

1. INTRODUCTION

This Prospectus is dated 7 June 2000.

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

Approval has been obtained from the SC on 3 February 2000 and 28 April 2000.

Approval-in-principle has been obtained from the KLSE on 5 June 2000 for admission to the Official List of the Second Board of the KLSE and for permission to deal in an for quotation for the entire issued and paid-up ordinary shares of EHB, including the Public Issue Shares and Offer 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 notices of allotment have been despatched to all successful applicant.

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 EHB as a prescribed security. In consequence thereof, the shares issued/offered through this Prospectus will be deposited directly with MCD and any dealings in these shares will be carried out in accordance with the aforesaid Acts and the Rules of MCD.

An applicant who currently has a CDS Account should state his/her CDS Account number in the space provided in the Application Form. Where an applicant does not presently have a CDS Account, he/she should state in the Application Form his/her preferred ADA Code.

The KLSE assumes no responsibility for the correctness of any of the statements made or opinion 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 shares.

The Public Issue and Offer For Sale were approved by the SC on 3 February 2000 and 28 April 2000. The approval of the SC shall not be taken to indicate that the SC recommends the Public Issue and Offer For Sale. Investors should rely on their own evaluation to assess the merits and risks of the Public Issue/Offer.

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

The distribution of this Prospectus and the making of the Public Issue/Offer in certain other jurisdictions may be restricted by Malaysian 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/Offer Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

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

2. SHARE CAPITAL

SHARE CAPITAL	RM
Authorised 50,000,000 ordinary shares of RM1.00 each	50,000,000
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
Enlarged share capital	40,000,000
To be offered pursuant to the Offer for Sale 12,060,000 ordinary shares of RM1.00 each	12,060,000

The Issue/Offer price of RM1.90 per Public Issue/Offer Share is payable in full upon application.

There is only one class of shares in the Company, namely, ordinary shares of RM1.00 each, all of which rank pari passu with one another. The Public Issue/Offer Shares will rank pari passu in all respects with the other existing issued ordinary shares of the Company including voting rights and rights 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 ordinary shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions in respect of the whole of any surplus in the event of the liquidation of the Company, in accordance with its Articles of Association.

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

3. CORPORATE INFORMATION

EUROSPAN HOLDINGS BERHAD
(Incorporated in Malaysia under the Companies Act, 1965)

Board of Directors

Name	Address	Occupation	Nationality
Guan Kok Beng <i>(Chairman)</i>	109-06-08, Persiaran Bayan Indah Sungai Nibong 11900 Bayan Lepas Penang	Managing Director	Malaysian
Guan Kim Heng <i>(Executive Director)</i>	109-06-08, Persiaran Bayan Indah Sungai Nibong 11900 Bayan Lepas Penang	Company Director	Malaysian
Guan Kim Loong <i>(Executive Director)</i>	109-06-08, Persiaran Bayan Indah Sungai Nibong 11900 Bayan Lepas Penang	Company Director	Malaysian
Dato' Noor Ahmad Mokhtar Bin Haniff <i>(Non Executive Director)</i>	7, Solok Bukit Jambul Dua 11950 Penang	Company Director	Malaysian
Diong Chin Teck <i>(Non Executive Director)</i>	5, Cantonment Avenue 10350 Penang	Company Director	Malaysian

Audit Committee

Name	Responsibility	Directorship
Dato' Noor Ahmad Mokhtar Bin Haniff	Chairman	Independent non-Executive Director
Diong Chin Teck	Member	Independent non-Executive Director
Guan Kim Heng	Member	Executive Director

3. CORPORATE INFORMATION (Cont'd)

Company Secretary	:	Lim Kim Teck (MAICSA : 7010844) 12B Jalan Arratoon 10050 Penang
Registered Office	:	14A Jalan Todak 3 Pusat Bandar Bandar Seberang Jaya 13700 Seberang Jaya, Prai, Penang
Principal Bankers	:	Standard Chartered Bank Malaysia Berhad (115793-P) Level 1, NB Tower 1 5050 Jalan Bagan Luar 12000 Butterworth Malayan Banking Berhad (3813-K) 4277 Jalan Bagan Luar 12000 Butterworth
Share Registrar	:	Plantation Agencies Sdn Berhad (2603-D) Standard Chartered Bank Chambers Lebuh Pantai 10300 Penang
Auditors and Reporting Accountants	:	KPMG Public Accountants 1st Floor, Wisma Penang Garden 42, Jalan Sultan Ahmad Shah 10050 Penang
Solicitors for the Listing	:	Ong & Manecksha Suite 503, 5th Floor Penang Plaza, Jalan Burma 10050 Penang
Issuing House	:	MIDF Consultancy and Corporate Services Sendirian Berhad (11324-H) 12th Floor, Bangunan MIDF 195A, Jalan Tun Razak 50400 Kuala Lumpur
Adviser and Managing Underwriter	:	Ascambankers Malaysia Berhad (15938-H) 33rd Floor, Menara Maybank 100, Jalan Tun Perak 50050 Kuala Lumpur
Underwriters	:	Aseambankers Malaysia Berhad (15938-H) 33rd Floor, Menara Maybank 100, Jalan Tun Perak 50050 Kuala Lumpur Arab-Malaysian Merchant Bank Berhad (23742-V) Suites 01, 02 & 03, 2 nd Floor Menara Penang Garden 42-A, Jalan Sultan Ahmad Shah 10050 Penang

3. CORPORATE INFORMATION *(Cont'd)*

Hwang-DBS Securities Berhad (14389-U)
Levels 2, 3, 4, 7 & 8, Wisma Sri Pinang
60, Green Hall
10200 Penang

Mercury Securities Sdn Bhd (113193-W)
Ground, 1st, 2nd & 3rd Floor, Wisma UMNO
Lorong Bagan Luar Dua
12000 Butterworth
Seberang Perai

Listing Sought : Second Board of the Kuala Lumpur Stock Exchange

4. PARTICULARS OF THE PUBLIC ISSUE/OFFER FOR SALE

4.1 Particulars of the Public Issue/Offer for Sale

The Public Issue and Offer for Sale shall be subjected to terms and conditions as set out in this Prospectus and where relevant the application forms will be allocated in the following manner:-

Public Issue

The Public Issue is an invitation by the Company to the Bumiputera investors approved by MITI to apply for 6,000,000 ordinary shares of RM1.00 each in the Company at the Issue Price of RM1.90 per share, payable in full on application.

