

**4. INFORMATION ON THE GROUP (Cont'd)****(ii) Diversity in Applications**

Currently TSHB Group manufactures both finished and semi-finished products.

In addition to PVC Floor Covering as a finished product, TSHB Group's PVC Films and Sheets are used for a diverse range of applications including:-

Type of Plastic Films and Sheets Manufactured	Specific User Industry Applications
Coloured PVC Sheets	Fabrication of raincoats, shower curtains, tablecloths, production of disposable diapers, stationery wrapping for photo albums and books.
Translucent PVC Films	Packaging for furniture and stationery products.
Transparent PVC Films	Protection of wear and tear, and to seal in glossy finish for laminated PVC Floor Covering, mattresses and stationery products.
Decorative PVC Films	As an overlay for the furniture industry specifically for kitchen cabinets, tabletops and others.
Three-Ply PVC Sheets of various patterns	PVC Floor Covering

*Note:- The above applications exclude the trading of other Plastic based materials and products not manufactured by TSHB Group.*

Different applications of PVC Films and Sheets have different specifications and properties for example:-

- level of thickness;
- different textures and finishes for example glossy or matt finish;
- different stretch and strength properties;
- level of opacity;
  - translucent; and
  - transparent;
- solid colours;
- lamination with other materials;
- single ply, two-ply or three-ply;
- embossed; and
- level of softness.

**(iii) Diversity in End-user Industry Sectors**

Similarly, TSHB Group's end-user industry sectors also provide the Group with some form of diversity. Although most of the end-user sectors fall within the consumer sector, each of these sectors represent significant markets on its own.

Some of the end-user industries serviced by TSHB Group include:-

- Stationery products;
- Furniture;
- Disposable diapers;
- Fabrication of raincoat;
- Fabrication of tablecloths;
- Packaging; and
- Flooring materials.

Unlike other industry sectors that mainly services one industry sector, TSHB Group services a wide group of end-user industries.

**4. INFORMATION ON THE GROUP (Cont'd)**

**4.2.13 New or Proposed Products/Services**

TSHB Group intends to extend its range of products to include new product applications. Plastic films and sheets have a diverse range of applications either in semi-finished or finished end-product.

Some of the new areas of opportunities that TSHB Group is going to address includes the following:-

- Vinyl wallpaper;
- Decorative ceiling;
- Vehicle mats;
- Foam based PVC Sheets; and
- Foam based PVC Floor Covering.

PVC wall covering is also commonly known as vinyl wallpaper. TSHB Group plans to penetrate the vinyl wallpaper market by manufacturing PVC wallpaper. The Group will be producing the finished end-product for both local and export markets. With its current capabilities in manufacturing PVC Floor Covering, vinyl wallpaper products are a natural extension of its product range.

Decorative ceiling, mainly targeted at applications in the construction industry, is a plastic based decorative film for ceilings of homes. As the Group is already manufacturing PVC Decorative Films for the furniture industry in the form of wood grain design, this type of Decorative Film is an extension of this product range. The Group will be producing the finished end-product for local and export markets.

In addition, the Group also intends to manufacture vehicle mats for the automotive industry.

Part of TSHB Group's new product range also includes the manufacturing of foam based PVC Sheets. Foam based PVC Sheets are for applications including among others, stationery, baby shoes, table or place mats.

Foam based PVC Floor Covering mainly caters to export market requirements particularly for countries with colder climates. This is similar to the Group's current range of PVC Floor Covering with the exception of an additional layer of foam designed to provide insulation against heat dissipation.

The Group expects to commence the production of the following new product applications by end 2004/early 2005:-

- Vinyl wallpaper;
- Decorative ceiling;
- Vehicle mats;
- Foam based PVC Sheets; and
- Foam based PVC Floor Covering.

#### 4. INFORMATION ON THE GROUP (Cont'd)

##### 4.2.14 Quality Control Procedures

As part of the Group's emphasis on product quality, the following approaches have been adopted to ensure that certain quality standards are maintained:-

- resin formulation is checked before mixing to ensure it corresponds to the properties required;
- each level from the Calendering process to lamination and printing has to go through a checking process for quality assurance; and
- quality checks in the form of inspections are also carried out with a sample of the final product before despatching to the customer.

The Group also has stringent quality control programmes through testing sample of the products including:-

- opacity tests to determine whether level of light penetration meets specifications;
- tensile strength is to determine the strength and the tolerance to breakage of the product in a specific width;
- tear strength is to determine the force that is required to produce a tear in the product; and
- elongation strength is a comparison between the initial and final length of the product at breaking point.

In addition, quality control programmes are also in place to ensure the quality of raw materials, which will ultimately impact on the final product. Some of these tests include:-

- testing the quality of PVC scrap, one of the main raw materials used to produce the bottom backing sheet of PVC Floor Covering which does not require the quality provided by pure resins; and
- testing the quality of the filler content which results in cost savings for the manufacturing operations.

The Group has two (2) personnel in the Quality Assurance team within the manufacturing operations that are focused on ensuring the standard of product quality consistently meets the expectations of customers.

##### 4.2.15 R&D

###### (i) Policies of R&D

TSHB Group's policies on R&D are as follows:-

- continuous improvement in product quality to ensure customer satisfaction;
- increase production effectiveness, efficiency and productivity to minimise costs;
- continuously enhance existing products and services to better meet the needs of customers; and
- create new products to address areas of growth and opportunities.

The constant creation and enhancement of competitive advantages are critical in a competitive market place to sustain TSHB's business growth and success in the long term.

**4. INFORMATION ON THE GROUP (Cont'd)****(ii) Achievement in R&D****(a) Development of New Products**

As part of TSHB Group's intention to stay ahead of its competitors, it has to continuously develop new products.

Some of the products that have successfully undergone R&D and are currently in full production include:-

- PVC Floor Covering;
- PVC Films and Sheets; and
- PVC Decorative Films.

**(b) PVC Floor Covering**

As at 31 August 2004 (being the latest practicable date prior to the printing of this Prospectus), TSHB Group has created and manufactured approximately 1,000 different designs with an estimated 10 different colour schemes of PVC Floor Covering, PVC Film and Sheets including PVC Decorative Films.

Specifications of PVC Floor Covering manufactured by the Group are as follow:-

<b>Thickness:</b>	0.35 millimetres to 0.80 millimetres for 3-ply sheets
<b>Width:</b>	48 inches to 80 inches or 122 centimetres to 2 metres

In addition, the Group has the in-house capabilities and expertise to produce the following range of properties of PVC Floor Covering including:-

- high resistance to wear and tear;
- ability to endure high pressure;
- resistant to aggressive chemical substances;
- easy to maintain;
- intricacies of design;
- different thickness;
- different widths;
- different patterns; and
- different colours.

**(c) PVC Films and Sheets**

PVC Films and Sheets that have been developed in-house and currently in production in flexible forms include the following types:-

- transparent;
- translucent;
- coloured;
- designed; and
- embossed.

**4. INFORMATION ON THE GROUP (Cont'd)**

Within PVC Films and Sheets, TSHB Group have the capabilities to meet different characteristics and properties including:-

- different stretch and strength properties;
- different textures and finishes;
- level of opacity;
- thickness;
- softness;
- colours;
- different designs and patterns; and
- lamination with other materials.

**(d) PVC Decorative Films**

As for PVC Decorative Films, the Group has the capabilities to manufacture films according to customers' specifications and requirements.

The various properties developed are similar to PVC Films and Sheets.

**(iii) R&D Expenditure**

The amount spent on R&D for the last three (3) financial years ended 31 December 2001 to 2003 and the five (5) months period ended 31 May 2004 were as follows:-

	Financial Year Ended 31 December 2001	Financial Year Ended 31 December 2002	Financial Year Ended 31 December 2003	5 Months Period Ended 31 May 2004
	RM	RM	RM	RM
R&D capital expenses	171,000	Nil	Nil	Nil
R&D operating expenses	43,471	68,348	50,072	19,647
Total R&D expenses	214,471	68,348	50,072	19,647
Total R&D expenses as a proportion of the Group's total revenue (%)	0.6%	0.2%	0.1%	0.1%

**(iv) On-Going R&D**

As part of TSHB Group's intention to continually improve its standards of quality and reliability of its products, the Group undertakes the following forms of R&D:-

**(a) Development of New Products for Specific Applications**

As part of TSHB Group's intention to stay ahead of competitors, it has to continuously develop new products. As with any new product or application, there is a need to produce prototype for testing purposes.

