

**1. INFORMATION SUMMARY**

THE INFORMATION SUMMARY IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE GROUP. INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER OR NOT TO INVEST IN THE SHARES OF THE COMPANY. THE INFORMATION SUMMARY SET OUT BELOW IS DERIVED FROM THIS PROSPECTUS AND SHOULD BE READ IN CONJUNCTION WITH THE FULL TEXT OF THIS PROSPECTUS.

**1.1 HISTORY AND BUSINESS**

TSHB was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 10 May 2002 under the name of Tek Seng Holdings Sdn Bhd. The Company was converted into a public limited company on 16 May 2003 and assumed its present name. The principal activity of TSHB is investment holding whilst its subsidiaries are principally involved in the manufacturing of PVC related products, trading of plastic related products and letting of properties. The history of the TSHB Group can be traced to the establishment of TSSB whose principal activity is trading of PVC based materials.

The Group has a track record of more than 30 years in the Plastics Industry with the late Loh Phah Seng @ Loh Boon Teik as the original founder until 1989 when Loh Kok Beng, his eldest son took over the management of the business. Loh Kok Beng is the Executive Chairman of TSHB. With approximately 18 years of experience in the Plastics Industry, he has been instrumental in the success, growth and development of the TSHB Group. Loh Kok Cheng, who is the other sibling, is the Managing Director of TSHB. He brings with him approximately 14 years of experience in the Plastics Industry.

To further expand on the Group's trading business, PSSB and DGSB were incorporated on 10 May 1991 and 29 January 1992 respectively. In line with the Group's intention to move into manufacturing of PVC products, WISB was incorporated on 21 June 1995 as Tek Seng Enterprise Sdn Bhd and commenced its business activities in the same year. It later changed to its present name on 26 August 1998. WISB's principal activity is in the manufacture of PVC based products.

The main technology utilised by TSHB Group is Calendering which is a manufacturing process where molten plastic is poured between four (4) cylindrical rollers and pressed to form a continuous plastic sheet, which then goes through a series of hot roller pairs that progressively make the plastic sheet thinner. When it reaches the required thickness, it goes through a pair of cold rollers to solidify the plastic film or sheet.

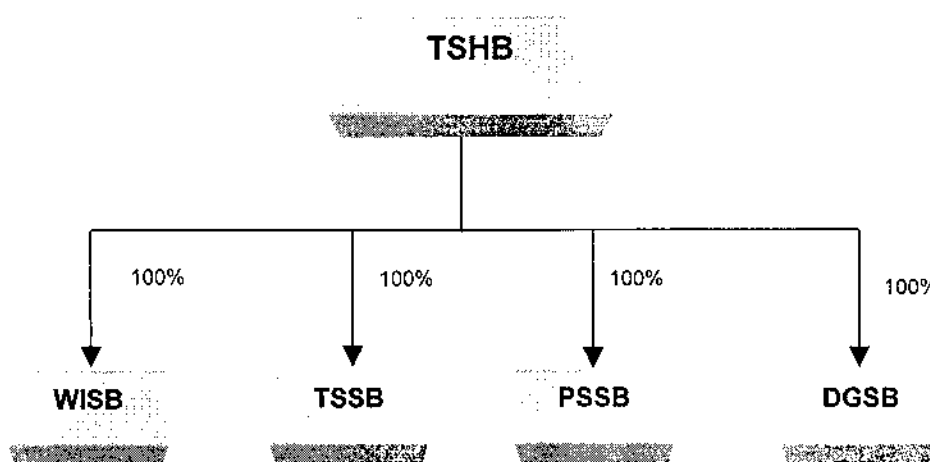
The details of the subsidiaries of TSHB are as follows:-

| Company | Date/Place of Incorporation  | Issued and Paid-up Share Capital (RM) | Effective Equity Interest (%) | Principal Activities                                          |
|---------|------------------------------|---------------------------------------|-------------------------------|---------------------------------------------------------------|
| WISB    | 21 June 1995/<br>Malaysia    | 10,000,000                            | 100.00                        | Manufacture of PVC related products                           |
| TSSB    | 31 October 1978/<br>Malaysia | 450,005                               | 100.00                        | Trading in plastic related products                           |
| PSSB    | 10 May 1991/<br>Malaysia     | 150,000                               | 100.00                        | Trading in plastic related products                           |
| DGSB    | 29 January 1992/<br>Malaysia | 100,000                               | 100.00                        | Trading in plastic related products and letting of properties |

**1. INFORMATION SUMMARY (Cont'd)**

Further details on the history and business of the Group are set out in Section 4 of this Prospectus.

The structure of the TSHB Group is as set out below:-

**1.2 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT OF THE TSHB GROUP**

The direct and indirect shareholdings of the Promoters, substantial shareholders, Directors and key management of the Group are as follows:-

| Name                                                                     | No. of Shares Held in TSHB After the IPO <sup>^</sup> |       |          |     |
|--------------------------------------------------------------------------|-------------------------------------------------------|-------|----------|-----|
|                                                                          | Direct                                                | (%)   | Indirect | (%) |
| <b>Promoters</b>                                                         |                                                       |       |          |     |
| Loh Kok Beng                                                             | 42,946,904                                            | 22.37 | -        | -   |
| Loh Kok Cheng                                                            | 42,946,904                                            | 22.37 | -        | -   |
| <b>Substantial Shareholders</b>                                          |                                                       |       |          |     |
| Loh Kok Beng                                                             | 42,946,904                                            | 22.37 | -        | -   |
| Loh Kok Cheng                                                            | 42,946,904                                            | 22.37 | -        | -   |
| Soon Seok Choo                                                           | 10,259,792                                            | 5.34  | -        | -   |
| <b>Directors</b>                                                         |                                                       |       |          |     |
| Loh Kok Beng                                                             | 42,946,904                                            | 22.37 | -        | -   |
| Loh Kok Cheng                                                            | 42,946,904                                            | 22.37 | -        | -   |
| Soon Seok Choo                                                           | 10,259,792                                            | 5.34  | -        | -   |
| Loh Joo Eng                                                              | 1,000,000                                             | 0.52  | -        | -   |
| Ong Eng Choon                                                            | 50,000                                                | 0.03  | -        | -   |
| Dr. Kamarudin Bin Ngah                                                   | 50,000                                                | 0.03  | -        | -   |
| Fazrin Azwar Bin Dato' Md. Nor                                           | 50,000                                                | 0.03  | -        | -   |
| Osman Bin T.A. Maimunni (Alternate to<br>Fazrin Azwar Bin Dato' Md. Nor) | 50,000                                                | 0.03  | -        | -   |
| <b>Key Management</b>                                                    |                                                       |       |          |     |
| Quah Cheng Hai                                                           | 120,000                                               | 0.06  | -        | -   |
| Ho Hock Chye                                                             | 120,000                                               | 0.06  | -        | -   |
| Loh Loo Har                                                              | 1,000,000                                             | 0.52  | -        | -   |
| Loh Loo Ngoh                                                             | 1,000,000                                             | 0.52  | -        | -   |
| Beh Hooi Soik                                                            | 120,000                                               | 0.06  | -        | -   |
| Ng Kok Weng                                                              | 120,000                                               | 0.06  | -        | -   |
| Teng Lay Huah                                                            | 350,000                                               | 0.18  | -        | -   |

Note: -

<sup>^</sup> Including their respective entitlements for the Pink Form Shares allocation pursuant to the IPO.

Details of the Promoters, substantial shareholders, Directors and key management of the TSHB Group are set out in Section 5 of this Prospectus.

**1. INFORMATION SUMMARY (Cont'd)****1.3 FINANCIAL HIGHLIGHTS**

A summary of the proforma consolidated results of the TSHB Group for the financial years ended 31 December 1999 to 2003 and the five (5) months period ended 31 May 2004 have been prepared for illustrative purposes only based on the audited financial statements of the TSHB Group and the assumption that the current structure of the Group has been in existence throughout the years/ period under review.

