

5. INFORMATION ON THE MTHB GROUP

5.1 History

MTHB was incorporated in Malaysia under the Companies Act, 1965 on 28 December 2001 as a private limited company. It was converted to a public limited company on 7 August 2003. MTHB is principally an investment holding company.

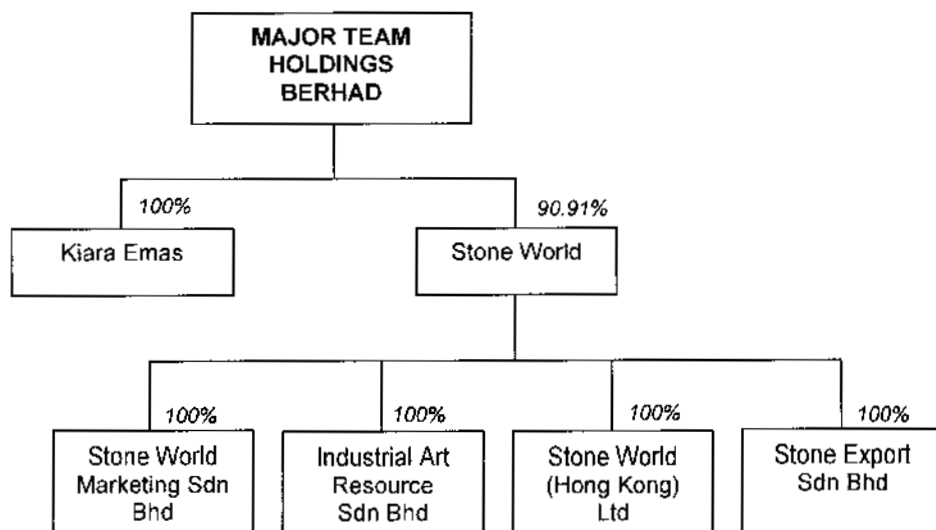
MTHB's registered office is located at 2nd Floor, Union Commercial Centre, 433 Jalan Temiang, 70200 Seremban, Negeri Sembilan. Its management office is located at 2nd Floor, Regal House, No. 1 Jalan U-Thant, 55000 Kuala Lumpur. The principal place of business of its main operating subsidiary, Stone World, is located at No. 388, Jalan Tun Razak, 50400 Kuala Lumpur. The Group also has a factory, which is located at Lot No. PLO 466, Jalan Gangsa, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor.

Pursuant to the Restructuring Scheme (details of which are set out in Section 6 of this Prospectus), MTHB had on 18 August 2003 acquired the entire issued and paid-up share capital of Kiara Emas.

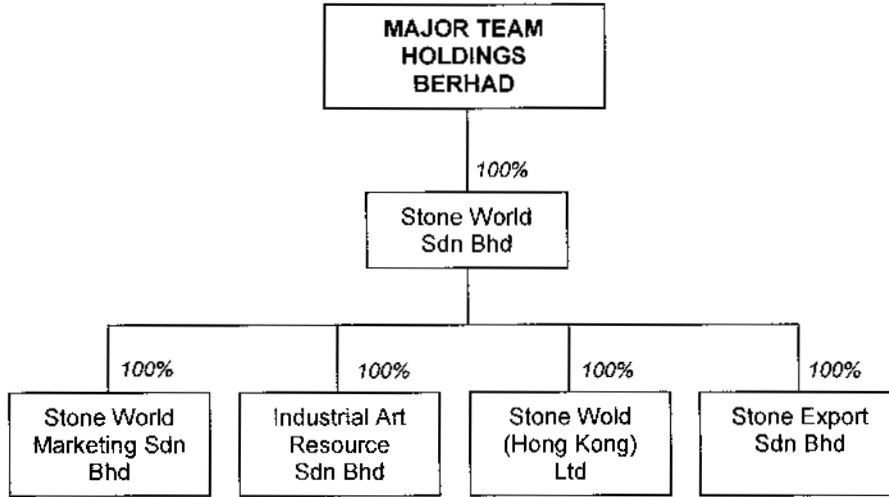
Kiara Emas is presently listed on the Second Board of the KLSE. It has been designated as an affected listed issuer under the KLSE's Practice Note 4/2001, as there is a deficit in its adjusted shareholders' equity, as defined in the KLSE's Practice Note 4/2001. Accordingly, the trading of Kiara Emas Shares on the KLSE has been suspended since 12 February 2001. On 29 July 2003, Kiara Emas was also designated as an affected listed issuer under the KLSE's Practice Note 10/2001. Pursuant to the Transfer of Listing Status, the listing status of Kiara Emas on the Second Board of the KLSE will be transferred to MTHB and Kiara Emas will be de-listed from the Second Board of the KLSE. The control held by MTHB in Kiara Emas is intended to be temporary, as Kiara Emas has been acquired exclusively for the purpose of implementation of the Restructuring Scheme with a view to its subsequent disposal or liquidation upon the listing of MTHB on the KLSE.