Offer for Sale

The Offer for Sale is an invitation by the existing substantial shareholders of EHB to the Bumiputera investors approved by MITI, eligible employees and directors of EHB Group and other persons and Malaysian Public to apply for 12,060,000 new ordinary shares of RM1.00 each in the Company at an Offer Price of RM1.90 per share, payable in full on application and is subject to the terms and conditions of this Prospectus. The Offer Shares will be allocated in the following manner :-

(i) Bumiputera Investors Approved by MITI

6,000,000 ordinary shares will be allocated to Bumiputera investors approved by MITI;

(ii) Employees of EHB and Other Eligible Persons

1,500,000 ordinary shares will be reserved for, eligible employees and directors of EHB Group and other eligible persons; and

(iii) Malaysian Public

4,560,000 ordinary shares will be made available for application by Malaysian citizens, companies, societies, co-operative and institutions of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

Should any of the Offer Shares as per Section 4.1 (ii) are not taken, these Offer Shares will be made available to the Malaysian Public and will be fully underwritten by the Managing Underwriter.

In addition, should any of the Public Issue Shares and Offer Shares as per section 4.1(i) are not taken, these Public Issue Shares and Offer Shares will be fully underwritten by the Managing Underwriter.

4.2 Basis of Arriving at the Issue/Offer Price

The Issue/Offer Price of RM1.90 per ordinary share is based on market driven pricing and has been arrived at after taking into account inter-alia, the following factors:-

- (i) The proforma consolidated NTA per share of EHB as at 31 December 1999 of RM1.33 which represents a discount of 30% to the Issue/Offer price;
- (ii) The forecast net PE Multiple of approximately 7.98 times based on the forecast consolidated net EPS of EHB of approximately 23.81 sen for the year ending 31 May 2001; and

4. PARTICULARS OF THE PUBLIC ISSUE/ OFFER FOR SALE (Cont'd)

- (iii) The qualitative and quantitative factors of the EHB Group as outlined in Section 6.4 and 7 of this Prospectus.

4.3 Purposes of the Public Issue/Offer for Sale

- (i) To provide an opportunity for the Malaysian public and eligible employees, Directors and other persons of EHB Group to participate in the continuing growth of the Group;
- (ii) To provide the Group with access to the capital market to raise funds to finance the future growth and expansion;
- (iii) To raise the required funds for the expansion plans of the Group which include the construction of a new factory at Sungai Baong Furniture Village, Seberang Perai Selatan, Penang which will be used for the production of furniture and wood-based products; and.
- (iv) To obtain a listing of and quotation for the entire issued and paid-up share capital of the Company on the Second Board of the KLSE.

4.4 Proceeds of the Rights Issue and Public Issue

The Rights Issue and Public Issue is expected to raise gross proceeds of RM20,141,842. All expenses and fees incidental to the listing of and quotation for the entire issued and paid-up capital of EHB on the Second Board of the KLSE inclusive of brokerage and underwriting commission relating to the Public Issue estimated at RM1,000,000 shall be borne by the Company.

Details of the utilisation of proceeds of the Rights Issue and Public Issue as approved by the SC vide its letter dated 3 February 2000 and 28 April 2000 are as follows:

	Note	RM
Construction of a manufacturing plant	(a)	7,000,000
Purchase of machineries and equipment	(b)	7,000,000
General working capital requirements		5,141,842
Estimated listing expenses		1,000,000
		<u>20,141,842</u>

Notes:

- (a) *The plant is located at Sungai Baong Furniture Village, Seberang Perai Selatan, a freehold land of approximately 247,420 sq.ft with a total built-up area of approximately 119,700 sq.ft. Construction of the plant commenced on 16 February 2000 and is expected to complete by the third (3rd) quarter of Year 2000. As at 25 May 2000, the construction of the plant is 50% completed.*

4. PARTICULARS OF THE PUBLIC ISSUE/ OFFER FOR SALE (Cont'd)

- (b) *It is estimated that the Group will spend approximately RM7 million for the purchase of machineries and equipment for the new manufacturing plant at Sungai Baong Furniture Village. As a result of this the production capacity of the Group is expected to increase by 50,000 chairs and 12,500 tables per month. It is expected that the commissioning of the machineries will be in the first quarter of 2001.*

The machineries and equipment to be purchased will comprise the following :-

No.	Machineries & Equipment
(i)	<i>Kiln-Drying Equipment</i>
(ii)	<i>Sawing/Cutting Machine</i>
(iii)	<i>Planing/Moulding Machine</i>
(iv)	<i>Laminating/Gluing Machine</i>
(v)	<i>Shaping Machine</i>
(vi)	<i>Sanding Machine</i>
(vii)	<i>Coating & Spraying Machine</i>
(viii)	<i>Mortising & Boring Machine</i>
(ix)	<i>Assembling Machines & Equipment</i>
(x)	<i>Dusting Equipment/Air Compressor/Forklift</i>
(xi)	<i>Miscellaneous</i>

These machineries and equipment are used for material preparation, furniture parts processing, finishing and general purposes.

The type and purpose of each machinery and equipment is set out below :-

Type	Purpose
<i>Material Preparation</i>	<i>- Kiln-Drying Equipment - Sawing/Cutting Machine - Planing/Moulding Machine - Laminating/Gluing Machine</i>
<i>Furniture Parts Processing</i>	<i>- Shaping machine - Sanding Machine - Mortising and Boring Machine - Assembling Machines and Equipment</i>
<i>Finishing</i>	<i>- Coating and Spraying Machine</i>
<i>General</i>	<i>- Dusting Equipment/Air Compressor/Forklift</i>

4. PARTICULARS OF THE PUBLIC ISSUE/ OFFER FOR SALE (Cont'd)

4.5 Underwriting Commission and Brokerage

The Managing Underwriter and Underwriters mentioned in Section 3 of this Prospectus have agreed to underwrite the 4,560,000 Offer Shares to be offered to the Malaysian Public. Underwriting commission is payable by the Offerors in respect of the Offer Shares underwritten at the rate of 1.5% of the Offer Price of RM1.90 per share.