The proforma consolidated results are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 10 of this Prospectus.

|                                                                         | ← For the Financial Year Ended 31 December → |                |                |                |                | 5 Months<br>Period<br>Ended 31<br>May 2004 |
|-------------------------------------------------------------------------|----------------------------------------------|----------------|----------------|----------------|----------------|--------------------------------------------|
|                                                                         | 1999<br>RM'000                               | 2000<br>RM'000 | 2001<br>RM'000 | 2002<br>RM'000 | 2003<br>RM'000 | RM'000                                     |
| Revenue                                                                 | 35,667                                       | 31,751         | 40,006         | 43,873         | 52,161         | 26,969                                     |
| Earnings before interest,<br>depreciation, taxation<br>and amortisation | 7,579                                        | 6,849          | 6,876          | 12,032         | 15,094         | 5,622                                      |
| Interest                                                                | (803)                                        | (853)          | (1,674)        | (1,658)        | (1,812)        | (604)                                      |
| Depreciation                                                            | (652)                                        | (612)          | (1,854)        | (2,632)        | (2,499)        | (1,116)                                    |
|                                                                         | (1,455)                                      | (1,465)        | (3,528)        | (4,290)        | (4,311)        | (1,720)                                    |
| PBT                                                                     | 6,124                                        | 5,384          | 3,348          | 7,742          | 10,783         | 3,902                                      |
| Taxation                                                                | (554)                                        | (1,318)        | (935)          | (2,243)        | (2,762)        | (1,118)                                    |
| PAT                                                                     | 5,570                                        | 4,066          | 2,413          | 5,499          | 8,021          | 2,784                                      |
| Proforma no. of ordinary<br>shares of RM0.50 each<br>in issue ('000)    | 74,938                                       | 74,938         | 74,938         | 74,938         | 74,938         | 74,938                                     |
| Gross EPS (sen)*                                                        | 8.17                                         | 7.18           | 4.47           | 10.33          | 14.39          | 5.21                                       |
| Net EPS (sen)*                                                          | 7.43                                         | 5.43           | 3.22           | 7.34           | 10.70          | 3.72                                       |

**Notes:-**

\* Based on proforma number of ordinary shares of RM0.50 each after the Acquisitions but before Share Split and Public Issue.

- (i) DGSB's financial statements with financial years ended 31 March 2000 and 31 March 2001 and financial period from 1 April 2001 to 31 December 2001 were deemed consolidated as financial year ended 31 December in the proforma historical consolidated financial results of TSHB for the financial years ended 31 December 1999 to 31 December 2001.
- (ii) PSSB's financial statements with financial years ended 30 April 2000 and 30 April 2001 and financial period from 1 May 2001 to 31 December 2001 were deemed consolidated as financial year ended 31 December in the proforma historical consolidated financial results of TSHB for the financial years ended 31 December 1999 to 31 December 2001.
- (iii) The revenue of the Group mainly comprises sales of in-house manufactured PVC Floor Covering as well as in-house manufactured PVC Films and Sheets. Apart from this, the revenue was also derived from trading of external sourced plastic products and materials such as PVC sponge leather, PP non-woven and other related products. The sales of in-house manufactured PVC Floor Covering and in-house manufactured PVC Films and Sheets contributed approximately 80% of total revenue of the Group.

**1. INFORMATION SUMMARY (Cont'd)**

- (iv) *The revenue of the Group has improved progressively from the financial years ended 31 December 1999 to 2003 and the five (5) months period ended 31 May 2004 except for the financial year ended 31 December 2000. The improvement was mainly due to the increase in sales demand for in-house manufactured PVC Floor Covering and in-house manufactured PVC Films and Sheets from existing and new customers. The Group has also managed to expand its export market to approximately RM9 million for the five (5) months period ended 31 May 2004. In addition, new designs as well as increase in selling price of PVC products have also contributed to the growth in the revenue of the Group. The decrease in revenue in the financial year ended 31 December 2000 was mainly due to softening in both local and export market.*
- (v) *The PBT of the Group has improved progressively from financial years ended 31 December 1999 to 2003 except for the financial years ended 31 December 2000 and 2001 and the five (5) months period ended 31 May 2004. The decrease in PBT in the financial year ended 31 December 2000 was in tandem with the decrease in revenue. In the financial year ended 31 December 2001, the decrease in PBT was resulted from the learning curve process encountered by the Group and the higher wastage incurred in the trial run of new plant and machineries. As a result, higher manufacturing cost and lower PBT were recorded by the Group. The lower PBT registered for the five (5) months period ended 31 May 2004 was mainly due to a lower gain of approximately RM46,000 on disposal of property, plant and equipment as compared to the gain of approximately RM1.60 million for the financial year ended 31 December 2003.*
- (vi) *There were no exceptional or extraordinary items noted during the financial years/period under review.*

**The financial information of the TSHB Group is detailed in Section 9 of this Prospectus.**

**1.4 AUDIT QUALIFICATIONS IN THE AUDITED FINANCIAL STATEMENTS FOR THE PAST FIVE (5) FINANCIAL YEARS ENDED 31 DECEMBER 1999 TO 2003 AND THE FIVE (5) MONTHS PERIOD ENDED 31 MAY 2004**

The financial statements of the TSHB Group for the past five (5) financial years ended 31 December 1999 to 2003 and the five (5) months period ended 31 May 2004 were reported without any audit qualification.

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**1. INFORMATION SUMMARY (Cont'd)****1.5 SUMMARY OF PROFORMA CONSOLIDATED BALANCE SHEETS OF TSHB AS AT 31 MAY 2004**

The Proforma Consolidated Balance Sheets as at 31 May 2004 set out below have been prepared for illustrative purposes only to show the effects on the audited consolidated balance sheets of TSHB, had the Listing Scheme, utilisation of proceeds and ESOS effected on that date.

|                                                | The Company                 | The Group                       | The Group                                                              | The Group                                       |
|------------------------------------------------|-----------------------------|---------------------------------|------------------------------------------------------------------------|-------------------------------------------------|
|                                                |                             | (i)                             | (ii)                                                                   | (iii)                                           |
|                                                | As at 31 May 2004<br>RM'000 | After<br>Acquisitions<br>RM'000 | After (i), Public<br>Issue and<br>Utilisation of<br>Proceeds<br>RM'000 | After (ii) and<br>Exercise of<br>ESOS<br>RM'000 |
| <b>NON-CURRENT ASSETS</b>                      |                             |                                 |                                                                        |                                                 |
| Property, plant and equipment                  | -                           | 52,192                          | 52,192                                                                 | 52,192                                          |
| Intangible asset                               | -                           | 10                              | 10                                                                     | 10                                              |
| <b>CURRENT ASSETS</b>                          |                             |                                 |                                                                        |                                                 |
| Inventories                                    | -                           | 12,661                          | 12,661                                                                 | 12,661                                          |
| Trade receivables                              | -                           | 12,072                          | 12,072                                                                 | 12,072                                          |
| Other receivables, deposits and<br>prepayments | 346                         | 3,798                           | 3,798                                                                  | 3,798                                           |
| Tax refundable                                 | -                           | 23                              | 23                                                                     | 23                                              |
| Cash and bank balances                         | -                           | 1,058                           | 7,687                                                                  | 22,087                                          |
|                                                | 346                         | 29,612                          | 36,241                                                                 | 50,641                                          |
| <b>CURRENT LIABILITIES</b>                     |                             |                                 |                                                                        |                                                 |
| Trade payables                                 | -                           | 3,340                           | 3,340                                                                  | 3,340                                           |
| Other payables and accruals                    | 350                         | 2,187                           | 2,187                                                                  | 2,187                                           |
| Hire purchase payables                         | -                           | 443                             | 443                                                                    | 443                                             |
| Bank borrowings (secured)                      | -                           | 12,786                          | 10,941                                                                 | 10,941                                          |
| Term loans (secured)                           | -                           | 4,208                           | -                                                                      | -                                               |
| Taxation                                       | -                           | 965                             | 965                                                                    | 965                                             |
|                                                | 350                         | 23,929                          | 17,876                                                                 | 17,876                                          |
| <b>NET CURRENT<br/>(LIABILITIES)/ASSETS</b>    | (4)                         | 5,683                           | 18,365                                                                 | 32,765                                          |
|                                                | (4)                         | 57,885                          | 70,567                                                                 | 84,967                                          |
| <b>SHARE CAPITAL</b>                           | (1)                         | 37,469                          | 48,000                                                                 | 55,200                                          |
| <b>SHARE PREMIUM</b>                           | -                           | -                               | 8,731                                                                  | 15,931                                          |
| <b>RESERVE ON<br/>CONSOLIDATION</b>            | -                           | 10,809                          | 10,809                                                                 | 10,809                                          |
| <b>ACCUMULATED LOSS</b>                        | (4)                         | (4)                             | (4)                                                                    | (4)                                             |
| <b>SHAREHOLDERS' EQUITY</b>                    | (4)                         | 48,274                          | 67,536                                                                 | 81,936                                          |
| <b>NON-CURRENT LIABILITIES</b>                 |                             |                                 |                                                                        |                                                 |
| Term loans (secured)                           | -                           | 6,580                           | -                                                                      | -                                               |
| Hire purchase payables                         | -                           | 64                              | 64                                                                     | 64                                              |
| Deferred taxation                              | -                           | 2,967                           | 2,967                                                                  | 2,967                                           |
|                                                | (4)                         | 57,885                          | 70,567                                                                 | 84,967                                          |
| No. of Shares in issue                         | (2)4                        | (2)74,938,000                   | (3)192,000,000                                                         | (3)220,800,000                                  |
| (NTL)/NTA per share (RM)                       | (1,000)                     | 0.64                            | 0.35                                                                   | 0.37                                            |

Notes:-

- (1) This represents RM2.00.  
(2) Ordinary shares of RM0.50 each.  
(3) Ordinary shares of RM0.25 each.