#### 4. INFORMATION ON THE GROUP (Cont'd)

In line with the Group's future plans, some of the new products that are being tested prior to full production include:-

- Coloured PVC Sheets that is opaque enough to be used as backing for curtains to prevent light from entering into the premises. These are mainly used in hotel rooms;
- Vinyl wallpaper embossed with texture or wood grain patterns to be used for decorative purposes; and
- Laminated decorative ceiling that is similar to PVC decorative film but used on ceilings of homes or offices.

Each of these new applications has to undergo the following tests to ensure that it meets the required specifications and properties:-

- opacity;
- thickness;
- width;
- tensile strength;
- elongation strength;
- tear strength; and
- shrink test.

These tests are undertaken in the Group's in-house laboratory.

#### (b) Customisation of PVC Sheets and Films to Meet Desired Properties

To meet the varying needs of customers, each of the applications may also require the use of different formulation of resins and additives to achieve different properties for example:-

- different textures and finishes for example glossy or matt finish;
- different stretch and strength properties;
- level of opacity;
- translucent;
- transparent;
- solid colours;
- lamination with other materials; and
- single-ply, two-ply or three-ply.

The Group usually tests out different formulations with a small sample run before a full production run takes place.

#### (c) Design of PVC Floor Covering

PVC Floor Covering is mainly purchased for decorative and practical purposes and its attractiveness and appeal lie mainly in the design.

For the five (5) months period ended 31 May 2004, TSHB Group has manufactured approximately 70 different designs with an estimated 700 colour schemes of PVC Floor Covering.

#### 4. INFORMATION ON THE GROUP (Cont'd)

As such, TSHB Group has to continuously update its range of PVC Floor Covering by introducing new designs and colours to its customers. Designs could come in various forms and can include the following:-

- colour scheme;
- aesthetics or patterns; and
- textures (for example embossed).

The Group has to customise its designs to appeal to the different consumers in local and various export markets. Due to the differences in culture, only certain designs and colours will appeal to consumers in different countries for example, consumers in Africa have a stronger preference for earthy colours.

Thus, designs of PVC Floor Covering have to take into consideration culture, colour preferences, trends, fashion and perceptions of PVC Floor Covering in different countries. As such, TSHB's R&D activities for its design of PVC Floor Covering involves the following approaches:-

- continuous discussion with buyers to understand consumer trends and behaviours, popular or saleable colours in a particular country and discerning trends among different racial groups;
- undertaking international best practices by studying other competitors who are focusing on similar markets and racial groups to try and determine the most popular trends in designs; and
- developing the desired product and test marketing them through pilot marketing before going into full production.

#### (v) Facilities and Personnel

The Group's R&D capabilities are based on its in-house facilities and expertise. This is supported by a team of experienced personnel and laboratory testing facilities.

As at 31 August 2004 (being the latest practicable date prior to the printing of this Prospectus), TSHB Group has two (2) designers and two (2) chemists responsible for R&D activities.

#### 4.2.16 Value-Adding

Some of the areas of value-adding undertaken by TSHB Group include:-

- Converting of raw materials such as PVC resin to become the final end-product such as PVC Floor Covering;
- Depending on the end-product, customise semi-finished PVC Films and Sheets to specifications and properties of customers through different formulations of plastic resin and additives; and
- Designing of PVC Floor Covering to meet the various cultures, preferences and needs of different consumers locally and overseas.

**4. INFORMATION ON THE GROUP (Cont'd)****4.2.17 Seasonality**

TSHB Group's products are subjected to some seasonality whereby production usually slows down slightly in the first quarter of the year. This is applicable to PVC Floor Covering whereby retailers are usually involved with stock take after the festive seasons.

Once the stock take is completed, retailers usually replenish their stocks for the next quarter. As such, production usually runs normally from the second quarter and peaks in third and fourth quarters before the festive seasons such as Christmas, Hari Raya and Chinese New Year. The festive seasons are usually the busiest period of the year as households tend to purchase or change PVC Floor Covering.

The slower periods of production of PVC Floor Covering during the first quarter of the year is compensated by the Group's other PVC based products such as PVC Sheets and Films and PVC Decorative Film.

In addition, TSHB Group usually focuses on developing new designs of PVC Floor Covering during the first quarter of the year.

**4.2.18 Order Backlog**

On average, the Group's order backlog is approximately one (1) to two (2) months whereby firm orders are usually placed on a monthly basis.

In addition, TSHB Group has a close working relationship with all its customers and this takes the form of joint-effort in production planning.

**4.2.19 Interruptions in Business for the Past Twelve (12) months**

There has never been any interruption in the form of trade disputes or major operational breakdown occurring within and outside the Group that may significantly impair the Group's business performance during the past twelve (12) months.

**4.2.20 Employees**

The overall employee segmentation of TSHB Group's operations is as follows:-

Category of Employee	Local	Foreign	Total	Average No. of Years of Service (Years)
Management and Professionals	15	-	15	12.85
Technical Professionals/R&D				
- Chemists/Quality Assurance	2	-	2	2.88
- Engineer/Technician/Maintenance	17	-	17	3.49
Clerical and administrative	25	-	25	1.68
Warehouse general workers	24	-	24	3.26
Factory Workers				
- Skilled workers	16	1	17	5.64
- Semi-skilled workers	10	-	10	4.36
- Unskilled workers	78	97	175	0.83
<b>Total</b>	<b>187</b>	<b>98</b>	<b>285</b>	

As at 31 August 2004 (being the latest practicable date prior to the printing of this Prospectus), TSHB Group has two hundred and eighty five (285) employees.



#### 4. INFORMATION ON THE GROUP (Cont'd)

To date, shortage of labour has never been a major issue, neither has it impeded on the Group's business growth or caused interruptions in its operations.

Management and professional personnel represented approximately 5.3% of the Group's total number of employees. Clerical and administrative personnel represented approximately 8.8% of total employees.

Technical professionals, comprised mainly quality assurance and R&D personnel, accounted for approximately 6.7% of total employees.

General workers in the warehouse represented approximately 8.4% of the Group's total number of employee.

Labour on the factory floor represents the largest category of employees, accounting for approximately 70.9% of the total Group employees. These are primarily segmented into skilled, semi-skilled and unskilled workers, which accounted for approximately 6.0%, 3.5% and 61.4% respectively.

Foreign workers accounted for approximately 34.4% of the total employees whilst the remaining 65.6% were local workers.

The management of the Group enjoys a good working relationship with the employees and there has not been any industrial dispute in the past. The employees do not belong to any union.

In addition, the management of TSHB Group has also from time to time arranged internal and external courses for their employees to improve their efficiency and knowledge. The on-going training and development programmes cover technical and functional courses for the employees.

##### 4.2.21 Modes of Marketing/Distributions/Sales

###### (i) Marketing Strategies

The sales and marketing team of TSHB Group utilises the following marketing strategies to sustain and expand its business:-

- Markets itself as a customised manufacturer of finished and semi-finished PVC based products and materials with full in-house facilities including design, Calendering, lamination, printing and quality testing.
- Continually provide excellence in customer service with the aim of developing a long term business relationship.
- Continually provide the highest quality of products and services to establish its reliability as a supplier, thus creating long-term customer loyalty and dependency.
- Expand its market presence overseas and develop new business opportunities by working in close partnership with existing customers.
- Expand its network of customer base through trade shows, trade referrals, exhibitions and internet searches.

**4. INFORMATION ON THE GROUP (Cont'd)**

As at 31 August 2004 (being the latest practicable date prior to the printing of this Prospectus), TSHB Group has approximately twelve (12) personnel in its sales and marketing division to focus on cultivating new business development activities.

**(ii) Distribution Channel Strategy**

TSHB Group utilises mainly direct channels of distribution through its own sales and marketing team. This is due to the following factors:-

- Most of the finished and semi-finished products require some form of customisation in terms of properties and specifications. Thus, this would require some technical knowledge in being able to market the Group's products and services effectively; and
- Due to the differences in specifications, it will be difficult for a third party to market the Group's products and services effectively.

In addition, the direct sales approach enables the Group to work closely with its customers to evaluate and attain a better understanding of their requirements.