The Managing Underwriter has also agreed to underwrite any Public Issue Shares and Offer Shares allocated for Bumiputera investors approved by MITI and Offer Shares reserved for eligible employees of the EHB Group and other eligible persons, which are not taken up at an underwriting commission of 1.5% of the Offer Price of RM1.90 per share.

Brokerage relating to the Public Issue and Offer for Sale is payable by the Company and the Offerors at the rate of 1.0% of the Issue/Offer Price of RM1.90 per share in respect of successful applications which bear the stamp of Aseambankers, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIDFCCS.

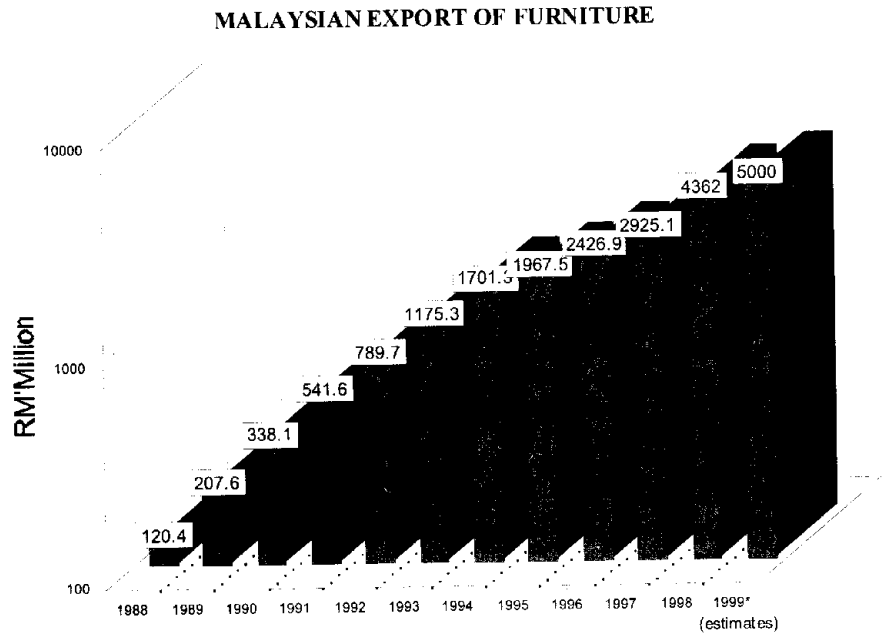
5. INDUSTRY OVERVIEW

5.1 Overview of the Furniture Industry

5.1.1 Industry Growth and Size for the Past Five (5) Years

Over the past five (5) years, Malaysian-made rubberwood furniture has increasingly gained prominence as the alternative raw material to tropical timber and in 1998 it accounted for 87% of the country's total furniture exports of RM3.8 billion.

From 1988 to 1998, the furniture industry as a whole has registered tremendous growth rates, averaging 36.7% annually. In 1988, the export turnover was a mere RM120 million but at the end of 1998, it grew to over RM3.8 billion. Based on the furniture exports for first ten months of 1999 of RM3.7 billion, the total export turnover for last year is projected at RM5 billion. (Source : *The Star*, 22 February 2000, 21 February 2000)



(Source : *Malaysian Business*, 1 May 1999)

(*Source : *Star*, 8 March 1999)

In 1997 and 1998, Malaysia exported almost RM3 billion and RM4.2 billion worth of furniture respectively. In view of the growing worldwide demand Malaysia is expected to export RM7 billion worth of furniture by 2005.

5. INDUSTRY OVERVIEW *(Cont'd)*

5.1.2 Industry Life Cycle

The furniture industry in Malaysia has been expanding annually over the last six (6) years. Furniture was designated as a *priority products* group under the First Industrial Master Plan (1985 -1995) . The recent Second Industrial Master Plan (1996 -2005) has again identified the furniture industry as a *target industry* . Various governmental incentives and benefits were formulated to stimulate the growth of this industry.

The furniture sector being an export oriented industry was hardly affected by the economic crisis. When the downturn began in the middle of 1997, the furniture sector recorded RM3.8 billion in exports and this figure rose to RM4.2 billion in 1998. It is expected to hit RM4.5 billion by the end of 1999 and to almost RM5 billion in 2000.

(Source : The Star, 28 September 1999)

The depreciated ringgit has made Malaysian made furniture products more competitive. Therefore, considering the global furniture market is worth US\$20 billion annually and Malaysian products accounts for 4% so far, there is plenty of room for our furniture industry to grow and accordingly to achieve a bigger market share.

(Source : Malaysian Industry, October 1999)

Malaysian furniture industry has tremendous growth potential. In terms of world ranking, Malaysia is the 15th largest furniture exporter in the world. Nevertheless, Malaysia's share of wooden furniture export of 2% of the global furniture market of US\$100 billion is relatively small.

Given the increase in demand for Malaysian made furniture from the USA and Japan, the furniture industry is expected to generate RM7 billion in exports by 2005. By then, Malaysia would achieve its target to be among the top 10 furniture exporters.

(Source : New Straits Times 21 February 2000, The Star 18 October 1999)

5.2 Rubberwood Furniture

5.2.1 Export of Rubberwood Furniture

Rubberwood has become an important source of raw material for the local wood-based furniture industry. For instance, in the Malaysian International Furniture Fair 1999, RM1.58 billion worth of furniture have been exported. Out of which 80% of the exported furniture were made of rubberwood.

(Source : Star, 22 March 1999)

5.2.2 Popularity of Rubberwood

One of the products that is becoming more and more popular is furniture made of rubberwood. In 1997, 80% of wooden furniture is rubberwood-made. Its popularity is shown by the substantial value of export of rubberwood furniture in comparison with other wooden furniture products

(Source: Asian Timber, February 1999)

5. INDUSTRY OVERVIEW (Cont'd)

5.2.3 Rubberwood Supply

Malaysia is still about three-quarters covered by forest. Its forest resources allows for more growth opportunities and accelerated development of the downstream industries. In line with the government's continuing efforts at conservation of forest resources, the Forest Research Institute of Malaysia ("FRIM") has intensified its research activities on rubberwood, especially its preservation, moulding and gluing properties.