Detailed Reporting Accountants' letter and the Proforma Consolidated Balance Sheets thereon are set out in Sections 9.10 and 9.11 of this Prospectus respectively.

**1. INFORMATION SUMMARY (Cont'd)****1.6 SUMMARY OF MATERIAL RISK FACTORS**

An investment in the shares to be listed on the Bursa Securities involves a number of risks, some of which, including market, industry, liquidity, credit, operational, legal and regulatory risks could be substantial and inherent in the business of the Group.

Prospective investors should rely on their own evaluations and to carefully consider the risk factors before buying any of the Public Issue Shares and Offer Shares, which are the subject of this Prospectus. The risk factors that should be considered includes, but not limited to, the following:-

| <b>Item</b> | <b>Risk Factors</b>                                  |
|-------------|------------------------------------------------------|
| (i)         | Business Risks                                       |
| (ii)        | Financial Risks                                      |
| (iii)       | Fluctuation in Prices of Raw Materials               |
| (iv)        | Increased Competition from Film Extrusion            |
| (v)         | Dependence on Directors, Key Management and Workers  |
| (vi)        | Insurance Coverage on Assets                         |
| (vii)       | Elasticity of Demand                                 |
| (viii)      | Risk of Increase in Cost of Labour and Labour Strike |
| (ix)        | Seasonality                                          |
| (x)         | Security and System Disruption                       |
| (xi)        | Technology                                           |
| (xii)       | Environmental Risk                                   |
| (xiii)      | Economic, Political and Regulatory Risks             |
| (xiv)       | Control by Promoters and Substantial Shareholders    |
| (xv)        | Achievability of Profit Forecast                     |
| (xvi)       | Disclosure Regarding Forward-Looking Statements      |
| (xvii)      | Related Party Transactions/Conflict of Interest      |
| (xviii)     | Long-Term Contracts                                  |
| (xix)       | No Prior Market for TSHB's Shares                    |
| (xx)        | Implementation of AFTA                               |
| (xxi)       | Risk of Production Stoppage                          |
| (xxii)      | Covenants Under Borrowings Facility Agreements       |
| (xxiii)     | Failure/Delay in the Listing                         |

Further details of the material risk factors are set out in Section 3 of this Prospectus.

**1. INFORMATION SUMMARY (Cont'd)****1.7 PROFIT AND DIVIDEND RECORDS****CONSOLIDATED PROFIT FORECAST**

| Financial Years Ending 31 December          | Forecast<br>2004<br>(RM'000) |
|---------------------------------------------|------------------------------|
| Revenue                                     | 78,817                       |
| Consolidated PBT                            | 13,215                       |
| Taxation                                    | (3,576)                      |
| Consolidated PAT                            | 9,639                        |
| Weighted average number of shares           | <sup>(1)(2)</sup> 99,487     |
| Enlarged issued share capital ('000)        | 192,000                      |
| Gross EPS (sen) <sup>(3)</sup>              | 13.28                        |
| Gross EPS (sen) <sup>(4)</sup>              | 6.88                         |
| Net EPS (sen) <sup>(3)</sup>                | 9.69                         |
| Net EPS (sen) <sup>(4)</sup>                | 5.02                         |
| Gross PE Multiple (times) <sup>(3)(5)</sup> | 3.76                         |
| Gross PE Multiple (times) <sup>(4)(5)</sup> | 7.27                         |
| Net PE Multiple (times) <sup>(3)(5)</sup>   | 5.16                         |
| Net PE Multiple (times) <sup>(4)(5)</sup>   | 9.96                         |

**Notes:-**

- (1) Results for financial year ending 2004 are prepared on a proforma basis, which was based on the proposed group structure assuming the Acquisitions were completed prior to 1 June 2004.
- (2) Assuming the Public Issue is completed on 20 September 2004.
- (3) Based on the weighted average number of shares in issue.
- (4) Based on the enlarged issued and paid-up share capital.
- (5) Based on the IPO Price.

**DIVIDEND FORECAST**

| Financial Year Ending 31 December   | Forecast<br>2004 |
|-------------------------------------|------------------|
| Tax-exempt dividend per Share (sen) | *                |
| Tax-exempt dividend yield (%)       | -                |
| Net dividend cover (times)          | -                |

**Note:-**

- \* No dividend will be declared for the financial year ending 31 December 2004 as it is assumed that the listing exercise will only be completed by the fourth quarter of financial year ending 31 December 2004.

TSHB intends to propose a 4% gross dividend for the financial year ending 31 December 2005 subject to the performance of the Group during the said financial year.

Detailed information on the profit and dividend forecast is set out in Sections 9.6 and 9.8 of this Prospectus.

**1. INFORMATION SUMMARY (Cont'd)****1.8 PROFORMA GROUP NTA AS AT 31 MAY 2004**

|                                              | <b>Proforma<br/>Group NTA<br/>(RM'000)</b> | <b>NTA<br/>Per Share<br/>(RM)</b> |
|----------------------------------------------|--------------------------------------------|-----------------------------------|
| After adjusting for the Acquisitions and IPO | *67,536                                    | 0.35                              |

Note:-

\* After deducting the estimated listing expenses of RM1.80 million. Please refer to Section 2.7 for details on the estimated listing expenses.

The above proforma consolidated NTA is based on the enlarged issued and paid-up share capital of 192,000,000 Shares in TSHB. Detailed calculations of the proforma consolidated NTA are set out in Section 1.5 of this Prospectus.

**1.9 PRINCIPAL STATISTICS RELATING TO THE IPO****1.9.1 SHARE CAPITAL**

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

|                                                                                             | <b>Par<br/>Value</b> | <b>No. of<br/>Ordinary<br/>Shares</b> | <b>Amount</b>     |
|---------------------------------------------------------------------------------------------|----------------------|---------------------------------------|-------------------|
|                                                                                             | <b>RM</b>            |                                       | <b>RM</b>         |
| <b>AUTHORISED SHARE CAPITAL</b>                                                             | 0.25                 | 400,000,000                           | 100,000,000       |
| <b>ISSUED AND PAID-UP SHARE CAPITAL</b>                                                     | 1.00                 | 2                                     | 2                 |
| - Share Split of ordinary shares of RM1.00 each into two (2) ordinary shares of RM0.50 each | 0.50                 | 4                                     | 2                 |
| - Issued pursuant to the Acquisitions                                                       | 0.50                 | 74,937,996                            | 37,468,998        |
|                                                                                             |                      | 74,938,000                            | 37,469,000        |
| - Share Split                                                                               | 0.25                 | 149,876,000                           | 37,469,000        |
| - To be issued pursuant to the Public Issue                                                 | 0.25                 | 42,124,000                            | 10,531,000        |
| <b>ENLARGED ISSUED AND PAID-UP SHARE CAPITAL</b>                                            | <b>0.25</b>          | <b>192,000,000</b>                    | <b>48,000,000</b> |
| <b>OFFER FOR SALE</b>                                                                       | 0.25                 | 46,076,000                            | 11,519,000        |
| <b>IPO PRICE PER SHARE</b>                                                                  |                      |                                       | <b>RM0.50</b>     |

The IPO Price is RM0.50 per Share payable in full upon application, subject to the terms and conditions of this Prospectus.

**1.9.2 CLASS OF SHARES**

There is only one class of shares in the Company namely ordinary shares of RM0.25 each, all of which rank pari passu with one another. The IPO Shares rank pari passu in all respects with the other existing issued and paid-up Shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment thereof.



**1. INFORMATION SUMMARY (Cont'd)****1.10 UTILISATION OF PROCEEDS**

The total gross proceeds arising from the Public Issue will be utilised by the Group in the following manner:-

|                                  | Timeframe for Utilisation from the Date of Listing | Amount (RM'000) |
|----------------------------------|----------------------------------------------------|-----------------|
| (i) Repayment of bank borrowings | Within 1 year                                      | 12,633          |
| (ii) Working capital             | Within 1 year                                      | 6,629           |
| (iii) Estimated listing expenses | Within 1 year                                      | 1,800           |
| <b>Total proceeds</b>            |                                                    | <b>21,062</b>   |

Further details of the utilisation are set out in Section 2.7 of this Prospectus.