**4.2.22 Production/Operating Capacities and Output**

The production, capacity and utilisation of facilities by TSHB Group are as follows:-

<b>Types of Machineries</b>	<b>Current Capacity</b>	<b>Current Production</b>	<b>Percentage Utilisation</b>
<b>Calendering Machines</b>			
- Transparent & translucent PVC sheets*	400 tonnes per month	280 tonnes per month	70%
- Bottom PVC Sheets#	1,200 tonnes per month	800 tonnes per month	67%
- PVC sheets - White sheets - PVC Decorative Films - Bottom PVC sheets@	400 tonnes to 700 tonnes per month	300 tonnes to 600 tonnes per month	75% to 86%
<b>Printing machines</b>	1,800,000 metres per month	1,400,000 metres per month	78%
<b>Lamination machines</b>	700 tonnes per month	690 tonnes per month	99%
<b>Foam oven</b>	400 tonnes per month	200 tonnes per month	50%

*Based on three 8-hour shifts per day. The factory runs 24 hours per day.*

Notes:-

- \* *Transparent and translucent PVC sheets are thin and lighter in weight, thus, the production and capacity in tonnage is lower.*
- # *Bottom PVC sheets are thicker and heavier, thus the production and capacity in tonnage is higher.*
- @ *Different widths.*

**4. INFORMATION ON THE GROUP (Cont'd)**

As at 31 August 2004 (being the latest practicable date prior to the printing of this Prospectus), TSHB Group has invested approximately RM35.0 million in machinery and equipment for its operations. These include:-

- Calendering Machines
- Colour Printing Machines
- Lamination Machine
- Air Compressor
- Di Isobutyl Phthalate Tank
- Di Octyl Phthalate Tank
- Cooling Towers
- Elevator
- Boiler
- Cranes
- Transformers
- Mixer Machines
- Weighing Machines
- Chain Saw
- Hand Pallet Truck
- Electrical Stacker
- Platform
- PVC Powder Tank
- Crush Machines
- Rewinding Machine
- Diesel Tank
- Grinding Machine

**4.2.23 Location of Business****(i) Principal Place of Business and Production Facilities**

Company	Approximate Built-up Area (square metres)	Location
WISB	*19,822	Plot 159, Mukim 13 Jalan Perindustrian Bukit Minyak 7 Bukit Minyak Industrial Park 14000 Bukit Mertajam

Note:-

\* Includes office built-up area.

**(ii) Warehouse**

Company	Approximate Built-up Area (square metres)	Location
WISB	5,684	Plot 160, Mukim 13 Jalan Perindustrian Bukit Minyak 7 Bukit Minyak Industrial Park 14000 Bukit Mertajam
DGSB	273	43, Jalan Mas Jaya 2 Kawasan Perindustrian Mas Jaya Jalan Hulu Langat Batu 9 Cheras 43200 Cheras, Kuala Lumpur

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**4. INFORMATION ON THE GROUP (Cont'd)**


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**4.2.24 Capability to Diversify**

The Group's main business activities are focused on the manufacture of PVC Floor Covering and PVC Films and Sheets. As part of the Group's business activities also includes the trading of other plastic related products and materials, this in itself is already a form of business diversification.

The Group also services a range of different market segments for its finished and semi-finished products. This is reflected in the specifications for its semi-finished products, which include PVC Films and Sheets for stationery products, furniture products, infant disposable diapers, raincoat, tablecloths, shower curtains, industrial packaging and flooring materials. The variety of market segments serviced by the Group is in itself a form of market segment diversification.

However there are other potentially new areas that the Group can diversify into, if there is a business case to do so. Some of the potential areas of diversification for the Group include the following:-

- Diversification into other types of PVC products and applications; and
- Diversification into export markets.

**(i) Diversification into Other Types of PVC Products and Applications**

Currently TSHB Group manufactures the following:-

- PVC Floor Covering as a finished product; and
- A range of semi-finished PVC Films and Sheets including PVC Decorative Films.

There is a proliferation of PVC based products and applications that can be produced using Calendering process. As such, there are enormous opportunities TSHB Group to manufacture other types of plastic based products and applications for other industry sectors.

Some of the product areas that TSHB Group could possibly diversify into, among others include:-

- |                                |                     |
|--------------------------------|---------------------|
| - vinyl wallpaper              | - carpet backings   |
| - laminated decorative ceiling | - shower curtains   |
| - car mats                     | - inflatable toys   |
| - protective food packaging    | - blood plasma bags |

The above areas of product diversification may be in the form of either finished or semi-finished products.

For the Group to diversify into any of the above areas, there will be minimal changes required in the manufacturing operations with the exception of different formulations. As each product has its own specifications and properties including among others, non-rigid, semi-rigid or rigid, different tensile strength, level of opacity, elongation strength, these will require different formulation of additives and resin.

**4. INFORMATION ON THE GROUP (Cont'd)****(ii) Diversification into Export Markets**

Currently, direct exports accounted for approximately 23.1% and 34.4% of TSHB Group's total revenue for the financial year ended 31 December 2003 and the five (5) months period ended 31 May 2004 respectively.

TSHB Group mainly exports finished product, PVC Floor Covering and semi-finished PVC Films and Sheets to overseas countries. From 1 January 2002 until 31 August 2004 (being the latest practicable date prior to the printing of this Prospectus), the Group has sold its products to thirty (30) different export markets. This is an indication of the Group's successful penetration into overseas markets.

Using its existing export based customers as a platform, the Group can focus on increasing its export revenue whilst tapping into new overseas markets.

*(Source : Prospects and Future Plans of TSHB dated 21 September 2004, Vital Factor Consulting Sdn Bhd. This report is prepared for the inclusion in the Prospectus.)*

**4.3 SUBSIDIARIES AND ASSOCIATED COMPANIES****4.3.1 WISB****(i) Background/History**

WISB was incorporated in Malaysia under the Act on 21 June 1995 as Tek Seng Enterprise Sdn Bhd and later changed to its present name on 26 August 1998.

**(ii) Principal Activities and Products/Services**

WISB is involved in manufacturing of PVC related products.

**(iii) Substantial Shareholders**

The substantial shareholders of WISB are as follows:-

Name	Direct Interest		Indirect Interest	
	No. of Ordinary Shares of RM1.00 Each	(%)	No. of Ordinary Shares of RM1.00 Each	(%)
TSHB	10,000,000	100.00	-	-
Loh Kok Beng	-	-	*10,000,000	100.00
Loh Kok Cheng	-	-	*10,000,000	100.00

Note:-

\* Deemed interested by virtue of their shareholdings of not less than 15% in TSHB pursuant to Section 6A of the Act.

**4. INFORMATION ON THE GROUP (Cont'd)****(iv) Share Capital**

The authorised share capital of WISB is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of WISB is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each.

The changes in WISB's issued and paid-up share capital since incorporation are as follows:-

Date of Allotment	No. of Shares Allotted	Par Value RM	Type of Issue	Cumulative Issued and Paid-Up Share Capital RM
21.06.1995	2	1.00	Subscribers' shares	2
03.10.1996	99,998	1.00	Cash	100,000
19.08.1999	400,000	1.00	Capitalisation of shareholders' advances	500,000
07.08.2000	4,500,000	1.00	Cash	5,000,000
26.12.2002	4,500,000	1.00	Cash	9,500,000
16.10.2003	500,000	1.00	Cash	10,000,000

**(v) Subsidiary/Associated Company**

WISB does not have any subsidiary or associated company.

**4.3.2 TSSB****(i) Background/History**

TSSB was incorporated in Malaysia under the Act on 31 October 1978 as a private limited company under its present name.

**(ii) Principal Activities and Products/Services**

TSSB is involved in trading in plastic related products.

**(iii) Substantial Shareholders**

The substantial shareholders of TSSB are as follows:-

Name	Direct Interest		Indirect Interest	
	No. of Ordinary Shares of RM1.00 Each	(%)	No. of Ordinary Shares of RM1.00 Each	(%)
TSHB	450,005	100.00	-	-
Loh Kok Beng	-	-	*450,005	100.00
Loh Kok Cheng	-	-	*450,005	100.00

Note:-

\* Deemed interested by virtue of their shareholdings of not less than 15% in TSHB pursuant to Section 6A of the Act.

**4. INFORMATION ON THE GROUP (Cont'd)****(iv) Share Capital**

The authorised share capital of TSSB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of TSSB is RM450,005 comprising 450,005 ordinary shares of RM1.00 each.

