000
Consolidated profit before taxation	10,527	11,000
Taxation	(2,317)	(1,477)
Consolidated profit after taxation	<u>8,210</u>	<u>9,523</u>
Pre-acquisition profit	(1,912)	-
	<u>6,298</u>	<u>9,523</u>
Weighted average number of ordinary shares in issue	29,300,085	40,000,000
Gross earnings per share (sen)*	26.8*	27.5
Net earnings per share (sen)**	21.5 **	23.8
Gross price earnings multiple based on the issue price of RM1.90 per ordinary share (times)	7.1	6.9
Net price earnings multiple based on the issue price of RM1.90 per ordinary share (times)	8.8	7.9

* Calculated based on the consolidated profit before taxation and after accounting for the pre-acquisition profit totaling RM7,849,000 and on the weighted average number of ordinary shares in issue of 29,300,085 ordinary shares.

** Calculated based on the consolidated profit after taxation and after accounting for the pre-acquisition profit totaling RM6,298,000 and on the weighted average number of ordinary shares in issue of 29,300,085 ordinary shares.

10. FINANCIAL INFORMATION (Cont'd)

BASES AND ASSUMPTIONS

The principal bases and assumptions made in the preparation of the profit estimate and forecast are set out below.

- a) There will be no significant changes in the principal activities, management structure, accounting and business policies adopted by the Group.
- b) The existing terms and conditions of contracts and agreements entered into by the Group will remain in force.
- c) There will be no adverse changes to the present legislation and regulations, bases of duties, levies and corporate tax rates which will adversely affect the operations of the Group or the market in which it operates.
- d) There will be no material setback in the growth of the Malaysian economy which will adversely affect the operations of the Group.
- e) There will be no major industrial disputes or any abnormal circumstances which will adversely affect the operations of the Group.
- f) There will be no significant changes to the current pricing of the Group's products.
- g) There will be no material changes in sales mix and margins of the Group's products.
- h) The estimated and forecast, sales and related costs are based on estimates and forecast of the Directors after taking into consideration the present conditions of selling prices and related costs of the Group.
- i) Raw material cost will not fluctuate significantly.
- j) Production/Processing costs will not be adversely affected by any abnormal circumstances or events.
- k) There will be no material fluctuations in manufacturing costs (including labour, cost of materials and other production overheads).
- l) There will be no unexpected problems that may affect the Group's various manufacturing programmes.
- m) There will be no major capital and revenue cost items variations that are beyond the control of the Group.
- n) There will be no significant changes in the prevailing economic and political conditions that will adversely affect the operations of the Group or the markets in which it operates.
- o) The rate of taxation will be 28% and will not change during the year under review.

10. FINANCIAL INFORMATION (Cont'd)

- p) Interest rates for borrowings and deposits will not change significantly and for the purpose of the estimate and forecast, the rates used for borrowings and deposits are at prevailing market rates.
- q) The Group will continue to enjoy the existing credit facilities at current rates and conditions. Credit facilities with licensed banks are subject to annual review and it is assumed they will be renewed with no change to existing terms and conditions.
- r) There will be no major breakdown or disruption in the manufacturing facilities nor will there be any disruption in the sourcing of suppliers and materials by the Group.
- s) Inflation rates will remain at present levels.
- t) The foreign currency exchange rates used in the profit estimate and forecast are USD\$1.00 : RM3.80 and USD1.00 : RM3.50 respectively.
- u) The general provision for bad and doubtful debts as included in the consolidated profit estimate and forecast sufficient to account for any significant incidence of bad debts.
- v) The Group will declare a 8% tax exempt dividend of RM3,200,000 for the financial years ending 31 May 2001.
- w) The estimated listing expenses amounting to RM1,000,000 will be set off against the Share Premium Account.
- x) There will be no material acquisition or disposal of fixed assets other than those that have been budgeted for.