**1.11 WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES, MATERIAL COMMITMENTS AND MATERIAL LITIGATIONS/ ARBITRATION****(i) Working Capital**

The Directors of TSHB are of the opinion that after taking into account the cash flow position, banking facilities available and the proceeds from the Public Issue, the Group will have adequate working capital for its present and foreseeable requirements. The working capital of TSHB Group is sufficient for a period of twelve (12) months from the date of the issue of this Prospectus.

**(ii) Borrowings**

As disclosed in Section 9.4 of this Prospectus, as at 31 August 2004 (being the latest practicable date prior to the printing of this Prospectus), the total bank borrowings of the TSHB Group in the form of term loans, trade financing, overdraft, revolving credit and hire purchase financing amounted to approximately RM29.97 million. The borrowings can be analysed further as follows:-

| Borrowings              | Amount (RM'000) | Amount (RM'000) |
|-------------------------|-----------------|-----------------|
| <b>Group</b>            |                 |                 |
| Long term borrowings    |                 |                 |
| • Interest bearing      | 8,380           |                 |
| • Non-interest bearing  | -               | 8,380           |
| Short term borrowings   |                 |                 |
| • Interest bearing      | 21,594          |                 |
| • Non-interest bearing  | -               | 21,594          |
| <b>Total Borrowings</b> |                 | <b>29,974</b>   |

As at 31 August 2004 (being the latest practicable date prior to the printing of this Prospectus), the Group has no foreign currency borrowings.

**1. INFORMATION SUMMARY (Cont'd)****(iii) Contingent Liabilities**

The Directors of TSHB declare that, as at 31 August 2004 (being the latest practicable date prior to the printing of this Prospectus), the Group has no contingent liabilities.

**(iv) Material Commitments**

Save as disclosed below, as at 31 August 2004 (being the latest practicable date prior to the printing of Prospectus), the Group has no material capital commitments:-

| Items                      | Expected Cost<br>(RM'000) | Deposit Paid<br>(RM'000) | Balance<br>(RM'000) |
|----------------------------|---------------------------|--------------------------|---------------------|
| (a) Calendering machine    | 6,180                     | 6,087                    | 93                  |
| (b) Foam oven              | 2,784                     | 2,618                    | 166                 |
| (c) Boiler                 | 260                       | -                        | 260                 |
| (d) Recycle tank           | 500                       | -                        | 500                 |
| (e) Transformer and others | 320                       | -                        | 320                 |
| <b>Total</b>               | <b>10,044</b>             | <b>8,705</b>             | <b>1,339</b>        |

**(v) Material Litigations/ Arbitration**

As at 31 August 2004 (being the latest practicable date prior to the printing of this Prospectus), neither the Company nor its subsidiaries are engaged in any material litigation, claim and arbitration, either as plaintiff or defendant, which has a material effect on the financial position of TSHB or its subsidiaries and the Directors do not know of any proceeding pending or threatened or of any facts likely to give rise to any proceeding which might materially and adversely affect the position or business of TSHB or its subsidiaries.

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## 2. PARTICULARS OF THE IPO

This Prospectus is dated 28 September 2004.

A copy of this Prospectus has been registered with the SC. A copy of this Prospectus, together with the Application Form, has also been lodged with the ROC who takes no responsibility for its contents.

**The approval of the SC obtained vide its letters dated 6 May 2004 and 2 August 2004 shall not be taken to indicate that the SC recommends the IPO and that investors should rely on their own evaluation to assess the merits and risks of the IPO.**

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the Bursa Securities has prescribed the Shares of the Company as a prescribed security. In consequence thereof, the IPO Shares issued/offered through this Prospectus will be deposited directly with the Bursa Depository and any dealings in these Shares will be carried out in accordance with the aforesaid Act and the Rules of the Bursa Depository.

Application has been made to the Bursa Securities for the admission to the Official List and for the listing of and quotation for the entire issued and fully paid-up share capital of TSHB on the Second Board of the Bursa Securities. These Shares will be admitted to the Official List on the Second Board of the Bursa Securities and official quotation will commence upon receipt of confirmation from the Bursa Depository that all CDS Accounts of the successful applicants have been duly credited and an undertaking from the Issuing House that all notices of allotment will be despatched to all successful applicants.

Acceptance of Applications for the IPO Shares will be conditional upon permission being granted by the Bursa Securities to deal in and for the quotation of the entire enlarged issued and fully paid-up share capital on the Second Board of the Bursa Securities. Accordingly, monies paid in respect of any Application accepted from the IPO will be returned in full if the said permission for listing is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC) provided that the Company is notified by or on behalf of the Bursa Securities within the aforesaid timeframe.

Pursuant to the Listing Requirements, an applicant must have at least 25% of the total number of Shares for which listing is sought in the hands of a minimum of 1,000 public shareholders holding not less than 100 Shares each at the point of listing. In the event that the above requirement is not met pursuant to the IPO, the Company may not be allowed to proceed with its listing on the Second Board of the Bursa Securities. In the event thereof, monies paid in respect of all Applications will be returned in full if the said permission is not granted.

The SC and Bursa Securities assume no responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus. Admission to the Official List of the Second Board of the Bursa Securities is not to be taken as an indication of the merits of the Company or of its Shares.

Applicants of the IPO Shares must have a CDS account. In the case of an Application by way of Application Form, an applicant should state his/her CDS account number in the space provided in the Application Form. In a case of an Applicant by way of Electronic Share Application, only an applicant who is an individual and has a CDS account can make an Electronic Share Application and the applicant shall furnish his/her CDS account number to the Participating Financial Institutions by way of keying his/her CDS account number if the instructions on the ATM screen at which he/she enters his/her Electronic Share Application requires him/her to do so. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application.

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

**2. PARTICULARS OF THE IPO (Cont'd)**

The distribution of this Prospectus and the making of the IPO in certain other jurisdictions outside Malaysia may be restricted by law. Persons who may come into possession of this Prospectus 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 invitation to subscribe for the IPO 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 unsure of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional advisers.**

**2.1 SHARE CAPITAL**

|                                                                                             | <b>Par Value</b> | <b>No. of Ordinary Shares</b> | <b>Amount</b>     |
|---------------------------------------------------------------------------------------------|------------------|-------------------------------|-------------------|
|                                                                                             | <b>RM</b>        |                               | <b>RM</b>         |
| <b>AUTHORISED SHARE CAPITAL</b>                                                             | 0.25             | 400,000,000                   | 100,000,000       |
| <b>ISSUED AND PAID-UP SHARE CAPITAL</b>                                                     | 1.00             | 2                             | 2                 |
| - Share Split of ordinary shares of RM1.00 each into two (2) ordinary shares of RM0.50 each | 0.50             | 4                             | 2                 |
| - Issued pursuant to the Acquisitions                                                       | 0.50             | 74,937,996                    | 37,468,998        |
|                                                                                             |                  | 74,938,000                    | 37,469,000        |
| - Share Split                                                                               | 0.25             | 149,876,000                   | 37,469,000        |
| - To be issued pursuant to the Public Issue                                                 | 0.25             | 42,124,000                    | 10,531,000        |
| <b>ENLARGED ISSUED AND PAID-UP SHARE CAPITAL</b>                                            | 0.25             | <b>192,000,000</b>            | <b>48,000,000</b> |
| <b>OFFER FOR SALE</b>                                                                       | 0.25             | 46,076,000                    | 11,519,000        |
| <b>IPO PRICE PER SHARE</b>                                                                  |                  |                               | <b>RM0.50</b>     |

The IPO Price is RM0.50 per Share payable in full upon Application, subject to the terms and conditions of this Prospectus.

There is only one class of shares in the Company, namely, ordinary shares of RM0.25 each, all of which rank pari passu with one another. The IPO Shares will rank pari passu in all respects with the other existing issued Shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment thereof.

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

Each 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 authorized representative shall have one vote for each Share held.

**2. PARTICULARS OF THE IPO (Cont'd)****2.2 OPENING AND CLOSING OF APPLICATIONS**

Applications will be accepted from 10.00 a.m. on 28 September 2004 and will remain open until 5.00 p.m. on 6 October 2004 or such further period or periods as the Directors and/or Promoters of TSHB together with the Managing Underwriter in their absolute discretion may decide. Late Applications will not be accepted.