(Source : Malaysia Business Times, 10 June 1999, Star - 22 March 1999)

Total land under rubber in 1999 is 1.52 million hectares (1998:1.56 million hectares). The slight decline in rubber hectarages was mainly due to conversion of such land for oil palm plantation as well as for housing *(Source: Economic Report 1999/2000)*.

Malaysian Rubber Board in its Planting Recommendation 1998-2000, has recommended eight clones of rubberwood trees namely RRIM 908, RRIM 911, RRIM 921, RRIM 936, PB 260, PB 350, RB 355 and RM 359. These clones have been categorised as latex-timber clones. Therefore, by encouraging replantation, it will enable furniture manufacturers to source its rubberwood supplies *(Source : Malaysia Business Times, 10 June 1999, Star - 22 March 1999)*.

5.3 Government Legislation, Policies and Incentives

5.3.1 For the Furniture Industry as a Whole

Through a definitive policy that encourages downstream activities to maximise value-added returns and a pro-active Malaysian Timber Industry Board ("MTIB"), the export of Malaysian wooden furniture repeatedly exceeded its target over the years. Among others, MTIB conducts seminars for manufacturers to improve their skills in marketing timber products.

(Source: Star, 21 June 1999 and The Sun, 13 April 1999)

Continuous support in advisory services and technical expertise to the furniture industry by the Government greatly contributes to the industry's current success.

(a) Organisation of Trade Fairs

Through promotional efforts carried out by various agencies such as MTIB, MTC and Malaysian Furniture Industry Council ("MFIC"), the furniture industry has begun to make inroads into new markets. One of the trade exhibitions which promotes and boost the exports of Malaysian-made furniture in the global market is the annual Malaysian Furniture Fair ("MIFF") organised by MFIC which is participated only by local producers.

MIFF offers a conducive and economical platform for local furniture manufacturers to build strong business linkages with international buyers as well as to obtain market trend information. In addition, the annual exhibition plays an integral role in creating greater awareness of the capabilities of local manufacturers and to promote value-added quality Malaysian furniture to the world.

5. INDUSTRY OVERVIEW (Cont'd)

To encourage innovative marketing presentations and concepts, with the assistance of MTIB, various competitions such as the "National Furniture Design Competition" and the "Best Display Awards" competition are organised. A one-day marketing seminar is set up to provide a platform for the exchange of views and visions on technology, designs, market and information technology applications.

The trade exhibition which began three years ago is instrumental in the generation of export sales of RM1.4 billion and RM1.58 billion years 1998 and 1999 respectively. (Source : *New Straits Times*, 20 March 1999 and *The Star*, 4 August 1999) The MIFF is known to be one of the largest single-nation furniture exhibition in the world. Through this premier event, the Malaysian furniture industry has gained notable distinction as a reputable producer of quality and exquisitely designed furniture in the global market. The recently completed MIFF 2000, with 250 local exhibitors, attracted visitors from 100 countries mainly from Asean countries, Europe, Japan, Korea and USA (Source : *New Straits Times*, 21 February 2000)

In addition to the above, other exhibitions organised includes the Malaysia Furniture Export Exhibition (Mafex), which was held on 3 to 7 March 2000. Mafex 1999, which was held on 1 March to 6 March 1999, attracted 202 manufacturers and 20,000 visitors. (Source : *New Straits Times*, 4 March 2000)

(b) Research and Development Projects

The Government, through FRIM and RRIM, have played an instrumental role in providing technical support in the form of research and development programmes aimed at increasing the efficiency of raw material usage and overcoming production problems.

FRIM has established a Furniture Testing Laboratory, which has been given accreditation by the UK-based Furniture Industry Research Association (FIRA), an internationally recognised authority on furniture quality certification and testing. Products that pass the tests at FRIM's laboratory are given international recognition as the test certificates issued following the accreditation are universally accepted because of FIRA's international standing. The laboratory, established in 1989, is equipped with a complete range of testing equipment to evaluate the performance of a wide array of furniture. Besides, carrying out the tests, FRIM also provides advice on design and material use to improve the performance and quality of those samples that failed.

(c) Financial Assistance

The Government has also introduced financial support to assist the industry. Some of these financial facilities include the Industrial Technical Assistance Fund ("ITAF"), Industrial Adjustment Fund ("IAF") and Industrial Adjustment Programme ("IAP").

5. INDUSTRY OVERVIEW *(Cont'd)*

Another form of support is the channelling of Intensification of Research in Priority Areas ("IRPA") funds and funds from other timber related organisations to finance research and development in machinery fabrication by private firms and public research institutions.

5.3.2 Government Policies and Incentives Towards the Rubberwood Furniture Industry

The Malaysian Government has recognised the multiple socio-economic benefits that can be derived from the development of the rubberwood processing industry and the various measures aimed at achieving this objective has been implemented.

The importance of rubberwood to the furniture industries is not only recognised by the Federal Government of Malaysia, but also by the state governments. For instance, Johor State Government has set aside 24,300 hectare of land to cultivate the fast growing rubberwood trees, while Pahang initiates on the research and development programmes.

(Source : New Straits Times, 1 March 1999)

Export Levy Structure for the Malaysian Timber Industry

MTIB had on 7 May 1998 announced the new export levy structure for Peninsular Malaysia's timber and timber products which is mainly aimed at stabilising the country's exports of timber and timber products. The revision on the export levy is expected to increase sales by 30% to 50% in 1998.

Based on the new levy, the levy on rubberwood exports, subject to quota, is reduced to RM120 per cubic metre from RM180 per cubic metre previously.

(Source : Malaysian Business Times, 7 May 1998)

5.4 Industry Dynamics

5.4.1 Nature of Industry

The industry is basically labour-intensive at this stage due to the fact that the furniture industry is categorised as an industry of small producers. Based on the annual Department of Statistics survey; there were 1,936 furniture manufacturers each employing on average more than 10 people in 1996. The average value of the output of these was only RM2.5 million and they employed on average 36 workers.

The monthly survey for May 1999 indicated that there were 150 furniture and fixtures manufacturers of more than 30 employees, producing an annual estimated output averaging RM17.1 million each. These larger manufacturers employ about 181 workers on average.