Pursuant to the Restructuring Scheme, MTHB had also on 15 August 2003 acquired 90.91% of the issued and paid-up share capital of Stone World comprising 50,192,602 Shares from Excellent Avenue. The Stone World Group is principally involved in the manufacture, supply and installation of stone products. Its main products are tiles and other construction materials made from granite and marble. Stone World is registered as a Grade 7 contractor with the CIDB which allows it to undertake projects of unlimited value.

The Group's current corporate structure is set out below:-



MTHB will proceed to complete the Mandatory Offer for the remaining 5,021,541 Offer Shares in Stone World representing the remaining 9.09% of the issued and paid-up share capital of Stone World currently not held by MTHB. Subsequent to the listing of MTHB on the KLSE, MTHB will also dispose of the entire issued and paid-up share capital of Kiara Emas or liquidate Kiara Emas, thus resulting in the final corporate structure of the Group to be as follows:-



Details of the subsidiaries of MTHB are set out in Section 5.3 below.

5.2 Share Capital and Changes in Issued and Paid-Up Capital

The present authorised share capital of MTHB is RM150,000,000 comprising 150,000,000 Shares, whilst its issued and paid-up share capital is RM58,000,001 comprising 58,000,001 Shares.

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

Date of Allotment	No. of Shares	Par Value (RM)	Consideration	Total (RM)
28.12.2001	2	1.00	Subscriber shares	2
18.08.2003	7,999,999	1.00	Issue of new Shares pursuant to the Shareholders' Scheme	8,000,001
23.08.2003	50,000,000	1.00	Issue of new Shares pursuant to the Acquisition of Stone World	58,000,001

5.3 Subsidiaries and Associated Companies

The details of the subsidiaries of MTHB are set out below:-

Name of Company	Date / Place of Incorporation	Issued and Paid-Up Capital (RM)	Effective Equity Interest (%)	Principal Activities
Stone World (224526-D)	06.09.1991 Malaysia	55,214,143	90.91	Manufacture, supply and installation of dimension stone products.
Kiara Emas (378502-T)	02.03.1996 Malaysia	2	100.00	Dormant
Subsidiaries of Stone World				
Stone World Marketing Sdn Bhd (299584-P)	11.05.1994 Malaysia	100,000	90.91	Provision of management services and trading of stone products.
Industrial Art Resource Sdn Bhd (451444-P)	29.10.1997 Malaysia	50,000	90.91	Pre-operating
Stone World (Hong Kong) Ltd. (490576)	06.09.1994 Hong Kong	HKD10,000	90.91	Pre-operating
Stone Export Sdn Bhd (331454-T)	19.01.1995 Malaysia	2	90.91	Pre-operating

MTHB does not have any associated companies.

5.3.1 Stone World

(a) History and Business

Stone World was incorporated in Malaysia under the Companies Act, 1965 on 6 September 1991 as a private limited company. Stone World was originally established by Dong In Stone Ind. Co. Ltd., a Korean Group which is one of the leading stone products manufacturers in the international market, with production facilities in Korea and other parts of the world. In 1994, the majority shareholding was divested to Excellent Avenue. On 15 August 2003, MTHB had acquired 90.91% of the issued and paid-up capital of Stone World comprising 50,192,602 Shares from Excellent Avenue.

Stone World commenced its business operations in February 1993. The principal activities of Stone World are the manufacture, supply and installation of stone products. Its main products are tiles and other construction materials made from granite and marble.

(b) Share Capital

The authorised share capital of Stone World is RM100,000,000 comprising 100,000,000 Shares. The present issued and paid-up share capital of Stone World is RM55,214,143 comprising 55,214,143 Shares.