**2.3 CRITICAL DATES OF THE APPLICATIONS**

| Events                            | Tentative Date    |
|-----------------------------------|-------------------|
| Opening Date of the Applications  | 28 September 2004 |
| Closing Date of the Applications* | 6 October 2004    |
| Tentative Balloting Date          | 8 October 2004    |
| Tentative Listing Date            | 19 October 2004   |

*Note:-*

- \* *The Closing Date of the Applications may be extended for further period or periods as the Directors and/or Promoters together with the Managing Underwriter in their absolute discretion may decide.*

In the event the closing date for the Applications is extended, investors will be notified of the change in a widely circulated English and Bahasa Malaysia newspaper in Malaysia. Should the application period be extended, the dates for the balloting of the applications and the listing of and quotation for the entire enlarged issued and paid-up share capital of TSHB on the Second Board of the Bursa Securities will be extended accordingly.

**2.4 BASIS OF ARRIVING AT THE IPO PRICE**

The IPO Price of RM0.50 per Share was determined and agreed upon by the Company, Offerors and AmMerchant Bank as Adviser, Managing Underwriter, Underwriter and Placement Agent based on various factors including the following:-

- (i) The Group's operating history and conditions and financial position as outlined in Sections 1.1 and 1.3 of this Prospectus;
- (ii) The prospects of the industry in which the Group operates as outlined in this Prospectus;
- (iii) The forecast net PE Multiple of approximately 9.96 times based on the forecast net EPS of approximately 5.02 sen based on the enlarged issued and paid-up share capital of 192,000,000 Shares in TSHB; and
- (iv) The proforma consolidated NTA of TSHB as at 31 May 2004 of RM0.35 per Share based on the enlarged issued and paid-up share capital of 192,000,000 Shares in TSHB.

The Directors, Promoters and Offerors of the Group and AmMerchant Bank are of the opinion that the IPO Price is fair and reasonable after careful consideration of the abovementioned factors.

## 2. PARTICULARS OF THE IPO (Cont'd)

### 2.5 DETAILS OF THE IPO

#### 2.5.1 Public Issue

The Public Issue of 42,124,000 new Shares will be allocated and allotted in the following manner subject to re-allocation provisions:-

**(i) Malaysian Public**

12,000,000 Public Issue Shares representing 6.25% of the enlarged issued and paid-up share capital will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

**(ii) Eligible Directors, Employees and Business Associates of the Group**

9,600,000 Public Issue Shares representing 5.0% of the enlarged issued and paid-up share capital will be reserved for the eligible Directors, employees and business associates (which include the suppliers, sales agents, customers and others) of the Group.

Further details of Public Issue Shares allocation are set out in Section 2.5.3 of this Prospectus.

**(iii) Bumiputera Investors**

20,524,000 Public Issue Shares representing approximately 10.69% of the enlarged issued and paid-up share capital will be reserved for Bumiputera investors approved by MITI.

#### 2.5.2 Offer For Sale

The Offer For Sale of 46,076,000 Shares will be allocated and allotted in the following manner subject to re-allocation provisions:-

**(i) Private Placement**

9,000,000 Offer Shares representing approximately 4.69% of the enlarged issued and paid-up share capital are reserved by way of Private Placement to selected investors (who are deemed public).

**(ii) Bumiputera Investors**

37,076,000 Offer Shares representing approximately 19.31% of the enlarged issued and paid-up share capital will be reserved for Bumiputera investors approved by MITI.

**2. PARTICULARS OF THE IPO (Cont'd)****2.5.3 Pink Form Shares Allocation**

The 6,630,000 Pink Form Shares have been allocated to five (5) eligible Directors and one hundred and thirty five (135) employees of the Group based on the following criteria as approved by the Company's Board of Directors:-

- (i) At least eighteen (18) years old;
- (ii) Job position; and
- (iii) Length of service.

The 2,970,000 Pink Form Shares have been allocated to four hundred and twenty seven (427) business associates of the Group.

Details of the Pink Form Shares allocation to the eligible Directors, employees and business associates of the TSHB Group are as follows:-

**(i) Directors**

| Name of Directors                                                        | Designation          | Pink Form Shares Allocation |
|--------------------------------------------------------------------------|----------------------|-----------------------------|
| Loh Kok Beng                                                             | Executive Chairman   | -                           |
| Loh Kok Cheng                                                            | Managing Director    | -                           |
| Soon Seok Choo                                                           | Executive Director   | -                           |
| Loh Joo Eng                                                              | Executive Director   | 1,000,000                   |
| Ong Eng Choon                                                            | Independent Director | 50,000                      |
| Dr. Kamarudin Bin Ngah                                                   | Independent Director | 50,000                      |
| Fazrin Azwar Bin Dato' Md. Nor                                           | Independent Director | 50,000                      |
| Osman Bin T.A. Maimunni<br>(Alternate to Fazrin Azwar Bin Dato' Md. Nor) | Independent Director | 50,000                      |
| <b>Total</b>                                                             |                      | <b>1,200,000</b>            |

**(ii) Employees and Business Associates**

| Category                                              | Number     | Average No. Of Shares To Be Allocated To Each Person | Pink Form Shares Allocations |
|-------------------------------------------------------|------------|------------------------------------------------------|------------------------------|
| Managerial and professional                           | 12         | 333,333                                              | 4,000,000                    |
| Technical and supervisory                             | 15         | 18,600                                               | 279,000                      |
| Clerical and related occupations plus sales personnel | 21         | 22,571                                               | 474,000                      |
| Factory and general workers                           | 87         | 7,781                                                | 677,000                      |
| <b>Total eligible employees</b>                       | <b>135</b> |                                                      | <b>5,430,000</b>             |
| Business associates                                   | 427        | 6,955                                                | 2,970,000                    |
| <b>Total</b>                                          | <b>562</b> |                                                      | <b>8,400,000</b>             |

The summary of the IPO Shares is set out in Section 4.1.3(v) of this Prospectus.

**2. PARTICULARS OF THE IPO (Cont'd)****2.6 PURPOSES OF THE IPO**

The purposes of the IPO are as follows:-

- (i) To provide the opportunity for the eligible Directors, employees and business associates of the Group and the Malaysian investing public to participate in the equity and continuing growth of the Group;
- (ii) To comply with the National Development Policy requirements in respect of Bumiputera equity participation in the Group;
- (iii) To enable the Group to gain recognition and certain stature through its listing status and further enhance its corporate reputation and to assist the Group in expanding its customer base;
- (iv) To provide additional funds to meet the present and future working capital requirement of the Group;
- (v) To enable the Group to gain access to the capital market to raise funds for future expansion, diversification, modernisation and continued growth of the Group; and
- (vi) To obtain the listing of and quotation for the entire issued and paid-up share capital of TSHB on the Second Board of the Bursa Securities.

**2.7 UTILISATION OF PROCEEDS****2.7.1 Gross Proceeds**

The Public Issue are expected to raise gross proceeds of approximately RM21.06 million, which shall accrue to the Company.

The Company intends to utilise the proceeds raised in the following manner:-

|                                  | <b>Timeframe for<br/>Utilisation from<br/>the Date of Listing</b> | <b>Amount<br/>(RM'000)</b> |
|----------------------------------|-------------------------------------------------------------------|----------------------------|
| (i) Repayment of bank borrowings | Within 1 year                                                     | 12,633                     |
| (ii) Working capital             | Within 1 year                                                     | 6,629                      |
| (iii) Estimated listing expenses | Within 1 year                                                     | 1,800                      |
| <b>Total proceeds</b>            |                                                                   | <b>21,062</b>              |

The Company will bear all expenses and fees incidental to the listing of and quotation for the entire enlarged issued and paid-up share capital of TSHB on the Second Board of the Bursa Securities, which include underwriting commission, brokerage, professional fees, authorities fees, advertising and other fees. The aggregate is estimated to be RM1.80 million.

The Offer For Sale will raise gross proceeds of approximately RM23.04 million. This amount shall accrue entirely to the Offerors and no part of the proceeds is receivable by the Company. The Offerors shall bear all expenses such as placement fees, brokerage, stamp duty, registration and share transfer fees relating to the Offer Shares estimated to be RM0.37 million.



**2. PARTICULARS OF THE IPO (Cont'd)**

There is no minimum subscription to be raised from the IPO as the IPO Shares, where applicable, are fully underwritten.

Notes:-

**(i) Repayment of Bank Borrowings**

Approximately RM12.63 million of the proceeds from the Public Issue will be utilised to retire the bank borrowings. Such bank borrowings have been utilised to finance, inter alia, the working capital requirements and the acquisition of machineries of the Group.

In line with the Group's future plans to expand its markets and extend its product range by the end of year 2004, TSHB Group has obtained additional borrowings to finance the acquisition of machineries pending the receipt of the proceeds from the Public Issue.

**(ii) Working Capital**

Of the total proceeds, approximately RM6.63 million will be used as general working capital for the Group including the payment of creditors, salaries, purchase of raw materials/stock and operating expenses.