For the wood based manufacturer, the average output was small at RM2.2 million in 1996, indicating that the manufacturers were of small average size. The reason for the small average size of furniture manufacturers is not hard to understand. This is an industry traditionally of craftsmen and artisans. Until very recently, furniture was not a branded product. In both urban and rural areas, the average furniture buyers go to the nearest furniture shops and pick out what they need. The upper class buyers would probably have their furniture custom-made for them.

(Source : Dynaquest Sdn Bhd - Industrial sector analysis on the furniture industry, October 1999)

5. INDUSTRY OVERVIEW (Cont'd)

5.4.2 Furniture Export Market

Since the implementation of the Industrial Master Plan ("IMP"), which covers the years 1986 to 1995, priority has been given to accelerating the development of value-added wood processing sectors, particularly furniture, wood mouldings and joinery.

The ensuing table shows, Malaysian wooden furnitures were exported to various countries around the world. It is noted that approximately 39.1% of the total export is attributable to the USA market. This is followed by Japan and EU which accounted for 15.7% and 12.0% respectively.

MALAYSIA : WOODEN FURNITURE BY DESTINATION (In RM Million)									
Destination	1990	1991	1992	1993	1994	1995	1996	1997	1998
EU	14.2	36.6	60.6	80.1	98.7	133.5	162.0	225.1	390.3
Belgium	1.2	2.7	4.1	7.2	5.4	5.7	12.1	14.4	21.7
Germany	2.1	6.2	9.8	6.6	10.4	11.4	13.7	16.3	19.2
Netherlands	1.5	3.0	3.9	10.1	13.0	17.4	13.4	18.5	27.2
U.Kingdom	6.5	16.4	30.9	41.5	54.0	62.6	76.4	107.0	213.8
Japan	31.6	81.0	120.7	191.4	289.3	414.5	468.9	465.6	509.0
Taiwan	17.7	20.6	16.9	28.2	41.0	49.1	46.0	55.8	74.2
Hong Kong	10.9	10.7	8.3	10.7	26.4	37.7	54.3	68.2	55.3
Singapore	30.6	59.1	90.4	123.0	166.9	164.7	215.8	256.6	279.2
USA	76.6	130.4	185.3	387.5	637.1	661.9	823.9	970.3	1,269.3
Australia	13.9	22.6	33.3	35.0	48.4	59.5	78.2	115.9	169.0
Others	19.2	42.3	63.2	79.7	105.6	152.9	239.6	373.5	499.5
TOTAL	226.0	431.6	627.4	1,001.0	1,496.2	1,770.9	2,204.3	2,687.2	3,527.7

(Source : Star, 21 June 1999)

5.4.3 Barriers of Entry

Generally, the entry to the furniture industry is difficult for new entrants. To remain competitive, new entrants need to expend high capital outlay on automated plants and machineries as well as to secure continuous supply of raw materials.

In terms of products, competition is based on innovation and product quality. Hence, technological advancement would also be a deterrent factor to new entrants in this industry.

5.5. Future Outlook and Growth for the Industry

Global furniture exports stood at RM85 billion (US\$22.1 billion) in 1998, out of which Malaysia's market share is almost 3%. Taking this into cognisance, it is forecasted that annual growth of the industry for 1999 to the year 2005 will be in the range of 10% to 15%.

(Source: Asian Timber, February 1999)

5. INDUSTRY OVERVIEW *(Cont'd)*

The prospects for the Malaysian furniture industry continues to be bright with both domestic and export markets experiencing favourable conditions. The industry is expected to expand very rapidly in tandem with global demand.

Malaysia is in a favourable and competitive position to expand its furniture industry with traditional producers such as Taiwan, Hong Kong and the Republic of Korea currently facing uncertainties in raw material supplies, increasing labour costs and currency appreciation. In addition, Malaysian exporters are not badly affected by the economic downturn compared to those in Indonesia, Thailand and even China. Based on the chart in Section 5.1.1, it clearly indicates an increasing trend of export earnings for the Malaysian furniture industry.

6. INFORMATION ON EHB GROUP

6.1 History and Principal Activities

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

6.2 Share Capital

	No. of Ordinary Shares	Par Value RM	Amount RM
Authorised	50,000,000	1.00	50,000,000
Issued and Paid-up	34,000,000	1.00	34,000,000

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

Date of Allotment	No. of Ordinary Shares Allotted	Par Value RM	Consideration RM	Total Issued Share Capital RM
19.07.1995	2	1.00	Cash	2
30.04.2000	27,073,048	1.00	Issued as purchase consideration for the Acquisition of EFSB	27,073,050
30.04.2000	2,227,035	1.00	Issued as purchase consideration for the Acquisition of DFSB	29,300,085
17.05.2000	4,699,915	1.00	Rights Issue of approximately sixteen (16) new ordinary shares for every one hundred (100) existing ordinary shares at an issue price of RM1.86 per share	34,000,000

6.3 Restructuring and Listing Scheme

The Restructuring and Listing Scheme of EHB was approved by the SC on 3 February 2000 and 28 April 2000. The approval of MITI was obtained vide its letters dated 25 October 1999 and 16 February 2000. The approval of FIC was obtained vide its letters dated 17 November 1999 and 20 March 2000. As an integral part of the listing of and quotation for EHB's ordinary shares on the Second Board of the KLSE, EHB undertook the following exercises:

(i) Acquisition of EFSB

EHB acquired 258,623 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of EFSB for a purchase consideration of RM27,073,048 satisfied by the issuance of 27,073,048 new EHB ordinary shares of RM1.00 each in EHB at par.

6. INFORMATION ON EHB GROUP (Cont'd)

The purchase consideration of RM27,073,048 was based on the adjusted audited NTA of EFSB as at 31 May 1999.