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

Date of Allotment	No. of Shares	Par Value (RM)	Consideration	Total (RM)
06.09.1991	2	1.00	Cash	2
30.04.1992	1,275,998	1.00	Cash	1,276,000
02.06.1992	759,900	1.00	Cash	2,035,900
08.10.1992	499,200	1.00	Cash	2,535,100
11.11.1992	10,018,750	1.00	Cash	12,553,850
03.02.1994	1	1.00	Cash	12,553,851
30.06.1994	12,553,849	1.00	Cash	25,107,700
09.07.1994	2,510,750	1.00	Cash	27,618,450
05.01.1995	2,510,750	1.00	Cash	30,129,200
31.03.1995	5,021,533	1.00	Cash	35,150,733
30.06.1995	5,021,533	1.00	Cash	40,172,266
14.09.1995	5,021,533	1.00	Cash	45,193,799
29.12.1995	7,975,376	1.00	Cash	53,169,175
30.04.1996	2,044,968	1.00	Cash	55,214,143

(c) Substantial Shareholders

As at the date of this Prospectus, Stone World is a 90.91% owned subsidiary of MTHB. The remaining 9.09% of Stone World's issued and paid-up capital comprising 5,021,541 Shares are held by the following persons:-

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Teo Yong Sai	5,021,540	9.09	-	-
Wong Thiam Loy	1	-	^a 50,192,602	90.91

Note:-

a Deemed substantial interest through MTHB.

The Shares shown in the above table will be acquired by MTHB pursuant to the Mandatory Offer.

(d) Subsidiaries and Associated Companies

The details of the subsidiaries of Stone World are set out below:-

Name of Company	Date / Place of Incorporation	Issued and Paid-Up Capital (RM)	Equity Interest (%)	Principal Activities
Stone World Marketing Sdn Bhd (299584-P)	11.05.1994 Malaysia	100,000	100.00	Provision of management services and trading of stone products.
Industrial Art Resource Sdn Bhd (451444-P)	29.10.1997 Malaysia	50,000	100.00	Pre-operating
Stone World (Hong Kong) Ltd. (490576)	06.09.1994 Hong Kong	HKD10,000	100.00	Pre-operating
Stone Export Sdn Bhd (331454-T)	19.01.1995 Malaysia	2	100.00	Pre-operating

Stone World does not have any associated companies.

5.3.2 Stone World Marketing Sdn. Bhd. ("Stone World Marketing")

(a) History and Business

Stone World Marketing was incorporated in Malaysia under the Companies Act, 1965 on 11 May 1994 as a private limited company. As at the date of this Prospectus, Stone World Marketing is a wholly owned subsidiary of Stone World. Stone World Marketing does not have any subsidiary or associated companies.

Stone World Marketing commenced its business operations in April 1997. The principal activities of Stone World Marketing are the provision of management services and trading of stone products.

(b) Share Capital

The present authorised, issued and paid-up share capital of Stone World Marketing is RM100,000 comprising 100,000 Shares.

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

Date of Allotment	No. of Shares	Par Value (RM)	Consideration	Total (RM)
11.05.1994	2	1.00	Cash	2
03.03.1997	99,998	1.00	Cash	100,000

5.3.3 Industrial Art Resource Sdn. Bhd. ("Industrial Art Resource")

(a) History and Business

Industrial Art Resource was incorporated in Malaysia under the Companies Act, 1965 on 29 October 1997 as a private limited company. As at the date of this Prospectus, Industrial Art Resource is a wholly owned subsidiary of Stone World. Industrial Art Resource does not have any subsidiary or associated companies.

Industrial Art Resource has yet to commence operations.

(b) Share Capital

The authorised share capital of Industrial Art Resource is RM100,000 comprising 100,000 Shares. The present issued and paid-up share capital of Industrial Art Resource is RM50,000 comprising 50,000 Shares.

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

Date of Allotment	No. of Shares	Par Value (RM)	Consideration	Total (RM)
29.10.1997	2	1.00	Cash	2
16.01.1998	49,998	1.00	Cash	50,000

5.3.4 Stone Export Sdn. Bhd. ("Stone Export")**(a) History and Business**

Stone Export was incorporated in Malaysia under the Companies Act, 1965 on 19 January 1995 as a private limited company. As at the date of this Prospectus, Stone Export is a wholly owned subsidiary of Stone World. Stone Export does not have any subsidiary or associated companies.

Stone Export has yet to commence operations.

(b) Share Capital

The authorised share capital of Stone Export is RM100,000 comprising 100,000 Shares. The present issued and paid-up share capital of Stone Export is RM2.00 comprising 2 Shares.

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

Date of Allotment	No. of Shares	Par Value (RM)	Consideration	Total (RM)
19.01.1995	2	1.00	Cash	2.00

5.3.5 Stone World (Hong Kong) Ltd. ("Stone World HK")**(a) History and Business**

Stone World HK was incorporated in Hong Kong on 6 September 1994 under the Companies Ordinance as a private limited company. As at the date of this Prospectus, Stone World HK is a wholly owned subsidiary of Stone World. Stone World HK does not have any subsidiary or associated companies.