**(iii) Estimated Listing Expenses**

The estimated listing expenses for the listing of and quotation for the entire enlarged issued and paid-up share capital of 192,000,000 Shares in TSHB on the Second Board of the Bursa Securities are as follows:-

| <b>Estimated Listing Expenses</b>                        | <b>Amount<br/>(RM)</b> |
|----------------------------------------------------------|------------------------|
| Fees to authorities                                      | 72,000                 |
| Professional fees #                                      | 650,000                |
| Underwriting and brokerage fees                          | 535,000                |
| Printing, advertising and other miscellaneous expenses @ | 543,000                |
| <b>Total</b>                                             | <b>1,800,000</b>       |

Notes:-

# Include fees for the Adviser, Reporting Accountants, Solicitors, Independent Business and Market Research Consultants and other professional advisers.

@ Any unutilised amount shall be used for working capital purposes of the Group.

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**2. PARTICULARS OF THE IPO (Cont'd)**

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**2.7.2 Financial Impact From Utilisation of Proceeds**

The utilisation of the Public Issue proceeds by the Group is expected to have a financial impact on the Group's interest savings. The repayment of bank borrowings of RM12.63 million will reduce the Group's gearing level from approximately 0.50 times to approximately 0.17 times (based on the proforma Group's total borrowings as at 31 May 2004 and proforma Group shareholders' funds as at 31 May 2004). At the prevailing average interest rate of approximately 6.90%, TSHB Group would be able to save interest cost of approximately RM871,000 per annum.

As the listing proceeds are only expected to be received by the end of third quarter of the financial year ending 31 December 2004, it is not expected to have a material financial impact on the Group for the financial year ending 31 December 2004.

**2.8 UNDERWRITING COMMISSION AND BROKERAGE**

The Underwriters as mentioned in Corporate Directory Section of this Prospectus, have agreed to underwrite 21,600,000 Public Issue Shares to be issued to the Malaysian public and the eligible Directors, employees and business associates of the Group. Underwriting commission is payable by the Company at the rate of 1.5% and 1.0% of the IPO Price in respect of the 12,000,000 Public Issue Shares to be issued to the Malaysian Public and the 9,600,000 Public Issue Shares to be issued to the eligible Directors, employees and business associates of the TSHB Group respectively.

Brokerage is payable by the Company in respect of the Public Issue Shares made available for application by the Malaysian public at the rate of 1.0% of the IPO Price in respect of successful applications which bear the stamp of AmMerchant Bank, member companies of the Bursa Securities, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

|                                                          |
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**2. PARTICULARS OF THE IPO (Cont'd)****2.9 SALIENT TERMS OF THE UNDERWRITING AGREEMENT**

Note: Unless stated, all capitalised terms shall bear the same meanings as prescribed in the Underwriting Agreement.

The following salient terms are reproduced from the Underwriting Agreement. In this section, the following capitalised terms used in this section shall have the respective meanings as ascribed thereto in the Underwriting Agreement and references to "Underwriters" shall include the Managing Underwriter:-

|                 |                                                                                                                                                                                      |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| "Issued Shares" | the whole of the enlarged issued shares of the Company amounting to 192,000,000 ordinary shares of RM0.25 each.                                                                      |
| "Closing Date"  | means the last date for receipt of applications for the Underwritten Shares being a date which shall not be later than three (3) months from the date of the Underwriting Agreement. |

**"9. EVENTS AFFECTING THE LISTING**

9.1 *The Underwriters shall be entitled to terminate this Agreement by notice in writing delivered by the Managing Underwriter on behalf of the Underwriters to the Company prior to the Closing Date if the success of the Listing is in the reasonable opinion of the Underwriters seriously jeopardised by:*

9.1.1 *the coming into force of any laws or governmental regulations or directives which seriously affects or is likely to seriously affect the business of the Group; or*

9.1.2 *any material breach by the Company of any of its representations, warranties, obligations or undertakings under this Agreement; or*

9.1.3 *any material and adverse change in the condition (financial or otherwise) of the Group from that described in the Prospectus.*

9.2 *On delivery of such a notice, this Agreement shall be terminated and rights and obligations of the Company, Managing Underwriter and the Underwriters hereunder shall cease and none of the parties (except for the liability of the Company in respect of payments of costs and expenses referred to in Clause 22 incurred prior to or in connection with such termination) shall have any claim against each other. Thereafter the Managing Underwriter and the Underwriters and the Company shall confer with a view to deferring the Public Issue or amending its terms and/or entering into a new Underwriting Agreement PROVIDED THAT the Company or the Managing Underwriter and the Underwriters shall not be under any obligation to enter into such new agreement.*

**2. PARTICULARS OF THE IPO (Cont'd)****10. TERMINATION IN THE EVENT APPROVAL FOR THE LISTING OF PUBLIC ISSUE SHARES IS WITHDRAWN**

The Underwriters shall have the right to terminate this Agreement by notice in writing served by the Managing Underwriter on behalf of the Underwriters on the Company in the event that the approval-in-principle of the Bursa Securities for the Listing is withdrawn or not procured within six (6) weeks from the date of issue of the Prospectus (or such longer period as may be specified by the SC) and upon such termination, the liabilities and obligations herein of the Company, the Managing Underwriter and the Underwriters shall become null and void and none of the parties aforementioned shall have a claim against each other save that each party shall return any money paid by the other under this Agreement within three (3) days of the receipt of such notice, except for the costs and expenses referred to in Clause 22.

**11. FORCE MAJEURE**

11.1 Notwithstanding anything herein contained, the Underwriters may, after consultation with each other and the Company in good faith at any time before the Closing Date, terminate their obligations under this Agreement by notice in writing delivered by the Managing Underwriter on behalf of the Underwriters to the Company if in the reasonable opinion of the Underwriters there shall have occurred, happened or come into effect any of the following circumstances ("Force Majeure"):

11.1.1 any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Managing Underwriter and/or the Underwriters (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, earthquake, epidemic, disease, civil commotion, sabotage, hijacking, acts of war or terrorism, hostilities, riot, uprising or accidents);

11.1.2 without prejudice to the generality of the foregoing, any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing;;

11.1.3 the imposition of any moratorium, suspension or material restriction on trading in securities generally in the Bursa Securities due to exceptional financial circumstances or otherwise;

**2. PARTICULARS OF THE IPO (Cont'd)**

*which, in the reasonable opinion of the Underwriters, would have or can reasonably be expected to have a material adverse effect on the business or operations of the Group taken as a whole or the success of the Public Issue and the distribution or sale of the Public Issue Shares (whether in the primary market or in respect of dealings in the secondary market) or the Listing or market conditions generally or which has or is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms and upon such termination, the parties hereto shall (except for the liability of the Company in the payment of costs and expenses referred to in Clause 22 hereof incurred prior to or in connection with such termination) be released and discharged from their respective obligations hereunder.*

**12. TERMINATION**

12.1 *Notwithstanding anything herein contained, the Underwriters may by notice in writing delivered by the Managing Underwriter on behalf of the Underwriters to the Company, terminate, cancel or withdraw their underwriting commitment to underwrite the Underwritten Shares under this Agreement if:*

12.1.1 *there is any breach by the Company of any of the representations, warranties and undertakings of the Company contained in Clause 5 above which is not capable of remedy, or if capable of remedy, is not remedied within such period as stipulated in the notice given by the Managing Underwriter to the Company or by the Closing Date, whichever is earlier;*

12.1.2 *there is failure on the part of the Company to perform any of its obligations under this Agreement;*

12.1.3 *there is withholding of information of material nature from the Underwriters which is required to be disclosed pursuant to this Agreement which, in the opinion of the Underwriters would have or can reasonably be expected to have a material adverse effect on the business or operations of the Group, the success of the Public Issue or the distribution or sale of the Public Issue Shares;*

12.1.4 *there shall have occurred or happened any material and adverse change in the business or financial condition of the Company or the Group as a whole;*

12.1.5 *there shall have occurred or happened any Force Majeure event referred to in Clause 11 above.*

**2. PARTICULARS OF THE IPO (Cont'd)**

- 12.2 *Upon any such notice being given pursuant to Clause 12.1, the Underwriters shall be released and discharged from their obligations under this Agreement whereupon this Agreement shall be of no further force or effect and no party shall be liable to the other in respect of this Agreement save and except that the Company shall remain liable in respect of its liabilities under Clause 5 or for any antecedent breach and for the payment of the costs and expenses referred to in Clause 22 below which are incurred prior to or in connection with such termination and such reimbursement of the costs and expenses incurred shall be paid to the Underwriters within three (3) days from the date of notification to the Company to discharge themselves."*

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### 3. RISK FACTORS

In evaluating an investment in the IPO Shares, prospective applicants should carefully consider all information contained in this Prospectus including but not limited to the general and specific risks of the following risk factors:-

#### (i) Business Risks

The Group is subject to certain risk inherent to the Plastics Industry. These may include shortage in skilled workforce, increase in cost of workforce and operating cost, changes in general economic, business and credit conditions, and changes in government policies.