The changes in TSSB's issued and paid-up share capital since incorporation are as follows:-

Date of Allotment	No. of Ordinary Shares of RM1.00 Each	Par Value RM	Type of Issue	Cumulative Issued and Paid-Up Share Capital RM
31.10.1978	2	1.00	Subscribers' shares	2
14.05.1979	150,000	1.00	Capitalisation of Directors' advance	150,002
22.05.1984	150,002	1.00	Bonus issue	300,004
30.12.1993	150,001	1.00	Bonus issue	450,005

**(v) Subsidiary/Associated Company**

TSSB does not have any subsidiary or associated company.

**4.3.3 PSSB****(i) Background/History**

PSSB was incorporated in Malaysia under the Act on 10 May 1991 as a private limited company under its present name.

**(ii) Principal Activities and Products/Services**

PSSB is involved in trading in plastic related products.

**(iii) Substantial Shareholders**

The substantial shareholders of PSSB are as follows:-

Name	Direct Interest		Indirect Interest	
	No. of Ordinary Shares of RM1.00 Each	(%)	No. of Ordinary Shares of RM1.00 Each	(%)
TSHB	150,000	100.00	-	-
Loh Kok Beng	-	-	*150,000	100.00
Loh Kok Cheng	-	-	*150,000	100.00

Note:-

\* Deemed interested by virtue of their shareholdings of not less than 15% in TSHB pursuant to Section 6A of the Act.

**4. INFORMATION ON THE GROUP (Cont'd)****(iv) Share Capital**

The authorised share capital of PSSB is RM150,000 comprising 150,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of PSSB is RM150,000 comprising 150,000 ordinary shares of RM1.00 each.

The changes in PSSB's issued and paid-up share capital since incorporation are as follows:-

Date of Allotment	No. of Ordinary Shares of RM1.00 Each	Par Value RM	Type of Issue	Cumulative Issued and Paid-Up Share Capital RM
10.05.1991	2	1.00	Subscribers' shares	2
20.05.1991	149,998	1.00	Cash	150,000

**(v) Subsidiary/Associated Company**

PSSB does not have any subsidiary or associated company.

**4.3.4 DGSB****(i) Background/History**

DGSB was incorporated in Malaysia under the Act on 29 January 1992 as a private limited company under its present name.

**(ii) Principal Activities and Products/Services**

DGSB is involved in trading in plastic related products and letting of properties.

**(iii) Substantial Shareholders**

The substantial shareholders of DGSB are as follows:-

Name	Direct Interest		Indirect Interest	
	No. of Ordinary Shares of RM1.00 Each	(%)	No. of Ordinary Shares of RM1.00 Each	(%)
TSHB	100,000	100.00	-	-
Loh Kok Beng	-	-	*100,000	100.00
Loh Kok Cheng	-	-	*100,000	100.00

Note:-

\* Deemed interested by virtue of their shareholdings of not less than 15% in TSHB pursuant to Section 6A of the Act.



**4. INFORMATION ON THE GROUP (Cont'd)****(iv) Share Capital**

The authorised share capital of DGSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of DGSB is RM100,000 comprising 100,000 ordinary shares of RM1.00 each.

The changes in DGSB's issued and paid-up share capital since incorporation are as follows:-

Date of Allotment	No. of Ordinary Shares of RM1.00 Each	Par Value RM	Type of Issue	Cumulative Issued and Paid-Up Share Capital RM
29.01.1992	2	1.00	Subscribers' shares	2
02.03.1992	99,998	1.00	Cash	100,000

**(v) Subsidiary/Associated Company**

DGSB does not have any subsidiary or associated company.

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**4. INFORMATION ON THE GROUP (Cont'd)**

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**4.4 INDUSTRY OVERVIEW****4.4.1 Overview of the Malaysian Economy**

The Malaysian economy accelerated its growth momentum in the first half of 2004, after a strong take-off in 2003, and is expected to surpass earlier expectations with higher growth of 7% for the whole year. Positive signs of a firm economic recovery at the global front, particularly in the first six months as well as higher commodity prices, reinforced the “feel good” factor that contributed to further improvement in consumer and business sentiments. Growth has become more broad based with all sectors registering positive growth. Domestic demand, particularly private consumption, continued to sustain growth for five consecutive years, while private investments, which picked up in 2003, became more entrenched, resulting in a private sector-led growth.

The broad-based growth is evident of the effective measures implemented by the Government to develop new sources of growth to reduce the nation’s vulnerability to the external environment. Expanding at 10.5%, the manufacturing sector, which has become more diversified with higher-end, value-added and new emerging industries and products, remains a major contributor to growth. New growth areas in information and communication technology, strong expansion in financial services and revival in tourism activities supported growth in the services sector, enabling it to maintain its premier position in term of share to gross domestic product (“GDP”) at 57%. Meanwhile, the Government’s commitment to revitalise the agriculture sector as the third engine of economic growth, particularly in food production, has resulted in the expansion in output of fruits, aquaculture and livestock.

The synchronised upswing in the global economy and upsurge in electronics demand, as well as high prices for palm oil and crude oil, continued to propel export volume and earnings. Import growth was strong, particularly for intermediate and capital goods, reflecting robust domestic economic activities, fuelled by recovery in private investment and higher disposable income. The trade balance in July 2004, remained in surplus for 81 consecutive months since November 1997. Better export earnings and inflow of foreign funds increased the international reserves to USD54.4 billion as at 14 August 2004, sufficient to finance 7.2 months of retained imports and five times the short-term external debt. The national resource position remains strong with gross national savings at 36.5% of gross national product, providing ample liquidity to finance both public and private sector initiatives.

The banking system continues to strengthen along with improvements in loan repayments amidst higher disbursements. The risk-weighted capital ratio increased further, while the net non-performing loans ratio improved in tandem with higher corporate earnings and productivity. In the equity market, Bursa Securities was more active in the first half of the year and is expected to sustain its performance for the remainder of the year. Inflation remains low at 1.5% despite strong domestic demand and higher commodity prices. Labour market conditions continue to be stable with the unemployment rate remaining low at 3.5%. With stronger growth in the economy, per capita national income is expected to increase to RM16,098 while purchasing power parity, is higher at USD10,163 in 2004. Concomitantly, socio-economic indicators improved further. Reflecting the better standard of living and quality of life of the population, the overall poverty rate declined to 5.1% while average life expectancy and the literacy rate improved to 73 years and 94.1%, respectively.

**4. INFORMATION ON THE GROUP (Cont'd)**

The robust domestic economic activities, which supported growth in 2002 through to 2004, are further augmented by favourable external environment. Of significance, the domestic sector is buoyed by the expansion in private consumption and investment activities. The manufacturing sector registered a solid growth of 12.3% during the first half of 2004, while the services sector expanded strongly by 6.8% in the same period. With the Leading Index pointing towards further expansion in the second half of the year, both sectors are envisaged to contribute significantly to the economic growth. The build-up in international reserves arising from larger current account surplus and inflows of foreign capital continues to strengthen Malaysia's macroeconomic fundamentals. Given this favourable scenario, the Malaysian economy is set to surpass its earlier estimate of 6.0 – 6.5% and post a stronger growth of 7% in 2004 (2003 : 5.3%).

The outlook for 2005 will generally remain favourable although global growth is expected to moderate on account of high oil prices, inflationary pressures, interest rate hikes and a probable slowdown in China's economy. The emergence of these risks, that became apparent in the second half of 2004 and are expected to continue into 2005, will have a larger impact on growth next year. Global economic growth is projected to moderate to 4.4% in 2005 from 4.6% in 2004. The stronger macroeconomic fundamentals and resilience, backed by sturdy domestic demand and broad-based growth, will however, continue to support Malaysia's GDP growth, forecast at 6% in 2005.

(Source : *Economic Report 2004/2005*)

**4.4.2 Overview of the Manufacturing Sector**

Growth of the manufacturing sector accelerated since September 2003, underpinned by double-digit and broad-based growth in both export and domestic-oriented industries. Favourable external environment with continued strong growth in China, coupled with the firm recovery in the US and sustained recovery in Japan, fuelled the higher demand for manufactured goods, particularly for electronic products. Meanwhile, growth in domestic-oriented industries strengthened on the back of the improved economic performance. With these positive developments driving the manufacturing sector, its contribution to GDP growth is expected to increase.