One (1) ordinary share of HKD1.00 each in Stone World HK is registered in the name of Stone World Marketing, held in trust for Stone World. Stone World holds the remaining 9,999 ordinary shares of HKD1.00 each in Stone World HK.

Stone World HK has yet to commence operations.

(b) Share Capital

The authorised, issued and paid-up share capital of Stone World HK is HKD10,000 comprising 10,000 ordinary shares of HKD1.00 each.

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

Date of Allotment	No. of Shares	Par Value (HKD)	Consideration	Total (HKD)
06.09.1994	2	1.00	Cash	2
20.10.1994	9,998	1.00	Cash	10,000

5.4 Business Overview

5.4.1 Overview of the Malaysian Economy

The Malaysian economy has remained resilient despite an external environment marked by heightened uncertainty and the impact of the Severe Acute Respiratory Syndrome (“SARS”) on regional economies in the final part of the first quarter of 2003. Real gross domestic product growth of the Malaysian economy in the first quarter of 2003 was within expectations. Economic activity expanded at an annual rate of 4% compared with 1.3% in the corresponding period in 2002. Expansion was positive in all sectors. Growth in the first quarter of 2003 was largely supported by domestic demand, underpinned by stronger public sector spending. The construction sector expanded by 1.2% in the first quarter of 2003, supported by public sector projects and continued demand for housing.

Pursuant to the Package of New Strategies recently announced by the Prime Minister’s Department on 21 May 2003 to stimulate the economy, the Malaysian Government has identified several strategies to develop new sources of growth, particularly in the services, construction, manufacturing and agriculture sectors. Towards this end, the Malaysian Government will implement several measures, including undertaking development projects, with priority given to infrastructure and construction-related projects, which have multiplier effects on the economy. Real property gains tax will be exempted for a period of one (1) year, effective from 1 June 2003, and stamp duty exemption will be given on completed loan documents related to the purchase of residential houses costing not more than RM180,000 per unit.

Going forward, the outlook for the second half of 2003 is for further strengthening of the Malaysian economy. On the external front, the outlook for the major industrial economies in general and the United States in particular has improved, although growth is likely to be more modest than earlier expectations. Proactive measures have been taken by the authorities in the area of monetary and fiscal policies to support growth.

*(Sources: Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2003 – Bank Negara Malaysia
New Strategies Towards Stimulating the Nation’s Economic Growth – Economic Planning Unit, Prime Minister’s Department)*

5.4.2 Overview of the Construction Sector and Dimension Stone Industry

The 2002 Malaysian Property Market Report shows a steady market, driven by an active residential property sub-sector following the recovery of the Malaysian economy. Demand for residential property, especially those for the low and medium income groups, continues to remain positive. The low interest rate environment, attractive loan packages, home ownership campaigns as well as other incentives that have been put in place have further encouraged house ownership.

In terms of property market activities, the number of transactions recorded for 2002 was 231,394, a marginal decrease of 4.6% compared to 2001. The value of transactions was maintained at RM38,643.29 million, near to the RM38,634.93 million registered for 2001. However, this does not include the residential transactions under the stamp duty waiver estimated by the Real Estate and Housing Developers Association at 85,747. The residential sector remained the main sector driving the property market, contributing 70.1% of the number of transactions.

In terms of the rate of growth in the volume of transactions, the situation has improved. The increase in the overall number of transactions in 2002 was clearly more than the 1.1% for 2001, on account of the substantial number of residential transactions under the stamp duty waiver. In terms of growth in the value of transactions, the change for all sectors followed the pattern of growth in the number of transactions. Higher average values were noted for properties in the residential sector.

The residential sector, the main sector driving the property market, is expected to remain active in the year 2003, although slower activity may be seen in the earlier months. Low interest rates, competition among banks for a bigger share of housing loans as well as incentives by developers will continue to support activity. The strong demand for affordable houses of RM150,000 and below, accounting for 74.7% of the volume of transactions, should continue in 2003.

(Source: Property Market Report 2002)

The dimension stone industry is oligopolistic in nature with only a few key players. However, with the exit of smaller players affected by the last economic crisis, the industry is now trending towards monopolistic competition. The success of a player is largely dependent on the capabilities of its processing plant and the technology employed, as well as its product mix.