10. FINANCIAL INFORMATION (Cont'd)

10.4 Auditors' Letter on the Profit Estimate and Forecast
(Prepared for the inclusion in this Prospectus)



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5 June 2000

The Board of Directors
Eurospan Holdings Berhad
14A Jalan Todak 3
Pusat Bandar
Bandar Seberang Jaya
13700 Seberang Jaya
Prai, Penang

Dear Sirs,

**AUDITORS' LETTER ON THE CONSOLIDATED PROFIT ESTIMATE AND
FORECAST FOR THE YEARS ENDING 31 MAY 2000 AND 2001**

We have reviewed the accounting policies and calculations for the consolidated profit estimate and forecast of Eurospan Holdings Berhad ("EHB") and its subsidiary companies ("the Group") for the financial years ending 31 May 2000 and 2001 for which the Directors are solely responsible, as set out in the Prospectus dated 7 June 2000 in connection with the public issue of 6,000,000 new ordinary shares of RM1.00 each and the 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 respectively and the listing of and quotation for the entire issued and paid-up share capital of EHB on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the consolidated profit estimate and forecast, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors as set out in the Prospectus and are presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully

KPMG
Firm Number : AF 0758
Public Accountants

Ng Swee Weng
Partner

Approval Number : 1414/03/02 (J/PH)



10. FINANCIAL INFORMATION (Cont'd)**10.5 Dividend Estimate and Forecast**

Barring any unforeseen circumstances, the Directors intend to declare a final gross dividend of 8% for the financial year ending 31 May 2001 (forecast) based on the enlarged issued and paid-up share capital of 40,000,000 ordinary shares of RM1.00 each in EHB.

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

The intending appropriation of the consolidated estimate and forecast profit after taxation for the financial year ending 31 May 2000/2001 would be as follows:-

	Estimate	Forecast
	31 May 2000	31 May 2001
	RM'000	RM'000
Consolidated profit before taxation	10,527	11,000
Taxation	(2,317)	(1,477)
Consolidated profit after taxation	8,210	9,523
Pre-acquisition profit	(1,912)	-
	(6,298)	9,523
Proposed final dividend of 8% (tax exempt)	-	(3,200)
	(6,298)	6,323
Dividend per share* (sen)	-	8.0
Dividend yield based on the Issue/Offer price of RM1.90 per share (%)	-	4.2
Dividend cover (times)	-	2.98

Notes:-

* Based on the enlarged issued and paid-up share capital of 40 million ordinary shares of RM1.00 each.

10. FINANCIAL INFORMATION (Cont'd)

10.6 Proforma Consolidated Balance Sheets as at 31 December 1999
PROFORMA CONSOLIDATED BALANCE SHEETS OF
EUROSPAN HOLDINGS BERHAD

The Proforma Consolidated Balance Sheets are provided for illustrative purposes only to show the effects of the acquisition of EFSB, DFSB, E-Wood and D-Word ("Acquisitions"), the rights issue of 4,699,915 ordinary shares of RM1.00 each at RM1.86 per share, the public issue of 6,000,000 new ordinary shares of RM1.00 each at RM1.90 per share and the estimated listing expenses of RM1,000,000 on the assumption that these transactions had been effected on 31 December 1999.

	(A)	(B)	(C)
	Proforma	After (A)	After (B)
	Group	And	and Public
	After	Rights	Issue and
	Acquisitions	Issue	Listing
Company	RM'000	RM'000	RM'000
Audited			Expenses
RM'000			RM'000
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	-	23,907	23,907
CURRENT ASSETS			
Stocks	-	4,047	4,047
Trade debtors	-	6,907	6,907
Other debtors, deposits and prepayments	-	461	461
Short term deposits with licensed banks	-	5,773	5,773
Cash and bank balances	-	1,107	20,249
	-	18,295	27,037
			37,437
CURRENT LIABILITIES			
Trade creditors	-	4,740	4,740
Other creditors and accruals	372	1,255	1,255
Provision for taxation	-	842	842
	372	6,837	6,837
NET CURRENT (LIABILITIES)/ASSETS	(372)	11,458	20,200
EXPENDITURE CARRIED FORWARD	372	372	372
	-	35,737	44,479
			54,879
CAPITAL EMPLOYED			
SHARE CAPITAL	*	29,300	34,000
RESERVE ON CONSOLIDATION	-	1,102	1,102
SHARE PREMIUM	-	-	4,042
UNAPPROPRIATED PROFITS	-	3,875	3,875
	-	34,277	43,019
			53,419
HIRE PURCHASE OBLIGATION	-	83	83
DEFERRED TAXATION	-	1,377	1,377
	-	35,737	44,479
			54,879
Net tangible assets/(liabilities) per share (RM)	(186,000)	1.16	1.25
			1.33