Overall capacity utilisation of the manufacturing sector was sustained at a high level with 42% of the manufacturers producing at near-maximum capacity (81%-100%) during the second quarter of 2004 compared with 35% in the first quarter of the year. The percentage of manufacturers with capacity utilisation in the range of 61%-80% has edged up to 40% from 37%, following stronger demand. The expansion in output is reflected in the 18.6% increase in manufacturing sales for the first half of 2004 to reach RM192,559 million (January-June 2003: RM162,331 million). The strong growth in sales value was mainly due to significant increase in demand for semiconductors and basic metals.

(Source : *Economic Report 2004/2005*)

**4. INFORMATION ON THE GROUP (Cont'd)**

**4.4.3 Performance of the Plastics Industry**

Plastic products are part of the Polymer Industry, which uses petroleum based products as feedstock for its raw materials. As Malaysia is a major Oil and Gas producing country, the Plastics Industry plays an important downstream role in creating demand for the Oil and Gas Industry.

In addition, the Plastics Industry is very diversified and has myriad uses and applications in consumer and industrial products. From 2001 to 2003, capital investment in plastic products amounted to RM1.6 billion.

The Plastics Industry plays a major supporting role in the growth and development of Malaysia's manufacturing sector. This is reflected by the fact that ex-factory sales value of the manufacture of plastic products (including plastic calendered products) increased at an average annual rate of 11.3% between 1999 and 2003. In 2003, ex-factory sales value of plastic products reached RM8.8 billion (based on 362 establishments with more than 50 employees).

The Plastics Industry also contributes significantly to the nation's foreign exchange earnings. In 2003, exports from the Plastics Industry reached RM4.5 billion.

As TSHB Group uses Calendering process to manufacture PVC Floor Coverings and PVC Films and Sheets, the focus of this report will be on plastic calendered products in general and PVC Floor Coverings and PVC Films and Sheets in particular. According to the Malaysian Plastics Manufacturers Association, plastic calendered products are categorised within the Plastics Industry.

*(Source : Assessment of The Plastic Calendering Industry Focusing on PVC Floor Covering, and PVC Films and Sheets dated 21 September 2004, Vital Factor Consulting Sdn Bhd. This report is prepared for the inclusion in the Prospectus.)*

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**4. INFORMATION ON THE GROUP (Cont'd)****4.4.4 Government Legislation, Policies and Incentives****(i) Government Regulations**

Apart from the normal manufacturing licence, there are no material government laws, regulations and policies that may impede on the performance and growth of operators within a free enterprise environment.

**(ii) Government Incentives**

There are Government incentives for the manufacture of plastic films and sheets, however these are only for specialised applications only.

This is in line with the Government's intention to nurture the development of this industry. Some of the incentives that are available for the manufacturing of specialised plastic films and sheets include:-

- Pioneer Status; and
- Investment Tax Allowance.

Eligibility for either the Pioneer Status or Investment Tax Allowance will be determined according to the priorities termed as "promoted activities" or "promoted products". In addition, the level of value-added, technology and industrial linkages will also be taken into consideration.

WISB, a subsidiary of TSHB Group is currently enjoying the benefits of Reinvestment Allowance.

Eligible manufacturers for Reinvestment Allowance are entitled to the following:-

- The Reinvestment Allowance is 60% of qualifying capital expenditure incurred by the company and can be offset against 70% of its statutory income for the year of assessment. Any unutilised allowances can be carried forward to subsequent years until fully utilised.
- The Reinvestment Allowance will be given for a period of 15 consecutive years beginning from the year the first reinvestment is made. Companies can only claim upon completion of the qualifying project, for example after the building is completed or when the plant/machinery is put to operational use. Assets acquired for the reinvestment cannot be disposed during two years from the time of reinvestment.

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#### 4. INFORMATION ON THE GROUP (Cont'd)

##### (iii) Environmental Regulations

Some of the environmental issues faced by companies involved in the manufacture of plastic products include smoke emission resulting from the heating of the resin and the additives through its Thermal Oil Heater and boiler during the manufacturing process.

The prescribed permissible limits of concentration of air impurities or smoke emission, resulting from manufacturing activities, is regulated under the Environmental Quality Act 1974 and Environmental Quality (Clean Air) Regulations 1978.

The bulk of waste materials from TSHB Group's manufacturing operations generated during the process of Calendering and comes in the form of reject sheets of solidified PVC resin. However, TSHB Group recycles the PVC sheets that are rejected by reusing it again in the manufacturing process. Thus, there is no wastage from that perspective.

The rejects will be used to manufacture the bottom backing sheets of PVC Floor Covering. The quality requirement of this bottom backing sheets is less stringent.

(Source : *Assessment of The Plastic Calendering Industry Focusing on PVC Floor Covering, and PVC Films and Sheets dated 21 September 2004, Vital Factor Consulting Sdn Bhd. This report is prepared for the inclusion in the Prospectus.*)

##### 4.4.5 Demand for Plastic Calendered Products

Demand for calendered plastic products will be dependent on the following:-

- Local demand; and
- Export market demand.

Within the local market, demand for calendered plastic products will come primarily from the following:-

- user-industries of semi-finished plastic films and sheets including, among others inner plastic linings for products, plastic films for furniture applications, synthetic leather for automotive industry and packaging materials; and
- final end-consumers of calendered plastic products including, among others, plastic floor covering, plastic raincoats and tablecloths, vinyl wallpaper, car mats, synthetic leather garment, footwear and fashion accessories, and plastic shopping bags.

The following section will focus mainly on factors that will impact on end-user demand and expenditure on calendered plastic products. This includes:-

- General population growth;
- Higher disposable income;
- Increasing household expenditure; and
- Increasing household expenditure on calendered plastic products.

(Source : *Assessment of The Plastic Calendering Industry Focusing on PVC Floor Covering, and PVC Films and Sheets dated 21 September 2004, Vital Factor Consulting Sdn Bhd. This report is prepared for the inclusion in the Prospectus.*)

#### 4. INFORMATION ON THE GROUP (Cont'd)

##### 4.4.6 Demand Dependencies

The applications of plastic films and sheets are diverse. It can be manufactured from a variety of resins, the most common being polyvinyl chloride, polyethylene and polypropylene. Some of the applications of plastic films and sheets include the following:-

- **packaging** including shrink wrap on food, pallet wrap, wrapping for sweets, plastic packaging for mattresses and furniture, grocery bags, freezer bags and others;
- **consumer products** including raincoat, tablecloths, shower curtains, inflatable toys and others;
- **stationery products** including plastic covering for photo albums, books and others;
- **furniture applications** including plastic film decorative overlay printed with wood grain patterns or other patterns for furniture, upholstery, kitchen cabinets, fixtures and displays and office furniture;
- **industrial applications** including plastic lining for disposable diapers, plastic lining for bags for protective and scratch resistant purposes;
- **upholstery applications** such as PVC leather for footwear, furniture, handbags and garments;
- **automotive applications** including panel coverings, PVC leather seats and car mats; and
- **home furnishings** including plastic floor covering, vinyl wallpaper, plastic decorative ceiling, upholstery, carpet and curtain backings, and others.

Most of the industrial applications are in semi-finished form and may be used to laminate with paper, fabric, aluminium or other types of materials or plastic based materials. Many of the sales of semi-finished plastic products are ultimately made into consumer based products.

(Source : *Assessment of The Plastic Calendering Industry Focusing on PVC Floor Covering, and PVC Films and Sheets dated 21 September 2004, Vital Factor Consulting Sdn Bhd. This report is prepared for the inclusion in the Prospectus.*)

##### 4.4.7 Supply – Local Production

According to Department of Statistics Malaysia, the manufacturing of calendered plastic products is classified under the umbrella of plastic products. As there is no specific data on the Plastic Calendering Industry, the performance of the Plastic Products Industry is used to provide a representation.