The industry has significant barriers to entry, including the capital-intensive nature of the production process, the skill and experience required to achieve profit maximisation and increase market penetration, and the ability to source a consistent supply of high quality raw materials at favourable prices. The acquisition of know-how in the business is a long learning curve. A new player in the industry would experience problems if it is not able to source an adequate and consistent supply of raw materials of a certain quality. A new player may also not be able to enjoy favourable pricing from suppliers due to its small volume. Adequacy of working capital is critical for maintaining an economic scale of operations.

In order to carry out construction work, a company is required to be registered with the CIDB and hold a valid certificate of registration issued by the CIDB under the Lembaga Pembangunan Industri Pembinaan Malaysia Act, 1994. The company also has to comply with all the requirements of the Occupational Safety and Health Act, 1994, all the requirements of the local bye-laws with regards to safety measures, and all legislation in relation to foreign workers.

On the outlook for the dimension stone industry, it is largely exposed to the performance of the broader economy, as it is primarily dependent upon the property and construction sectors. In 2002, growth in the construction sector continued to be bolstered by projects implemented under the fiscal stimulus programme and housing development, thus contributing to a stronger growth of 3.8% (2001: 2.3%). At the same time, the Malaysian Government reviewed procedures, rules and guidelines as well as established a special task force to ensure that the implementation of public and privatised projects are carried out as scheduled and, therefore, produce the intended impact.

The construction sector is envisaged to record a higher growth of 4.5% (2002: 3.8%) in 2003. Public sector infrastructure projects, in the health and education sub-sectors in particular, as well as for rural development, will continue to drive the sector. Housing development is also expected to contribute significantly to growth in the sector in view of the increasing demand, especially for low and medium-cost houses.

The new strategies towards stimulating the nation's economic growth recently announced by the Government ("**Package of New Strategies**") identify four (4) main strategies and comprise 90 measures aimed at generating economic activities by mobilising domestic sources of growth as well as reducing the country's dependence on the external sector. In one of the strategies to develop new sources of growth, the Government recognised that the construction sector has been a key sector in the efforts to stimulate domestic economic activities and in enhancing growth. The sector has greater linkages, particularly with construction-related industries. The Government is confident that the Package of New Strategies will further strengthen the nation's economic fundamentals to ensure more sustainable growth in the medium and long-term.

*(Sources: Discussions with the management of Stone World
Economic Report 2002/2003
New Strategies Towards Stimulating the Nation's Economic Growth – Economic
Planning Unit, Prime Minister's Department)*

5.4.3 Principal Products and Services

Stone World's principal activities are the manufacture, supply and installation of dimension stone products. Being a Grade 7 contractor registered with the CIDB, Stone World is able to undertake projects of unlimited value. Its products consist of tiles, slabs, kitchen and vanity tops and other value-added items made from dimensional stones such as marble, granite, travertine and limestone. These dimension stone products, mainly from marble and granite, include tiles that are cut to size for installation on floors and walls, as well as custom-crafted structures. Dimension stone products from travertine and limestone are also manufactured to a lesser degree.

Stone World has also identified marble mosaic and tumbled stones as new products with potential for growth through effective marketing efforts.

5.4.4 Demand and Principal Markets

Generally, Stone World manufactures two (2) major types of product, being granite and marble. Granite, which is a hardy material, is generally used for the exteriors of buildings and for pavements, whilst marble, due to its sensitivity to ultraviolet rays, is generally used for interiors. The demand for granite is therefore more cyclical, fluctuating with the cycles of the property and construction market, as it is widely used for the exteriors of commercial buildings. However, the demand for marble is more stable as it caters more for the residential market due to its enduring aesthetic appeal. The demand for marble is currently growing as it is gaining popularity as an interior furnishing material with residential property owners.

Stone World's market is therefore a niche market catering mainly to luxury residential properties and condominiums as well as commercial properties including hotels, office buildings, shopping malls and other types of commercial properties.

The table below shows the breakdown of the Stone World Group's turnover by domestic and export sales for the past four (4) financial years ended 31 December 1999 to 2002:-

Breakdown of Turnover by Domestic and Export Sales

	% of the Stone World Group's Total Turnover			
	1999	2000	2001	2002
Retail Sales				
- Domestic	34%	6%	28%	66%
- Export	25%	26%	14%	4%
	59%	32%	42%	70%
Project Sales				
- Domestic	41%	68%	58%	30%
	100%	100%	100%	100%

Source: Stone World

Note:-

Retail sales involve only the supply of dimension stone products, whereas project sales include the installation of the dimension stone products as well. Turnover from project sales was derived from domestic projects.