	RM
Share capital	258,623
Share premium	173,883
Unappropriated profits	25,709,194
Audited NTA	26,141,700
Gain on disposal of DFSB	931,348*
Adjusted NTA	<u>27,073,048</u>

* *The gain on disposal of DFSB is arrived at as follows :-*
Purchase Consideration – Investment Recognised in EFSB
 = RM1,113,852 - RM182,504
 = RM931,348
(DFSB is an associate company of EFSB)

The 258,623 ordinary shares of RM1.00 each in EFSB were acquired free from all encumbrances, claims, charges, liens, mortgages, pledges and equities with all rights attaching thereto from the following vendors:-

Vendors of EFSB	No. of Ordinary Shares in EFSB Acquired	No. of New Ordinary Shares in EHB Issued as Consideration
Guan Kok Beng	110,001	11,515,072
Guan Kim Heng	82,501	8,636,330
Guan Kim Loong	57,500	6,019,187
Ting Hon Sum	8,621	902,459
	258,623	27,073,048

(ii) Acquisition of DFSB

Concurrent with the Acquisition of EFSB, EHB acquired 250,003 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of DFSB for a total purchase consideration of RM3,340,887 partly satisfied by cash of RM1,113,852 and the balance of the purchase consideration satisfied by the issuance of 2,227,035 new ordinary shares of RM1.00 each in EHB at par.

6. INFORMATION ON EHB GROUP (Cont'd)

The purchase consideration of RM3,340,887 was arrived at based on the audited NTA of DFSB as at 30 June 1999.

	RM
Share capital	250,003
Unappropriated profits	3,090,884
Audited NTA	<u>3,340,887</u>

The 250,003 ordinary shares of RM1.00 each in DFSB were acquired free from all encumbrances, claims, charges, liens, mortgages, pledges and equities with all rights attaching thereto from the following vendors:-

Vendors of DFSB	No. of Ordinary Shares in DFSB Acquired	No. of New Ordinary Shares in EHB Issued as Consideration	Cash Consideration RM
EFSB	83,335	-	1,113,852
Guan Kok Beng	83,334	1,113,518	-
Guan Kim Heng	50,334	672,568	-
Guan Kim Loong	33,000	440,949	-
	250,003	2,227,035	1,113,852

(iii) Acquisition of E-Wood

EHB also acquired two (2) ordinary shares of RM1.00 each in E-Wood representing the entire issued and paid-up share capital for a purchase consideration of RM2.00 satisfied by cash.

The purchase consideration of RM2.00 was based on the nominal value of the shares. As at 31 May 1999, the company has net liabilities of RM6,050.

The two (2) ordinary shares of RM1.00 each in E-Wood were acquired free from all encumbrances, claims, charges, liens, mortgages, pledges and equities with all rights attaching thereto from EFSB.

(iv) Acquisition of D-Word

To further streamline the group structure of EHB, the Company acquired two (2) ordinary shares of RM1.00 each in D-Word representing the entire issued and paid-up share capital for a purchase consideration of RM2.00 satisfied by cash.

The purchase consideration of RM2.00 was based on the nominal value of the shares. As at 31 May 1999, the company has a net liabilities of RM7,046.

The two (2) ordinary shares of RM1.00 each in D-Word were acquired free from all encumbrances, claims, charges, liens, mortgages, pledges and equities with all rights attaching thereto from EFSB.

The Acquisitions were completed on 30 April 2000.

6. INFORMATION ON EHB GROUP (Cont'd)

(v) Nomination of Rights to Allotment of Shares

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

The Nomination of Rights to Allotment of Shares can be summarised in the following table below:

Shareholders / Promoters	No of EHB Shares Entitled Pursuant to the Acquisitions	% of the Enlarged Issued and Paid-Up Share Capital	No of Rights to Allotment Shares Nominated to TBHL	% of the Enlarged Issued and Paid-Up Share Capital
Guan Kok Beng	12,628,590	31.57	6,898,193	17.25
Guan Kim Heng	9,308,898	23.27	5,084,857	12.71
Guan Kim Loong	6,460,136	16.15	3,528,760	8.82
	28,397,624	70.99	15,511,810	38.78

Brief information on TBHL

TBHL was incorporated in Malaysia under the Companies Act, 1965 on 13 April 2000. The principal activity of TBHL is investment holding.

The directors and substantial shareholders of TBHL and their direct and indirect shareholdings are as follows :-

Directors/Substantial Shareholders	Direct		Indirect	
	No. of Shares of RM1.00 each	%	No. of Shares of RM1.00 each	%
Guan Kok Beng	4,447	44.47	-	-
Guan Kim Heng	3,278	32.78	-	-
Guan Kim Loong	2,275	22.75	-	-
Total	10,000	100.00	-	-

The Nomination of Rights to Allotment of Shares was completed on 30 April 2000.

(vi) Rights Issue

Subsequent to the Acquisitions and the Nomination of Rights to Allotment of Shares, the Company undertook a Rights Issue which involved the issuance of 4,699,915 new ordinary shares of RM 1.00 each in EHB at an issue price of RM1.86 per share. The basis of entitlement is approximately sixteen (16) new ordinary shares for every one hundred (100) ordinary shares held in EHB after the Acquisitions.

The new ordinary shares of RM1.00 each in EHB issued pursuant to the Rights Issue was allotted issued and, rank pari-passu in all respect with the existing issued and paid-up share capital of EHB.

6. INFORMATION ON EHB GROUP (Cont'd)

Pursuant to the Nomination of Rights to Allotment of Shares, TBHL is entitled to the Rights Issue shares of 2,488,190 new ordinary shares. The number of shares held by TBHL after the acquisition and Rights Issue is 18,000,000 ordinary shares of RM1.00 each in EHB.

The Rights Issue was completed on 17 May 2000.

(vii) Public Issue

In conjunction with the Listing of EHB, the Company will undertake the Public Issue of 6,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.90 per ordinary share to Bumiputera Investors approved by MITI.

The Public Issue Shares represent 15% of the entire issued and paid-up share capital of EHB comprising 40,000,000 ordinary shares of RM1.00 each.

Details on the particulars of the Public Issue is stated in Section 4 of this Prospectus.