(Source : *Assessment of The Plastic Calendering Industry Focusing on PVC Floor Covering, and PVC Films and Sheets dated 21 September 2004, Vital Factor Consulting Sdn Bhd. This report is prepared for the inclusion in the Prospectus.*)

#### 4. INFORMATION ON THE GROUP (Cont'd)

##### 4.4.8 Plastic Products Industry

According to Department of Statistics Malaysia, the Plastic Products Industry includes the manufacture of various calendered products and the manufacture of other plastic products:-

- PVC footwear;
- Plastic footwear;
- Polystyrene products;
- Plastic bag and sacks;
- Plastic bottles;
- Household plastic containers;
- Industrial plastic containers;
- Plastic PVC pipes, hose, tubes and fittings;
- Laminated plastic sheets;
- Plastic cistern;
- Plastic household wares;
- Polypropylene woven cloths;
- Plastic tableware and kitchenware;
- Plastic toys;
- Plastic drinking straws;
- Plastic parts and accessories for motor vehicles;
- Industrial/Electrical/Electronics parts;
- Film;
- Plastic components for radio and TV;
- Plastic casing and parts for radio and TV;
- PVC sheets;
- Other plastic containers; and
- Others.

(Source : *Assessment of The Plastic Calendering Industry Focusing on PVC Floor Covering, and PVC Films and Sheets dated 21 September 2004, Vital Factor Consulting Sdn Bhd. This report is prepared for the inclusion in the Prospectus.*)

##### 4.4.9 Supply Dependencies – Raw Materials

The main supply dependencies for the Plastic Calendering Industry is resin. These include commodity and engineered resins depending on the requirements and grade of performance of the calendered plastic products including PVC Floor Covering and PVC Films and Sheets.

Most of the resins are available from local producers with the exception of engineered resin. These are primarily imported from a number of source countries overseas.

Some of the main types of resin used in typical plastic Calendering include:-

- Polyvinyl Chloride;
- Polyethylene; and
- Polypropylene.



**4. INFORMATION ON THE GROUP (Cont'd)**

In 2003, the annual production capacity for all types of plastic resins was estimated at approximately 1.9 million tonnes. In 2003, production capacity for some of the plastic resins were as follows:-

<b>Plastic Resins</b>	<b>Capacity</b>
Polypropylene	360,000 tonnes
Polyethylene	1,040,000 tonnes
Polystyrene	140,000 tonnes
Polyvinyl Chloride	160,000 tonnes
Acrylonitrile Butadiene Styrene	160,000 tonnes
Polyethylene Terephthalate	20,000 tonnes

(Source : *Assessment of The Plastic Calendering Industry Focusing on PVC Floor Covering, and PVC Films and Sheets dated 21 September 2004, Vital Factor Consulting Sdn Bhd. This report is prepared for the inclusion in the Prospectus.*)

**4.4.10 Competitive Nature**

All manufacturers of calendered plastic products including floor covering and plastic films and sheets operate under normal competitive conditions.

Competition exists in two (2) areas:-

- (i) Local market; and
- (ii) Global market.

At the local level, manufacturers within the calendered plastic products including PVC Floor Covering and PVC Films and Sheets Industry compete with other Malaysian manufacturers as well as with imports.

At the global level, Malaysian calendered plastic products including PVC Floor Covering and PVC Films and Sheets manufacturers compete against foreign manufacturers as well as other Malaysian export-oriented manufacturers.

As with most free enterprise environments, competition is based on a number of factors, including:-

- (i) Quality of products and services;
- (ii) Manufacturing capabilities and capacities;
- (iii) Prompt delivery schedules;
- (iv) Established track record; and
- (v) Cost competitiveness.

(Source : *Assessment of The Plastic Calendering Industry Focusing on PVC Floor Covering, and PVC Films and Sheets dated 21 September 2004, Vital Factor Consulting Sdn Bhd. This report is prepared for the inclusion in the Prospectus.*)

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**4. INFORMATION ON THE GROUP (Cont'd)****4.4.11 Competitive Intensity**

Competition among calendered plastic manufacturers including those within the PVC Floor Covering and PVC Films and Sheets Industry in Malaysia is moderate to high based on the following observations:-

**(i) Substitute Products from Other Plastics**

Calendered plastic products compete with plastic products made through other processing methods particularly from film extrusion. Although there are some differences in product and applications, there are significant areas of overlap. Additionally, extrusion is a lower cost process primarily because of the lower capital set-up. In some situations, lower cost resins for extrusion could also be used to provide cost-competitive products that may substitute for calendered plastic products. As such, all these add competitive pressure to calendered plastic products.

**(ii) Substitute Products from Other Materials**

PVC Floor Covering competes with other non-plastic products including timber (e.g. parquet), fibre (e.g. carpet) and tiles (e.g. granite). All these provide choices to consumers and represents competition for calendered PVC Floor Covering.

Plastic films and sheets in general also compete against other materials like paper, fabric, leather, rubber and other synthetic fibre. Again, alternative materials create competitive pressure to Calendered PVC Films and Sheets in moderating demand across a wider option of materials.

**(iii) Competition from Imports**

Calendered plastic films and sheets face significant competition from imports. In 2003, the import value of plastics in non-primary form amounted to RM1.6 billion (Plastic in non-primary forms includes plastic tubes, pipes and hoses; plastic plates, sheets, films, coils and strips; plastic monofilament, rods, sticks and profile shapes). In 2003, import value of other plastic plates, sheets, films, foils and strips (non-cellular and not reinforced, laminated, supported or similarly combined with other materials) amounted to RM740.5 million.

PVC Floor Covering also faces competition from imports, although not as much as PVC Films and Sheets. In 2003, import value of floor covering other than in the forms of tiles, of polymers, of vinyl (including PVC Floor Covering) amounted to RM21.7 million. The top two (2) importing countries are Thailand and United Kingdom. In 2003, import value of PVC Floor Covering other than in the form of tiles amounted to RM16.4 million. The top two (2) importing countries were Thailand and United Kingdom.

#### 4. INFORMATION ON THE GROUP (Cont'd)

However, there are some moderating factors that reduces some of the competitive intensity as follows:-

**(i) Specialised Applications**

Many of the calendered plastic films and sheets are customised to meet customers' requirements. In many situations, Calendering is the only viable process to create specialised films and sheets. As such, under such situations, competitive pressure is less.

**(ii) Relatively Few Operators**

In 2003, Malaysia has an estimated 10 calendered plastic manufacturers. The relatively few number of manufacturers reduces significantly the competitive intensity.

**(iii) Barriers to Entry**

One of the major barriers to entry is the relatively high capital set-up cost. This will moderate competitive pressure, as the industry would not see too many new entrants.

**(iv) Different Areas of Specialisation**

Each of the operators has different areas of specialisation. For example, some operators would focus mainly on the production of PVC leather for the automotive industry or the footwear industry whilst others concentrate on PVC Floor Covering and household products, and semi-finished PVC Sheets and Films.

**(v) Diversity of Applications**

As there is a diverse range of applications for calendered plastic products, the level of competitive intensity would also be dependent on the type of products and the application areas.

Competition increases for some applications such as packaging as other manufacturers of plastic sheets and films using competing processes for example film extrusion can also manufacture similar products. In 2003, film extrusion constituted 30% of the total processing of plastics products in Malaysia. However the bulk of the film extrusion manufacturers will be focused on packaging, therefore intense competition is found in certain sectors.

**(vi) Differentiation through Designs**

PVC Floor Covering has significant value-adding in the form of designs. Manufacturers that are able to create appealing designs are better able to compete other less desirable design PVC Floor Covering.

**(vii) New Materials and Applications**

Calendered plastic manufacturers that undertake R&D to produce new materials or applications would be in a monopolistic-type position, at least in the short term until such time alternatives come on to the market.

(Source : *Assessment of The Plastic Calendering Industry Focusing on PVC Floor Covering, and PVC Films and Sheets dated 21 September 2004, Vital Factor Consulting Sdn Bhd. This report is prepared for the inclusion in the Prospectus.*)

**4. INFORMATION ON THE GROUP (Cont'd)**

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**4.4.12 Outlook and Growth Forecast**

The outlook for the Plastic Calendaring Industry is favourable.

The Plastic Calendaring Industry including PVC Floor Covering and PVC Films and Sheets is forecasted to grow at approximately 5% per annum for the next five years. The details are in the Independent Business and Market Research Consultants' report in Section 12 of this Prospectus.

*(Source : Assessment of The Plastic Calendaring Industry Focusing on PVC Floor Covering, and PVC Films and Sheets dated 21 September 2004, Vital Factor Consulting Sdn Bhd. This report is prepared for the inclusion in the Prospectus.)*

**4.4.13 Future Growth of the Industry****(i) Exports Opportunities**

Opportunities exist for Malaysian manufacturers to service overseas based customers. This will open up a significantly larger market and reduce the dependencies on the local market.