A list of some significant local and international projects that have been undertaken or tendered for by Stone World is set out in Sections 5.4.7 and 5.4.8 below. The company has successfully undertaken projects in Singapore, Brunei, the Philippines, Korea and Japan. Its principal markets are Malaysia, Singapore, Brunei, the Philippines, Japan, Thailand and Saudi Arabia.

As at 14 August 2003, Stone World has secured contracts worth approximately RM41.14 million, both locally and internationally, and has tendered for local and international projects worth approximately RM112.529 million. Stone World generally markets its products through two (2) channels i.e. direct marketing to existing and potential customers by its marketing team and referrals from its existing customers. As Stone World believes in its customer loyalty generating further sales through repeat orders and recommendations to other potential customers, the company has been focusing on providing the best products and service. This style of management has led even corporations as large as Samsung Corporation to partner Stone World in its building projects, such as the Wisma AIA, Jurong Town Council Headquarters and Philippine Bank Commercial Centre projects. For future prospects, Stone World is looking into conducting international exhibitions to boost its profile.

New projects in the local market are obtained by tendering and information on forthcoming tenders is obtained from the visits paid by the marketing staff to the architects involved in these projects and also through a local publication, Building & Construction Interchange Fit-Out Report - Malaysia. Currently, the marketing team of the Stone World Group comprises eight (8) persons and is poised for further additions. Stone World also has a prime showroom located along Jalan Tun Razak and plans are in store for the active promotion of its products and to raise awareness of the existence of its showroom.

Stone World has received a letter of commendation in 20 November 2000 from Samsung Corporation for the successful completion of the Jurong Town Council Headquarters project in Singapore ahead of schedule and for the selection of quality materials.

5.4.5 Sales and Marketing Strategies

(a) Sales

(i) Establish dealers network

The Stone World Group currently has no dealer network in Malaysia. Therefore, the Stone World Group plans to establish a tiling dealers network, which is an untapped market, particularly in the Klang Valley and other major cities, e.g. Johor Bahru, Penang and Kuching, and to establish the practice of providing an annual quantity discount scheme or incentive trips for the dealers.

(ii) Increase export sales

The Stone World Group plans to increase its participation in international trade fairs to create world market awareness of the Stone World Group, by establishing close liaison with the Malaysian External Trade Development Corporation ("MATRADE"), the MITI and the Federation of Malaysian Manufacturers ("FMM"), and by participating in trade directories.

(iii) Focus on the bungalows and renovation sector as project revenue from the private sector is expected to be slow

The Stone World Group plans to pay regular visits to the offices of architects and interior designers for updates on upcoming projects so as to identify projects that require the usage of stones within the next six (6) months. Visits to various town and city councils, as well as State and Jabatan Kerja Raya Headquarters for the lists of new projects are also planned for. The Stone World Group will recruit more sales staff, preferably with some experience in similar lines to achieve quicker results.

(iv) Organise annual warehouse sale

This is a way to dispose of slow-moving finished dimension stone products and it is hoped that it will attract customers to the warehouse sale into buying other products on display during the sale apart from those that are advertised.

(v) Value-added products

The Stone World Group plans for more creative uses, i.e. wastages to be converted to value-added products, e.g. special works of sculpture, dining/console/coffee tables, clocks etc.

(b) Marketing Support

(i) The convenience of a one-stop-centre for end-users, traders, distributors and specifiers

In order to raise market awareness of the existence of the Stone World Group's showroom, a strategy of more aggressive advertising in newspapers is planned for. Factory visits shall be arranged for main contractors and clients to convince them and gain their confidence.

(ii) Improve services to existing customers

An on-line support for existing customers shall be developed to assist them in instant checking of stock position and delivery status, and instant provision of commitment on production schedule and subsequently, the estimated time of delivery.

(iii) Update of projects list

Publications such as Building & Construction Interchange Fit-Out Report - Malaysia contain information on upcoming projects around the world that require dimension stone installation works. As such, subscription to such publications will enable Stone World to keep abreast with the latest information on projects and assist in its business development.

(iv) Improve services to specifiers

This shall be achieved through the accessibility of information from the internet – technical support, e.g. applications of various stones, installation methods, water repellents, design support via computer-aided design CAM-3D colour proposals, and accessibility to architects and housing developers throughout Malaysia via mail or news bulletins.