* This represents issued and paid-up share capital of RM2

10. FINANCIAL INFORMATION (Cont'd)

**NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS OF
EUROSPAN HOLDINGS BERHAD AT 31 DECEMBER 1999**

- (1) The Proforma Consolidated Balance Sheets of EHB have been prepared based on a restructuring scheme involving the following acquisitions, rights issue, public issue and estimated listing expenses and are provided for illustrative purposes only. The Proforma Consolidated Balance Sheets are based on the audited accounts of EHB, Eurospan Furniture Sdn Bhd ("EFSB") Dynaspan Furniture Sdn Bhd("DFSB"), Euroswod Furniture Sdn Bhd("E-Wood") and Dynaword Sdn Bhd("D-Word") as at 31 December 1999.

In conjunction with the listing of and quotation for the entire issued and paid-up share capital of EHB on the Second Board of the KLSE, the Company undertook the following restructuring scheme on the assumption that they were effected on 31 December 1999:

(I) Proposed Acquisitions

- (i) Acquisition of the entire issued and fully paid-up share capital in Eurospan Furniture Sdn Bhd ("EFSB") by EHB comprising 258,623 ordinary shares of RM1.00 each for a total consideration of RM27,073,048, based on the audited net tangible assets at 31 May 1999, to be satisfied by the issue of 27,073,048 new ordinary shares of RM1.00 each, at par, in EHB.
- (ii) Acquisition of 166,668 ordinary shares of RM1.00 each representing 66.66% of the issued and fully paid-up share capital in Dynaspan Furniture Sdn Bhd ("DFSB") by EHB for a total consideration of RM2,227,035, based on the audited net tangible assets at 30 June 1999, to be satisfied by the issue of 2,227,035 new ordinary shares of RM1.00 each, at par, in EHB.
- (iii) Acquisition of 83,335 ordinary shares of RM1.00 each representing 33.34% of the issued and fully paid-up share capital in Dynaspan Furniture Sdn Bhd ("DFSB") by EHB for a total cash consideration of RM1,113,852 from EFSB.
- (iv) Acquisition of the entire issued and fully paid-up share capital in Euroswod Furniture Sdn Bhd ("E-Wood") by EHB comprising 2 ordinary shares of RM1.00 each for a total cash consideration of RM2 from EFSB.
- (v) Acquisition of the entire issued and fully paid-up share capital in Dynaword Sdn Bhd ("D-Word") by EHB comprising 2 ordinary shares of RM1.00 each for a total cash consideration of RM2 from EFSB.

(II) Proposed Nomination of Rights to Allotment of Shares

Concurrent with the Proposed Acquisitions, the promoters namely Guan Kok Beng, Guan Kim Heng and Guan Kim Loong will undertake the Proposed Nomination of Rights to Allotment of Shares. The Proposed Nomination of Rights to Allotment of Shares involve the proposed nomination of 15,511,810 rights to allotment of ordinary shares of RM1.00 each held by Guan Kok Beng (44.47%), Guan Kim Heng (32.78%) and Guan Kim Loong (22.75%) to an investment holding company, TBHL Holdings Sdn Bhd for the purpose of consolidating the shareholding of the promoters by locking their collective interest in a company which is controlled by them.

(III) Proposed Rights Issue

Proposed Rights Issue of 4,699,915 new ordinary shares of RM1.00 each at an issue price of RM1.86 per share, for cash on the basis of 16 new ordinary shares for every 100 existing ordinary shares held, based on the enlarged share capital of 29,300,085 ordinary shares of RM 1.00 each in EHB (after the above proposed acquisitions).

10. FINANCIAL INFORMATION (Cont'd)

(IV) Proposed Public Issue

Proposed Public Issue of 6,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.90 per share and estimated listing expenses of RM1,000,000.