With the implementation of AFTA and WTO, competition has become global. As such, manufacturers that are able to address export markets are in a significantly better position to sustain business growth and success.

**(ii) Plastic Calendered Films for Thermoforming**

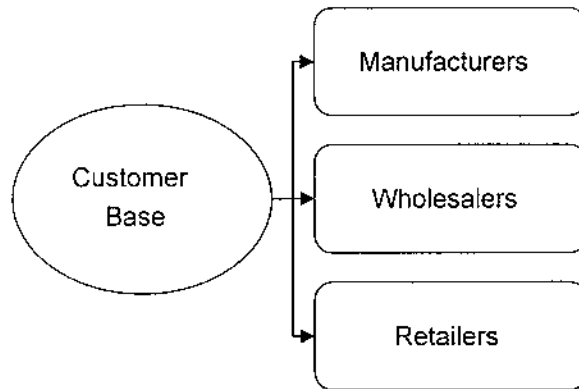
Plastic calendered sheets and films are significantly used in thermoforming applications. One of the areas of growth in thermoforming is in plastic decorative films using plastic Calendaring process. These films have a number of applications in the furniture, building and construction industry. Plastic decorative films that are printed with wood grains or other decorative patterns are used as overlays for a wide range of products including wall panelling, ceiling and furniture products such as kitchen cabinets and tables. This can either come in single ply or two-ply and may be embossed for enhanced effects.

As Malaysia is a major exporter of furniture products, there are opportunities for manufacturers in the Plastic Calendaring Industry to service the furniture industry requirements. Other thermoforming applications such as blister packaging for pharmaceutical industry and consumer products also require the use of plastic calendered films.

*(Source : Assessment of the Plastic Calendaring Industry focusing on PVC Flooring, PVC Films and Sheets dated 21 September 2004, Vital Factor Consulting Sdn Bhd. This report is prepared for the inclusion in the Prospectus.)*

**4. INFORMATION ON THE GROUP (Cont'd)****4.5 MAJOR CUSTOMERS**

As at 31 August 2004 (being the latest practicable date prior to the printing of this Prospectus), TSHB Group has established a wide customer base of approximately 1,100 customers. This is depicted in the chart below:-



**Types of Customers**

TSHB Group services three (3) types of customers:-

- Manufacturers;
- Wholesalers; and
- Retailers.

Some of TSHB Group's customers include manufacturers that use the Group's semi-finished products for example PVC Decorative Films as an overlay for the production of furniture products such as kitchen cabinets and tables. In addition, TSHB Group also services the wholesalers who would then have their own distribution network to reach sub-distributors, manufacturer or retailers.

Retailers are also part of TSHB Group's customers particularly for final end-products including PVC Floor Covering and PVC packaging such as packaging for mattresses and furniture.

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**4. INFORMATION ON THE GROUP (Cont'd)**

The top (ten) 10 customers of TSHB Group for the financial year ended 31 December 2003 and the five (5) months period ended 31 May 2004 are as depicted in the table below:-

	Customer Name	Products Purchased	Length of Relationship (No. of years)	Contribution to the Group Revenue for the	
				Financial Year Ended 31.12.2003 (%)	5 Months Period Ended 31.05.2004 (%)
1	CV Bukit Mas Tunggal	PVC Floor Covering	3	8.27	9.09
2	YSI Marketing Sdn Bhd	PVC Floor Covering, Sheets and Films	10	4.03	3.23
3	OLS Trading Sdn Bhd	PVC Floor Covering, Sheets and Films	20	3.26	2.94
4	Yanta Plastic Industry Sdn Bhd	PVC Floor Covering, Sheets and Films	2	1.72	<sup>(b)</sup>
5	Jomin Trader	PVC Sheets	2	1.71	<sup>(b)</sup>
6	Fui Teck Sdn Bhd	PVC Floor Covering, Sheets and Films	3	1.56	1.43
7	Mega Talent Corporation Ltd	PVC Floor Covering	2	1.37	3.23
8	Sweetco Enterprise Sdn Bhd	PVC Floor Covering, Sheets and Films	20	1.36	<sup>(b)</sup>
9	Najeeb Mohamed Abdul Rahman	PVC Floor Covering	1	1.32	4.59
10	CND Trading Sdn Bhd	PVC Sheets	10	1.23	<sup>(b)</sup>
11	Manila Home Textile	PVC Floor Covering	3	<sup>(a)</sup>	4.29
12	Con-Dee Enterprise Sdn Bhd	PVC Floor Covering, Leather, PP Non-Woven, PVC Sheets	10	<sup>(a)</sup>	3.83
13	Yeetco Flooring Sdn Bhd	PVC Sheets	20	<sup>(a)</sup>	2.04
14	Target Group Phils. Inc	PVC Floor Covering and Sheets	2	<sup>(a)</sup>	1.42
	<b>Total</b>			<b>25.83</b>	<b>36.09</b>

Notes:-

Turnover of TSHB Group for the financial year ended 31 December 2003 and the five (5) months period ended 31 May 2004 amounted to RM52.2 million and RM27.0 million respectively excluding inter-company transactions.

<sup>(a)</sup> Not the top ten (10) customers for the financial year ended 31 December 2003.

<sup>(b)</sup> Not the top ten (10) customers for the five (5) months period ended 31 May 2004.

**4. INFORMATION ON THE GROUP (Cont'd)**

For the financial year ended 31 December 2003 and the five (5) months period ended 31 May 2004, the top ten (10) customers of TSHB Group accounted for approximately 25.9% and 36.1% of the Group's total turnover. The remaining 74.1% and 63.9% of the total revenue for the abovementioned financial year and financial period were spread across approximately 999 and 940 customers respectively. The top customer, CV Bukit Mas Tunggal accounted for approximately 8.3% and 9.1% of the Group's total revenue for the financial year ended 31 December 2003 and the five (5) months period ended 31 May 2004 respectively.

The next largest customer, YSI Marketing Sdn Bhd accounted for approximately 4.0% for the financial year ended 31 December 2003 and Najeeb Mohamed Abdulrahman accounted for approximately 4.6% for the five (5) months period ended 31 May 2004. The combined total of the top three (3) customers of TSHB Group accounted for approximately 15.6% and 18.0% of the total turnover of the Group for the financial year ended 31 December 2003 and the five (5) months period ended 31 May 2004 respectively.

The relatively small revenue contribution by each of the top ten (10) customers indicates the diversity in the Group's customer base with minimal dependency on any one single customer. This immediately mitigates the risk of over-dependency on a group of customers. In addition, TSHB Group has enjoyed long term business relationships with its customers. Approximately 40% of its top 10 customers had been dealing with the Group for ten or more years. Of these, approximately 50% were customers that have twenty or more years of business dealings with TSHB Group. Its long-standing customer relationships serve as an endorsement of the quality of its products and services and more importantly, a stable customer base.

**4.6 MAJOR SUPPLIERS**

The following are TSHB Group's top (ten) 10 suppliers for the financial year ended 31 December 2003 and the five (5) months period ended 31 May 2004:-

	Supplier Name	Products	Length of Relationship (No. of years)	Contribution to the Group Purchases for the	
				Financial Year Ended 31.12.2003 (%)	5 Months Period Ended 31.05.2004 (%)
1	Malaysian International Trading Corporation Sdn Bhd *	Resin	3	14.12	30.45
2	B&V Corporation, Korea	PVC Scrap	3	11.81	<sup>(b)</sup>
3	ExxonMobil Chemical Malaysia Sdn Bhd	Di Isononyl Phthalate	3	7.78	4.71
4	Minland International Corp	Resin	4	5.46	5.75
5	Malayan Electro-Chemical Industry Co. Sdn Bhd	Resin	3	4.49	<sup>(b)</sup>
6	Hae-San Enterprise Inc.	PVC Scrap	1	3.32	3.70
7	Jwasan Int'l Inc.	PVC Scrap	1	3.18	3.63
8	Sonoca Products (M) Sdn Bhd	Paper Core	10	2.65	3.12
9	BASF Petronas Chemicals Sdn Bhd	Di Octyl Phthalate	3	2.16	4.03
10	Premier Trading	PVC Scrap	1	2.12	<sup>(b)</sup>
11	Thai Master Color Co., LTD	Pigment	10	<sup>(a)</sup>	3.67
12	Henan Xiandai Chemicals Imp. And Exp. Co. Ltd.	Tio2	3	<sup>(a)</sup>	2.39
13	Syarikat Li Tat Enterprises	Diesel	10	<sup>(a)</sup>	2.25
	<b>Total</b>			<b>57.09</b>	<b>63.70</b>

#### 4. INFORMATION ON THE GROUP (Cont'd)

Notes:-

\* A wholly owned subsidiary of Petroliam Nasional Bhd and a trading arm of Vinyl Chloride Malaysia Sdn Bhd.