(v) Aggressive advertising and promotional support

The Stone World Group plans to have quarterly feature articles in local publications such as Majalah Akitek, Housing & Property, Building Journal, Building and Investment (“B&I”), and to participate in local trade fairs such as the Malaysian International Building and Construction Exposition (“MALBEX”).

(vi) Aggressive promotion in the Government sector

In view of the slow recovery of private projects, the Stone World Group plans to market itself to the Government sector as local public projects are in abundance, e.g. Cyberjaya and Putrajaya.

(vii) Subscribe for membership of Marble Institute of America (“MIA”)

As a member of the MIA, Stone World will be able to obtain the latest information on the world dimension stone industry and developments in the technology and techniques of stone cutting.

(viii) Visits to trade fairs/exhibitions overseas

Such visits are planned as an incentive tour for key staff to increase their product knowledge as well as keep abreast with worldwide stone products development.

5.4.6 Competitive Conditions

The level of competition in the local dimension stone industry is currently high. However, the directors of Stone World are of the view that the Stone World Group has been and will be in a favourable position to compete in the market due to the following factors:-

(a) Market Resilience

- (i) The Stone World Group's product mix, where one of the major product types, i.e. marble, has stable and recurring demand;
- (ii) Diversification of the Stone World Group's range of dimension stone products, especially into other value-added products such as special works of sculpture, dining/console/coffee tables, etc.;
- (iii) Ability to tap into international markets. The high quality of the Stone World Group's products will provide ease of entry into potential new markets; and
- (iv) Experienced management, which will provide a strong platform for the Stone World Group to diversify its market base, in addition to its large and established customer base.

(b) Market Access

Currently, the number of players in the local dimension stone industry has been reduced as the smaller and weaker players have perished in the last economic crisis, leaving the business to the more resilient manufacturers. Although the threat of new entrants exists, the dimension stone industry has significant barriers to entry, namely:-

(i) Capital-Intensive Nature/Production Capabilities

Value-added dimension stone products require sophisticated and advanced machinery to produce quality-controlled products and also to be able to enjoy certain economies of scale to compete effectively. Such high initial start-up costs relating to the acquisition and maintenance of machinery render it difficult for new players to break into the market and capture market share.

(ii) Expertise and Efficiency of Management

Substantial skill and experience are required to achieve profit maximisation and to increase market penetration. An experienced management team would be able to foresee the upcoming trends and tastes of customers, thereby enabling the company to cater to a larger clientele base. Furthermore, the acquisition of know-how in the business is a long learning curve.

(iii) Assurance of Supply and Pricing of Raw Materials

A new player in the industry would experience problems if it is not able to source an adequate and consistent supply of raw materials of a certain quality. Furthermore, a new entrant would not be able to enjoy favourable pricing from suppliers due to its small volume.

(iv) Intense Competition

The Stone World Group's reputation as a manufacturer of quality products and timely delivery has gained acceptance and confidence in the market. The costs of gaining a foothold in the market and continuous improvement in quality to capture the market from existing players may render it unfeasible for new entrants to attempt to penetrate the market.

5.4.7 Major Completed Projects

Details of the major projects completed by the Stone World Group as at 14 August 2003 are as follows:-

LOCAL PROJECTS	Client	Estimated Value (RM million)	Commencement Date	Completion Date
Kuala Lumpur Sentral Station	EKD Construction Sdn Bhd	25.10	25.08.1999	15.03.2000
Kuala Lumpur International Airport, Main Terminal Building/CP Project	Perspec-Taisei-Kajima Shimizu-Hazama Consortium	17.00	20.06.1994	02.06.1996
Wisma AIA Redevelopment Project, Jalan Ampang, Kuala Lumpur	Samsung Engineering & Construction (M) Sdn Bhd	5.70	30.09.1997	29.01.1999
Warisan Megah	Warisan Megah Sdn Bhd	5.00	01.06.1996	31.12.1996
Phileo Promenade	Euromarble & Granite Sdn Bhd	4.58	01.04.1996	31.12.1996
Phileo Damansara 1	Panbuilt Sdn Bhd	3.35	09.09.1996	30.04.1997
Menara Dion, Jalan Sultan Ismail, Kuala Lumpur	Dion Realities Sdn Bhd	3.13	02.01.1996	02.09.1996
RHB Bank Berhad Headquarters, Jalan Tun Razak, Kuala Lumpur	Hup Lee Construction Company Bhd	3.96	17.03.1995	31.12.1995
INTERNATIONAL SALES				
Jurong Town Council Headquarters, Singapore	Samsung Corporation (Engineering & Construction Group)	USD 2.11 million	01.11.1998	30.01.2000
PB Com Project, Philippine Bank Commercial Centre, Manila	Samsung Corporation (Engineering & Construction Group)	USD 0.74 million	February 1999	October 1999
Woodlands Neighbourhood 6 Contracts 18 and 19, Singapore	Ho Lee Construction Pte Ltd	SGD 1.049 million	October 2000	31.05.2001