The Group has taken steps to mitigate the risks through continuous effort to maintain and source for skilled workers. The Group also embraces new technology to continuously improve its products and services to meet customers' demand and expectations. The Group also provides maintenance and after sales service to retain its customers.

#### (ii) Financial Risks

In terms of finance, the TSHB Group has been profitable for the last five (5) full financial years. Based on past performances, the TSHB Group has recorded financial growth and profitability. TSHB Group relies partially on its internally generated profits to fund its growth and operations. This reduces its financing costs and enables it to increase its profitability.

As at 31 May 2004, TSHB Group's debt to equity ratio is approximately 0.17 times based on the proforma consolidated balance sheets as at 31 May 2004 after taking into account the Acquisitions and the Public Issue but prior to the ESOS. The average level of debt to equity ratio also gives TSHB Group the capacity to borrow more if it requires. This 'extra' capacity provides it with significant leeway to sustain the business during poor operating and economic conditions and ability to take on more debts for expansion, if so desired.

#### (iii) Fluctuations in Prices of Raw Materials

As plastic resins are commodities, the costs of these commodities are subjected to fluctuations in world prices. In some situations, increases in the price of raw materials are not easily passed onto users. This could impact on margins or alternatively, if the increase in cost is passed onto users, the manufacturer may not be price competitive.

However, manufacturers with strong financial strengths are able to hold stocks of these raw materials to cushion against fluctuation in prices. As these raw materials are commodities and therefore subjected to world prices, all manufacturers who use these materials are equally affected.

(Source : *Assessment of the Plastic Calendering 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.*)

**3. RISK FACTORS (Cont'd)****(iv) Increased Competition from Film Extrusion**

Plastic sheets and films can also be produced using extrusion as a process. As the capital set-up cost is lower using extrusion, the sheer number of operators in the industry presents significant competition for operators in the Plastic Calendering Industry.

However, both processes have their own advantages and are effective in manufacturing certain range of plastic products. Extrusion is mainly used for packaging applications such as plastic bags with the capabilities of producing very thin films. Calendering process can achieve a much higher output with consistency in thickness and is much more effective in producing certain types of plastic sheets and films for example among others, plastic floor covering, plastic films for thermoforming and a range of other consumer products. Thus each of the processes has their own niche in the industry and can co-exist effectively.

(Source : *Assessment of the Plastic Calendering 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.*)

**(v) Dependence on Directors, Key Management and Workers**

The Group believes that its continued success will depend to a significant extent upon the abilities and continued efforts of its existing Directors and key management. The Group will strive to continue attracting and retaining skilled personnel to support its business operation and has made efforts to train its staff. As a result of this, the Group has enjoyed the support of management staff with long-term service.

As at 31 August 2004 (being the latest practicable date prior to the printing of this Prospectus), labour on the factory floor represented the largest category of employees, accounting for 70.9% of the total employees of TSHB Group. These are primarily segmented into skilled, semi-skilled and unskilled workers, which accounted for approximately 6.0%, 3.5% and 61.4% respectively.

The loss of Directors or key management could adversely affect the Group's ability to compete in the industry. The Group is proposing to implement an ESOS in conjunction with the Listing Scheme for the benefit of the Group's eligible Directors and employees. The TSHB Group provides incentives and training program to retain its workforce. Management succession plan has been developed to ensure the smooth running and succession of the Group's business. However, there can be no assurance that the Group will always be successful in retaining its workforce.

**(vi) Insurance Coverage on Assets**

The Group is aware of the adverse consequences arising from inadequate insurance coverage that could impact on its business operation. In ensuring such risks are maintained to the minimum, the Group reviews and ensures adequate coverage for its assets on a continuous basis.

For the Group's operations, all assets such as plant and machineries, inventory, office equipment and furniture and fitting are sufficiently insured under fire and other insurance policies.



**3. RISK FACTORS (Cont'd)****(vii) Elasticity of Demand**

The elasticity of demand for both PVC Floor Covering and PVC Films and Sheets is moderate to high. This is substantiated by the following factors:-

**(a) 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 price pressure to calendered plastic products.

**(b) 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 have their relative market positioning that ultimately dictates the upper limit to prices.

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

**(c) Competition from Imports**

Calendered plastic films and sheets face significant competition from imports that place price pressure on locally produced Calendered plastic products:-

- In 2002, the import value of plastics in non-primary form amounted to RM1.5 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 2002, 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 RM603.8 million.

PVC Floor Covering also faces competition from imports, although not as much as PVC Films and Sheets:-

- In 2002, import value of floor covering other than in the forms of tiles, of polymers of vinyl (including PVC Floor Covering) amounted to RM19.8 million. The top two importing countries are Thailand and Japan.
- In 2002, import value of PVC Floor Covering other than in the form of tiles amounted to RM15.8 million. The top two importing countries were Thailand and United Kingdom.

**3. RISK FACTORS (Cont'd)****(d) Consumer Based Goods**

Calendered plastic products in the form of PVC Floor Covering and PVC Films and Sheets are used extensively by consumers. Being consumer-based products, they are constantly subjected to price pressure.

**(e) Generic Product**

Most of the Calendered PVC products are generic in nature. As such, price becomes the more dominating buying factor when there are few differentiations. Some exceptions, however, include customised PVC Films and Sheets based on customers' specifications, and proprietary designs for PVC Floor Covering.

However, 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, price is secondary to the quality and specifications of the calendered plastic products. Apart from this, the relatively few number of manufacturers reduces significantly the competitive intensity to moderate pricing. In 2003, Malaysia has an estimated 10 calendered plastic manufacturers.

Nevertheless, PVC Floor Covering has significant value-adding in the form of designs. Manufacturers that are able to create appealing designs can command premiums as these designs are proprietary. In addition, calendered plastic manufacturers that undertake research and development to produce new materials or applications would be in a position to command its own pricing.

(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.*)

**(viii) Risk of Increase in Cost of Labour and Labour Strike**

As the production processes of TSHB Group are still labour intensive, the Group is subject to the risk of increase in cost of labour and labour strike. In this respect, the Group has taken steps to minimise the risk by maintaining a good labour relationship with its workers. Direct labour cost represented approximately 3.87% and 3.90% 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.

TSHB Group plans to invest in machineries and equipment to slowly phase out certain manual operation through introduction of automated production processes in order to reduce the dependency on manual labour and cost of labour.

However, no assurance can be given that any change to these factors will not have a material adverse effect on the Group's business.

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**3. RISK FACTORS (Cont'd)****(ix) 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. However, once the stock take is completed, the retailers will replenish their stocks for the next quarter. Production 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 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 Films. In addition, TSHB Group usually focuses on developing new designs of PVC Floor Covering during the first quarter.

(Source : *Business Overview of Tek Seng Holdings Berhad dated 21 September 2004, Vital Factor Consulting Sdn Bhd. This report is prepared for the inclusion in the Prospectus.*)

**(x) Security and System Disruption**

TSHB Group did not experience any disruption in business arising from security and system disruption on its plant, which has significant effect on its operation for the past twelve (12) months prior to the date of this Prospectus. The Directors do not foresee that there shall be any disruption to the security and system of TSHB Group's operation which shall materially affect the Group's output. In addition, the Group has a regular maintenance schedule for its machineries and equipment. Notwithstanding this, there is no assurance that security and system disruption will not materially affect TSHB Group's business.

**(xi) Technology**

The future success of the Group's business depend on its ability to maintain and enhance its technological capabilities and successfully anticipate or respond to technological changes in the manufacturing processes in a cost-effective and timely basis. Although the Board of Directors believes that the current technology on the calendering process and the machineries employed by the Group will continue to adequately serve the needs of the Group's operation in the foreseeable future, there is no assurance that the emergence of new technologies will not render the Group's technology, equipment and machineries obsolete or uncompetitive. However, in the event that the need of technological improvement arises, the Group will invest in more advances machineries and technologies to keep abreast with the latest technology and technical know-how.

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**3. RISK FACTORS (Cont'd)****(xii) Environmental Risk**

Some of the environmental issues faced by companies involved in the manufacture of PVC products include smoke emission resulting from the heating of 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 is 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 them again in the manufacturing process. Thus, there is no wastage from that perspective.