(a) Not the top ten (10) suppliers for the financial year ended 31 December 2003.

(b) Not the top ten (10) suppliers for the five (5) months period ended 31 May 2004.

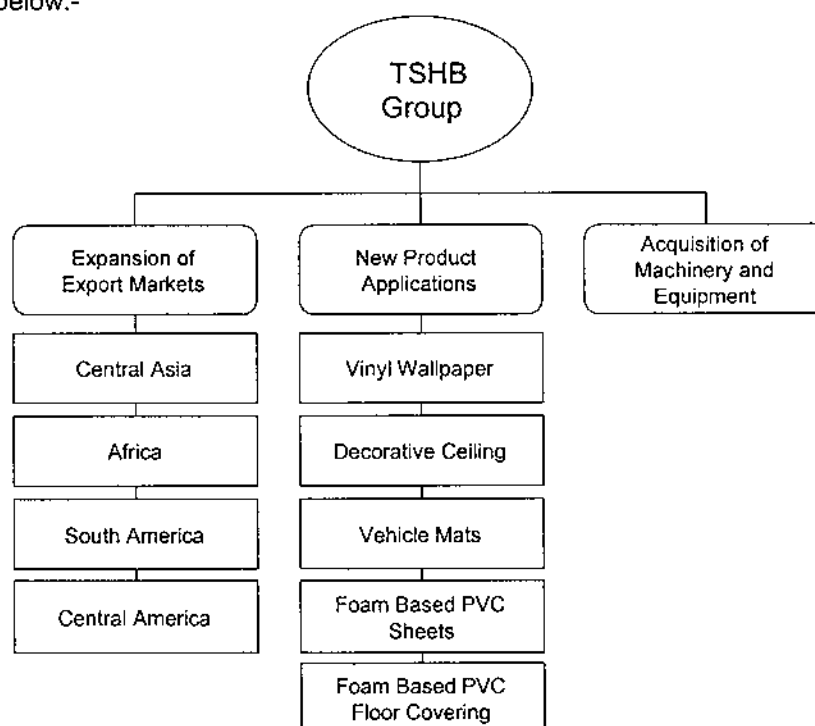
Total purchases of TSHB Group amounted to approximately RM32.7 million and RM16.4 million (including total purchases of materials for trading purposes) after elimination of inter-company transaction for the financial year ended 31 December 2003 and the five (5) months period ended 31 May 2004 respectively. TSHB Group's top (ten) 10 suppliers represented approximately 57.1% and 63.7% of total purchases for the financial year ended 31 December 2003 and the five (5) months period ended 31 May 2004 respectively.

As PVC resin and PVC scrap constitutes the main raw materials used by the Group, seven (7) of the Group's top 10 suppliers are primarily related to the supply of PVC resin and PVC scrap. TSHB Group's top supplier, Malaysian International Trading Corporation Sdn Bhd accounted for approximately 14.1% and 30.5% of total purchases of the Group for the financial year ended 31 December 2003 and the five (5) months period ended 31 May 2004 respectively. This is mainly for the purchase of PVC resin. However, TSHB Group is not heavily dependent on any one supplier as the Group has in place three (3) different suppliers of plastic resin and approximately 31 suppliers of PVC scrap.

The next largest supplier is B&V Corporation, accounted for approximately 11.8% of the Group's total purchases for the financial year ended 31 December 2003 and Minland International Corp, accounted for approximately 5.8% for the five (5) months period ended 31 May 2004. This is mainly for the purchase of plasticisers such as DINP and resin.

#### 4.7 FUTURE PLANS

The future plans of TSHB Group are focused in three (3) key areas as depicted in the figure below:-





**4. INFORMATION ON THE GROUP (Cont'd)****(i) Expansion of Export Markets**

Although the Group will focus on marketing to its existing customer base, part of the Group's vision is also to extend its coverage of export markets.

For the financial year ended 31 December 2003 and the five (5) months period ended 31 May 2004, TSHB Group exports approximately 23.1% and 34.4% of the total Group revenue respectively. This is mainly for PVC Floor Covering and PVC Films and Sheets.

From 1 January 2002 until 31 August 2004 (being the latest practicable date prior to the printing of this Prospectus), the Group has sold its products to thirty (30) different export markets, including Asia, Europe and Africa.

As part of the Group's intention to increase export revenue, it intends to target opportunities in the following regions and countries:-

- Other parts of Africa including Gambia, Gabon, Mauritania in 2005;
- Central America including Panama, Costa Rica and Jamaica in 2005;
- Central Asia including Kazakhstan and Bosnia in 2005; and
- South America including Brazil, Chile and Argentina in 2005.

The focus of these markets will mainly be for its PVC Floor Covering, PVC Films and Sheets, and PVC Decorative Sheets.

**(ii) New Product Applications**

Part of TSHB Group's future plans is to extend its range of products to include new product applications. Plastic Films and Sheets have a diverse range of applications either in semi-finished or finished end-product.

Some of the new areas of opportunities that TSHB Group is going to address includes the following:-

- Vinyl wallpaper;
- Decorative ceiling;
- Vehicle mats;
- Foam based PVC Sheets; and
- Foam based PVC Floor Covering.

PVC wall covering is also commonly known as vinyl wallpaper. TSHB Group plans to penetrate the vinyl wallpaper market by manufacturing PVC wallpaper. The Group will be producing the finished end-product for both local and export markets. With its current capabilities in manufacturing PVC Floor Covering, vinyl wallpaper products are a natural extension of its product range.

Decorative ceiling, mainly targeted at applications in the construction industry, is a plastic based decorative film for ceilings of homes. As the Group is already manufacturing PVC Decorative Films for the furniture industry in the form of wood grain design, this type of Decorative Film is an extension of this product range. The Group will be producing the finished end-product for local and export markets.

In addition, the Group also intends to manufacture vehicle mats for the automotive industry.

**4. INFORMATION ON THE GROUP (Cont'd)**

Part of TSHB Group's new product range also includes the manufacturing of foam based PVC Sheets. Foam based PVC Sheets are for applications including among others, stationery, baby shoes, table or place mats.

Foam based PVC Floor Covering mainly caters to export market requirements particularly for countries with colder climates. This is similar to the Group's current range of PVC Floor Covering with the exception of an additional layer of foam designed to provide insulation against heat dissipation.

The Group expects to commence the production of the following new product applications by end 2004/early 2005:-

- Vinyl wallpaper;
- Decorative ceiling;
- Vehicle mats;
- Foam based PVC Sheets; and
- Foam based PVC Floor Covering.

**(iii) Acquisition of New Machinery and Equipment**

Part of TSHB Group's plans also involves the purchase of new machinery and equipment mainly for the manufacture of PVC Films and Sheets for the new product applications.

Currently, TSHB Group has four (4) Calendering machines running at 24-hour per day operation for the production of transparent and translucent PVC Sheets, bottom PVC Sheets, white PVC Sheets and PVC Decorative Films.

To facilitate the production of new products and cater to the expansion of existing products, TSHB Group plans to purchase the following equipment and machinery in 2004:-

- Boiler;
- Recycle tank; and
- Transformer and others.

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**4. INFORMATION ON THE GROUP (Cont'd)****(iv) Milestones and Resources**

The following table indicates the timing for implementation of the future plans of TSHB Group:

<b>Business Activities</b>	<b>2004</b>	<b>2005</b>
Expansion of Export Markets		
- Africa	√	√
- Central America	√	√
- South America		√
- Central Asia		√
New Product Applications		
- Vinyl wallpaper	√	
- Laminated decorative ceiling	√	
- Car mats	√	
- Foam based PVC Floor Covering	√	
Acquisition of New Machinery and Equipment	√	

(Source : *Prospects and Future Plans of TSHB dated 21 September 2004, Vital Factor Consulting Sdn Bhd. This report is prepared for the inclusion in the Prospectus.*)

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