(viii) Offer for Sale

Concurrent with the Public Issue, the Offerors will offer for sale 12,060,000 ordinary shares of RM1.00 each in EHB at an offer price of RM1.90 per ordinary share which will be allocated in the following manner:

(a) Bumiputera Investors Approved by MITI

6,000,000 ordinary shares will be allocated to Bumiputera investors approved by MITI;

(b) Employees of EHB and Other Eligible Persons

1,500,000 ordinary shares will be reserved for, eligible employees and directors of EHB Group and other eligible persons; and

(c) Malaysian Public

4,560,000 ordinary shares will be made available for application by Malaysian citizens, companies, societies, co-operative and institutions of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

6.4 Business Overview

6.4.1 Company Background

The EHB Group is principally involved in the manufacturing and exporting of high quality furniture and woodbased products. EHB was incorporated in 1995. It is an investment holding company with four subsidiaries, namely EFSB, DFSB, E-Wood and D-Word. The Group is an integrated set-up involved in all aspects of furniture manufacturing process from the preparation of raw materials, machining of wooden components to the finishing, assembly and packing of products. In this manner, EHB is able to position itself to concentrate on total quality control and to customise according to various specifications of its buyers and of the Japanese standards as well as to innovate and suit their changing trends. EFSB manufactures a variety of rubberwood furniture which covers a wide range of tables and chairs. DFSB manufactures and processes furniture parts and components used by EFSB as part of its furniture making process. Besides the integration set-up, DFSB also grows as an independent unit to manufacture certain product line.

6. INFORMATION ON EHB GROUP (Cont'd)

Emphasis has always been placed by the Group in improvement of its competitiveness through upgrading its production technology, product designs and development, proactive marketing approach, enhancing product quality and production efficiency. The Directors believe that the Group will continue to sustain its business growth.

6.4.2 Principal Products

The Group manufactures a wide range of rubberwood furniture which includes colonial and contemporary designed dining furniture and other items such as bar counter sets and lounge settees. EHB's product strengths include its flexibility to meet the request for design changes and high quality. The breakdown of the Group's products are set out below:-

Products	Types
Tables	Desk, coffee table, dining table, etc.
Chairs	Colonial chair, bar stool, contemporary chair, floor chair, living chair, living sofa, bench, children stools, etc.

The Group's products can be categorised into the following categories:-

- (a) OEM - made solely for a particular customer.
- (b) exclusive - made for sales in a specific geographical area.
- (c) general/standard - normal and popular models.

The designs of the furniture products manufactured by the Group originated from in-house, customers' feedback, customers' own designs and furniture designer/consultant. The Group utilises wood materials combined with advance technological process to produce quality furniture to meet the high expectations of overseas customers.

The Group's products are produced to international standard. Certain products had been tested and certified by FRIM to attain BS 4875:Part I:1985 standard for strength and stability.

EHB's contribution to Malaysia's exports and its efforts in maintaining continued growth and product quality had earned recognition from the MITI. For the financial year ended 31 May 1999, EHB exported 99% of its products and the remaining 1% is for the domestic market. EFSB was awarded by MITI the Winner Award for "Export Excellence, Category II" in 1995, and Merit Awards for "Export Excellence, category II" in 1994 and 1997 and "Product Excellence, category II" in 1996. This Industry Excellence Awards are presented yearly by the Malaysian Government. These awards testified to the Government's recognition of EFSB's contribution in promoting Malaysian made furniture products to the international markets with its export of high quality rubberwood products in those years concerned.

The combination of good technical quality and good finishing differentiate the Group's furniture products from its competitors.

6.4.3 Production Facilities

The Group operates from two factory buildings located at Butterworth, Penang and Kulim, Kedah.

6. INFORMATION ON EHB GROUP (Cont'd)

Presently, EFSB's production plant is located in approximately three (3) acres of industrial freehold land with a total built-up area of approximately 103,000 sq. ft. in Kawasan Perusahaan Sungai Lokan, Butterworth, Penang. The first factory building was acquired in 1992.

In 1998, a three storey corporate office block with a new factory building with a total built-up area of approximately 62,600 sq.ft. adjacent to the first factory building was completed. The present production capacity of EFSB is estimated at 35,000 chairs and 15,000 tables per month.

The monthly average production capacity of EFSB for the past five (5) financial years is as follows :-

	1995	1996	1997	1998	1999
Chair	23,000	28,000	33,000	33,000	35,000
Table	4,600	5,600	6,800	6,800	15,000

The manufacturing facilities comprising of automated production lines equipped with fully automated routers, belt sanding machines, spraying machines, conveyors and dust collecting system. The Computerised Numerically Controlled Router is being used for machining and cutting of wood for profiles, shapes and intricate designs of high precision and consistent quality for table and chair parts whilst the belt sanding machine being used to smoothen the surface of table tops and large panels. The factory buildings are also equipped with an automated spraying line and hanging conveyor system to improve production efficiency. High technology machinery such as high precision timber ripping machine and hi-frequency lamination press machines were also installed to further support its production processes.

The production line of EFSB comprises a comprehensive manufacturing section for the preparation and manufacturing of furniture components. The activities involved in that section includes sawing, shaping, boring, laminating, bending, sanding, coating and other processes. The output from the manufacturing section will eventually cater for four assembly lines, of which two are for tables and two for chairs. There are two (2) shifts operating in this plant. As at 25 May 2000, EFSB has 262 employees.

The production of EFSB's furniture is supported by DFSB which is involved in the manufacturing and processing of furniture parts used by EFSB in assembling the finished products as well as, as an independent unit to manufacture certain product line. As at 30 June 1999, 86% of DFSB's sales is to EFSB and the remaining 14% of its sales is to third parties. DFSB is located on approximately 2 acres of industrial land with a built up area of 30,000 sq ft in the Kulim Industrial Estate, Kedah. The said land has a tenure of 80 years lease which will expire in Year 2080. The present monthly production capacity of the production plant is estimated at 35,000 chairs and with the capability of producing 4000 unit of tables. For the financial year ended 1999, the production capacity is 35,000 chairs and 3,000 units of tables per month.

DFSB has a modern factory environment. The factory is installed with a comprehensive and sophisticated dust extraction system which enhances the environmental air quality. DFSB is fully equipped with various machines for cutting, turning, drilling, tenoning, sanding, etc. The factory also has fully automated lines for spraying. DFSB has acquired and installed a hanging conveyor spray line equipped with electrostatic spraying features. DFSB with its integral and fully installed manufacturing facilities, is all geared to complement EFSB in producing innovative furniture parts and components as well as to operate as an independent unit to manufacture certain product lines. The production line of DFSB comprises a comprehensive manufacturing section for the preparation and manufacturing of furniture components. The output from the manufacturing section will eventually cater for one table line and one chair line. There is only one (1) shift operating in this plant. As at 25 May 2000, DFSB has 119 employees.