(Source : *Business Overview of Tek Seng Holdings Berhad dated 21 September 2004, Vital Factor Consulting Sdn Bhd. This report is prepared for the inclusion in the Prospectus.*)

TSHB Group will continuously improve its factory waste management system to be in line with the increasing global awareness on environmental conservation. In addition, the Group will work closely and cooperate with the requirements of the environmental enforcement, if there is.

**(xiii) Economic, Political and Regulatory Risks**

As Plastic Calendering Industry mainly services the local market, any downturn in the local economy will impact directly on demand for plastic calendered products. A prolonged slowdown in the local economy will have a negative impact on manufacturers within the Plastic Calendering Industry as consumers trim their spending, thus reducing demand for consumer goods.

However, in 2001, the Malaysian Government has responded to the slowdown in the local economy by adopting aggressive monetary and fiscal measures to stimulate domestic demand. This will help mitigate some of the impact of the economic slowdown until such a time when economic conditions improve.

Manufacturers that are financially strong, have extensive and established distribution network and established track record would be better able to survive the impact of a local economic slowdown.

(Source : *Assessment of the Plastic Calendering 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.*)

Although TSHB Group is adopting a prudent approach in its financial management as well as efficient operating procedures, there is no assurance that adverse political and economic development will not have an impact on the Group.

**(xiv) Control by Promoters and Substantial Shareholders**

After the IPO, the Promoters and/or the substantial shareholders who are also Executive Directors of TSHB, as set out in Section 1.2 of this Prospectus will collectively control 50.08% of TSHB's enlarged issued and paid-up capital. As a result, these Promoters and/or substantial shareholders will be able to exercise some extent of influence on the outcome of certain matters requiring the vote of the Company's shareholders unless they are required to abstain from voting by law, covenants and/or by the relevant authorities.

**3. RISK FACTORS (Cont'd)**

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**(xv) Achievability of Profit Forecast**

It should be noted that the profit forecast is based on various assumptions with respect to the levels and timing of revenues, cost, interest rates, exchange rates and various other matters of an operational or financial nature, which assumptions are believed by the Directors of the Company to be reasonable. These assumptions are nevertheless subject to uncertainties and contingencies. Due to the inherent uncertainties of forecast and because of the events and circumstances may not occur as expected, no assurance can be given that such assumptions and the forecast will be realised and actual results may be materially different from that shown. Potential investors should note carefully the bases and assumptions to the profit forecast as well as the comments by the Reporting Accountants in their letter on the consolidated profit forecast as set out in Sections 9.5 and 9.6 of this Prospectus.

**(xvi) Disclosure Regarding Forward-Looking Statements**

Certain statements in this Prospectus are based on historical data, which may not be reflective of the future results, and any forward-looking statements in nature are subject to uncertainties and contingencies. All forward-looking statements are based on forecast and assumptions made by the Company, and although believed to be reasonable, are subject to unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, inter-alia, general economic and business conditions, competition and the impact of new laws and regulations affecting the Group. In the light of these and other uncertainties, the inclusion of any forward-looking statements in this Prospectus should not be regarded that the plans and objectives of the Group will be achieved.

**(xvii) Related Party Transactions/Conflict of Interest**

As disclosed in Section 7.0 of this Prospectus, there are certain related-party transactions involving the Directors and/or substantial shareholders and/or persons connected with the Directors and/or substantial shareholders of TSHB. The Directors and/or substantial shareholders of TSHB have given undertakings that all business transactions between the Group and the Directors and/or substantial shareholders and/or persons connected to them, shall be based on arms length basis and on commercial terms that shall not be disadvantageous to the Group.

Independent Directors have been appointed to the Audit Committee as well as to the board of TSHB. The responsibilities of the Independent Directors would be to provide balance to the management of the Group and undertake the functions, amongst others, overseeing the conduct of the Group's business to evaluate whether the business is being properly managed, identify principal risks and ensure the implementation of appropriate systems to manage these risks and reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Should there be any issue or concern with regard to the related party transactions or conflict of interest affecting the Group, the Audit Committee will investigate and take the necessary measures.

**3. RISK FACTORS (Cont'd)****(xviii) Long-Term Contracts**

TSHB Group does not have any formal long-term contracts with its customers. It is common in the industry whereby on average, orders are placed on a monthly basis and subsequently delivered within one to two months.

The Group has a close working relationship with its customers. This is reflected by the fact that for the financial year ended 31 December 2003 and the five (5) months period ended 31 May 2004, approximately 60% and 70% of its top 10 customers have been dealing with the Group for three (3) or more years respectively. Of these, approximately 40% of these group of customers have ten (10) or more years of business dealings with TSHB Group.

These mutually beneficial long-term relationships are strong indications of business continuity between TSHB Group and its customers.

(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.*)

**(xix) No Prior Market for TSHB's Shares**

Prior to this IPO, there has been no public market for TSHB's Shares. There can be no assurance that an active market for TSHB's Shares will develop and continue to develop upon or subsequent to its listing on the Second Board of the Bursa Securities or, if developed, that such a market will be sustained. The IPO Price of RM0.50 per Share has been determined after taking into consideration a number of factors, including but not limited to, the Group's financial and operating history and condition, its prospects and the prospects of the industry in which the Group operates, the management of the Group, the market prices for shares of companies engaged in business similar to that of the Group and the prevailing market conditions at the time the application for listing of TSHB was submitted to the SC. There can be no assurance that the IPO Price will correspond to the price at which TSHB's Shares will trade on the Second Board of the Bursa Securities upon or subsequent to its listing.

**(xx) Implementation of AFTA**

The reduction of import duties to between 0% and 5% with the implementation of AFTA through Common Effective Preferential Tariff ("CEPT") would make imports very competitive against locally manufactured products. CEPT is the mechanism by which tariffs on goods traded within the Asean region, which meet a 40% Asean content requirement, will be subjected to a reduction of the above-mentioned range of tariff by 2003 (2006 for Vietnam, 2008 for Laos and Myanmar).

Nevertheless, new players resulting from the implementation of AFTA would need to invest significant effort and time to develop and market their products to gain acceptance from local consumers. This would provide some advantages to existing local players at least in the short to medium term. During this period, local players can learn to adapt to the new competitive environment to sustain business growth and success.

Local players with good and established track record, and established distribution network would be in a better position to face the increased competitive pressure from the potential new players in the market. In addition, AFTA also provides opportunities for local manufacturers to address new export markets within AFTA.

**3. RISK FACTORS (Cont'd)**

Currently some of the plastic resins are subjected to 15% import duty. The implementation of AFTA and the subsequent reduction or removal of duties would also compel local resin producers to be more cost competitive. From this perspective, the implementation of AFTA would benefit local manufacturers within the Plastics Industry including the plastic Calendering sector.

(Source : *Assessment of the Plastic Calendering 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.*)

**(xxi) Risk of Production Stoppage**

As the Group's production facilities are located in one area, the risk of production stoppage due to unforeseen circumstances such as flood and fire is beyond the management's control and could have a material adverse effect on the Group's operation. Nevertheless, the management implements and practices precautionary measures to avoid or minimise the impact of a major fire. Employees are trained to adhere to fire prevention guidelines and policies to ensure a safe working environment. In addition, TSHB Group has also purchased insurance coverage on fire and fire consequential loss for its factory building and plant and machinery.

**(xxii) Covenants Under Borrowings Facility Agreements**

The covenants in the credit facility agreements entered into by the Group with the financial institutions may restrict the financial and operating flexibilities. The aforesaid covenants are of a nature, which are commonly contained in credit facility agreements in Malaysia. Breach of such covenants may give rise to a right by the financial institutions to terminate the relevant credit facility and/or enforce any security granted in relation to that credit facility. The Board of Directors is aware of such covenants and will take necessary precautions to prevent any such breach.

**(xxiii) Failure/Delay in the Listing**

The success of the listing exercise is also exposed to the risk that it may fail or be delayed should any of the following events occur:-

- (a) The Bumiputera investors approved by MITI fail to subscribe the IPO Shares allocated to them;
- (b) The eligible Directors, employees and business associates of the Group fail to subscribe the IPO Shares allocated to them;
- (c) The underwriters of the IPO fail to honour their obligations under the underwriting agreements;
- (d) The placees under the Private Placement fail to subscribe the IPO Shares allocated to them; and
- (e) TSHB is unable to meet the public spread requirements, i.e. at least 25% of the total enlarged issued and paid-up capital of TSHB must be held by a minimum of 1,000 public shareholders holding no less than 100 Shares each in TSHB at the point of listing.

TSHB Group will comply with the Listing Requirements and SC Guidelines whichever are applicable and relevant to the above. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or abortion of the Listing.