- (2) The movements of the issued and paid-up share capital of EHB after taking into account the above transactions are as follows:-

	Ordinary shares of RM1.00 each RM'000
Balance at 31 December 1999	*
Issued as consideration for acquisition of EFSB and DFSB	29,300
After the Acquisitions and Nomination of Rights to Allotment of Shares	<u>29,300</u>
Rights Issue	4,700
After the Acquisitions and Rights Issue	<u>34,000</u>
Public Issue	6,000
After the Acquisitions, Rights Issue and Public Issue	<u><u>40,000</u></u>

* comprise 2 ordinary shares of RM1.00 each

- (3) The Proforma Consolidated Balance Sheets have been prepared on the accounting principles and bases consistent with those normally adopted by the Group.
- (4) Except for DFSB which is consolidated using acquisition method, the Proforma Consolidated Balance Sheets of Eurospan Holdings Berhad and its proposed subsidiary companies are prepared using the merger method of accounting in accordance with the provisions of Malaysian Accounting Standard 2.

Merger debit of RM26,814,425 arising from the acquisition of EFSB by EHB represents the difference between the nominal value of EHB's ordinary shares issued as purchase consideration for the acquisition and the nominal value of EFSB's shares acquired. The merger debit arising has been set off against the capital reserve and unappropriated profits of the Group.

- (5) Estimated listing expenses of RM1.0 million has been set off against the Share Premium Account.
- (6) The gross proceeds from the rights issue and public issue amounting to RM8,741,842 and RM11,400,000 respectively, totalling RM20,141,842 will be utilised as set out below:-

	RM'000
Purchase of plant and machinery	7,000
Factory building extension	7,000
Working capital	5,142
Estimated listing expenses	1,000
	<u><u>20,142</u></u>

10. FINANCIAL INFORMATION (Cont'd)

10.7 Auditors' Letter on the Proforma Consolidated Balance Sheet
(Prepared for the inclusion in this Prospectus)



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5 June 2000

The Board of Directors
Eurospan Holdings Berhad
14A Jalan Todak 3
Pusat Bandar
Bandar Seberang Jaya
13700 Seberang Jaya
Prai, Penang

Dear Sirs,

AUDITORS' LETTER ON THE PROFORMA CONSOLIDATED BALANCE SHEETS

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of Eurospan Holdings Berhad (EHB" or "the Company") and its subsidiary companies ("the Group") as at 31 December 1999 together with the notes and assumptions thereon for which the Directors are solely responsible, as set out in the Prospectus dated 7 June 2000 in connection with the public issue of 6,000,000 new ordinary shares of RM1.00 each and the 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 respectively and the listing of and quotation for the entire issued and paid-up share capital of EHB on the Second Board of the Kuala Lumpur Stock Exchange.

In our opinion, the above-mentioned Proforma Consolidated Balance Sheets together with the notes thereon which are provided for illustrative purposes only, have been prepared on the accounting principles and bases consistent with those normally adopted by the Group and are presented in a form suitable for inclusion in the said Prospectus.

Yours faithfully

KPMG
Firm No : AF 0758
Public Accountants

Ng Swee Weng
Partner

Approval Number : 1414/03/02 (J/PH)



KPMG. KPMG, a partnership established under Malaysian Law, is a member of KPMG International, a Swiss association.

11. ACCOUNTANTS' REPORT



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5 June 2000

The Board of Directors
Eurospan Holdings Berhad
14A Jalan Todak 3
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Bandar Seberang Jaya
13700 Seberang Jaya
Prai, Penang

Dear Sirs,

ACCOUNTANTS' REPORT

1. INTRODUCTION

This report has been prepared for inclusion in the Prospectus dated 7 June 2000 in connection with the public issue of 6,000,000 new ordinary shares of RM1.00 each and the 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 respectively in Eurospan Holdings Berhad (hereinafter referred to as "EHB" or "the Company") and the listing of and quotation for its entire issued and paid-up share capital of 40,000,000 ordinary shares of RM1.00 each on the Second Board of the Kuala Lumpur Stock Exchange ("KLSE").

2. GENERAL INFORMATION

2.1 THE COMPANY'S BACKGROUND

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

The principal activity of the Company is that of investment holding.



KPMG, KPMG, a partnership established under Malaysian Law, is a member of KPMG International, a Swiss association.