6. INFORMATION ON EHB GROUP (Cont'd)

6.4.4 Product Diversity

EHB's products are designed to serve a wide spectrum of customers. Its multiplicity product designs have been well received by customers from different countries. The key activity of the Group's R&D team is focused on design innovation which has enabled the Group to produce wooden furniture with a wide variety of designs. The Group's products ranged from colonial and contemporary dining sets to bar counter sets and lounge settees. These products come in various sizes, designs and colours. The Group specialises in the manufacturing of rubberwood dining sets furniture in colonial and contemporary designs. Over the years, the Group has produced more than 100 chair and table models with the number of models continuously increasing. This product model diversification strategy has provided buyers from various countries a wide choice and enabled the Group to establish a comprehensive customer base which is testimony from the increase in turnover over the years.

6.4.5 Quality Control

The Group is totally committed to maintain a high standard of product quality in order to meet the stringent quality requirements from its customers. The Group has incorporated quality specifications for its products to meet the customers expectation. In order to achieve total quality control objective, the Group has set up a stringent quality control procedure consisting of an integrated built-in series of check points that have been incorporated into the production process i.e. from the procurement of raw materials to the assembly of finished goods. The comprehensive control procedures include a stage where a quality identification stamp is stamped at the bottom side of every board piece produced. The stamp contains information on production date, material supplier and the quality check personnel in order to ensure that the stringent quality control procedures are strictly adhered to.

This quality control strategy is to ensure the Group's products achieves high quality standard before leaving the production plant.

6.4.6 Design and Innovation

EHB uses Autodesk Mechanical Desktop for their furniture design and drafting. The software enable designing parts in three dimensional (3D), view in solid rendering and rotating, edit size easily with parametric dimension, doing parts assembling to confirm the correct specification and lastly plot out drawings for production reference. The advantages of these software is that design innovation, product development and documentation can be done more effectively, with great precision and in a time span which was previously impossible.

6.4.7 Principal Markets

The Group's furniture is exported to various countries such as Japan, Korea, China/Hong Kong, Taiwan, Europe, Australia, New Zealand, Russia, Singapore, Latin America, Africa, USA and other countries.

6. INFORMATION ON EHB GROUP (Cont'd)

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 direct participation in international furniture fairs is one of its marketing strategies to survey the respective countries market trends as well as to obtain feedback on buyers' requirements. These trade missions/exhibitions are normally held once a year of which EHB will participate in future.

The following is a list of trade missions/exhibitions participated by EHB :

Name and Place of Trade Missions/Exhibitions

Malaysian International Furniture Fair, Malaysia

International Furniture Fair, Cologne, Germany

China International Furniture Expo, Shanghai, China

International Furniture and Interior Design Exhibition, Dubai, United Arab Emirates

Salon de Paris, France

South Africa International Furniture Exhibition, South Africa

International Furniture Fair, Tokyo, Japan

International Home Furnishing Market, High Point, North Carolina, USA

6.4.8 Demand for the Product

Furniture can be classified as a "need" item as it is being used in almost all premises, the demand for which is influenced by many factors such as consumers taste or preference, income, population growth as well as daily habits.

The demand for the Group's furniture is expected to increase in view of the expanding furniture market. At present, the global furniture market is estimated at US\$100 billion of which Malaysia's share of wooden furniture export is accounted to only 2%. (*Source : New Straits Times, 21 February 2000*)

6. INFORMATION ON EHB GROUP (Cont'd)

6.4.9 Distribution Network and Methods of Distribution

The Group's customers cover wholesalers, retailers and importers. Wholesaler buyers have their own established distribution network and in-depth knowledge as well as wide experience of their respective furniture market. Accordingly, the Group through these wholesalers has the advantage of utilising an already established and extensive distribution network. On the other hand, retail buyers have their own retailing outlets, stores and chain shops. These retailers have a diverse and broad retail base which allow the Group's products to reach a wide spectrum of customers. Some of the buyers are importers who have their own mail orders companies which sell directly to consumers through mail orders using catalogues.

The Group's principal customers which contributed more than 5% of the total sales as at 31 December 1999 were Tokyo Side Co. Ltd (14.5%), Fuji Boeki Co. Ltd (11.92%), Saito Industry Co. Ltd. (6.64%), Kusunoki (6.16%) and Dae-Kyung Corporation (6.08%).

The Group maintains close rapport with its buyers. This serves to establish a strong business relationship as well as providing a source of market information on customer trends and their changing tastes on furniture products. In return, these buyers are aware of the Group's progress in terms of product development and are able to provide feedback regarding the Group's products. Due to the high acceptance of the Group's products, some of the Group's customers consistently select and include the Group's product line in their sales brochures and catalogues which are distributed and circulated widely in their country.

Besides marketing through its buyers, the Group has its own furniture catalogues for distribution to existing and potential buyers. These catalogues contain product information which are reviewed and updated regularly. The Group also participates actively in trade exhibitions overseas by displaying and introducing its furniture products.

6.4.10 Source and Availability of Raw Materials

The major raw material used for the Group's furniture products is rubberwood in the form of sawn timber and laminated panels. Besides that, the Group also uses other raw materials such as medium density fibre ("MDF"), pine wood and plywood. The source of MDF and plywood is from Malaysia while pine wood is from overseas.

The Group sources for its sawn rubberwood from sawmills and factories in Peninsular Malaysia. This rubberwood has been chemically treated and kiln dried to the required moisture level.

Rubberwood is being used as main raw material by the Group due to the following reasons:-

- i) Rubberwood has strong machinability properties such as sawing, planing, drilling, gluing and sanding. It has a light colour and can be easily stained with any colour.
- ii) Rubberwood can be categorised as an "*environmental friendly*" wood, thus commanding a high demand from overseas.
- iii) Rubberwood is durable.
- iv) Rubberwood has inherent properties which enhances its attractiveness. It is light and homogeneous in colour. The finished products make attractive furniture due to the wood's fine texture and colour.