5.4.8 Major On-going and Tendered Projects

As at 14 August 2003, the Stone World Group's major on-going and tendered projects are as follows:-

LOCAL PROJECTS	Client	Estimated Value (RM million)	Commencement / Expected Commencement Date	Expected Completion Date
<i>On-going</i>				
Berjaya Times Square, Jalan Imbi, Kuala Lumpur	LKH Trading Sdn Bhd	10.318	07.10.1999	31.08.2003
YTR Harta Building at Lot 288, Section 63, Kuala Lumpur	Hiap Aik Construction Berhad	3.23	15.11.2001	31.08.2003
YTR Harta Building at Lot 288, Section 63, Kuala Lumpur (remaining work - Hiap Aik Construction Bhd's portion)	Hiap Aik Construction Berhad (Special Administrators Appointed)	11.980	July 2003	December 2003
<i>Tendered</i>				
Supply and installation of stoneworks for the proposed Federal Hill Residential Development comprising condominiums, bungalows and townhouses at Jalan Travers, Kuala Lumpur	Obayashi Corporation	12.178	01.10.2003	30.11.2004
Supply and installation of stoneworks for UITM Project (Shah Alam): administrative buildings (23 storeys) and hotel (200 rooms)	Shimizu Corporation	8.871	01.01.2004	01.08.2004
Supply and installation of stoneworks for a proposed 6-storey private hospital with 3 levels of basement carpark at Jalan Tun Razak, Kuala Lumpur	Peremba Construction Berhad	12.399	01.12.2003	01.10.2004
Supply and installation of stoneworks for a proposed convention centre and hotel at Bukit Tinggi Resort, Mukim Bentong	KPK Quantity Surveyors (Semenanjung) Sdn Bhd	7.672	01.10.2003	01.06.2004
Supply and installation of stoneworks for the proposed Convention and Exhibition Centre at Kuala Lumpur City Centre (main building works)	Sunway Construction Bhd	5.00	15.08.2003	31.12.2004

INTERNATIONAL SALES	Client	Estimated Value (RM million)	Commencement / Expected Commencement Date	Expected Completion Date
<i>On-going</i>				
Proposed 32-storey National Trades Union Congress building at Raffles Quay/Marina Boulevard	Samsung Corporation – Tiong Seng Contractors (Pte) Ltd JV	6.06	15.01.2003	31.11.2003
Supply and delivery of granite/marble	JDC Corporation, Singapore	0.38	01.11.2002	22.02.2004
<i>Tendered</i>				
Supply and delivery of stoneworks for the Monetary Authority of Singapore Project in Singapore	Taisei Corporation, Singapore	1.746	31.10.2003	31.03.2004

5.4.9 Source and Availability of Raw Materials

Stone World generally sources its supply of stone blocks from foreign quarries, unless the customers specify their preference for local dimension stones. The stone blocks are mainly imported from Italy, Spain, India, South Africa, the United States of America and Greece.

Stone World has not experienced any vulnerability due to shortage of raw material supplies as they are found in abundance locally and internationally. Generally, foreign stone blocks are of higher quality and enjoy greater demand from customers.

5.4.10 Technological / Production Capabilities

The size of a company in the dimension stone industry is determined by the quantity of gangsaws in its plant. The management of the Stone World Group believes, based on industry knowledge, that Stone World's plant with eighteen (18) gangsaws is undoubtedly one of the largest in the South East Asian region.

The management of Stone World believes that Stone World has an edge over its competitors as its integrated processing plant in Pasir Gudang, Johor is equipped with technologically advanced machinery that enables the company to produce high quality products that meet international standards and with a fast turnover rate.

The plant has a built-up area of 19,620.93 sq. m. and is spread over sixteen (16) acres of land near Pasir Gudang Port. It became fully operational in April 1993. The plant is highly automated, as Stone World has invested approximately RM30 million in equipping the plant with state-of-the-art and technologically advanced cutting and polishing equipment purchased mainly from Italy. Stone World's investment in machinery and equipment, such as the eighteen (18) gangsaws, a high pressure water jet machine and a diamond-wire cutting machine, has enabled Stone World to increase the plant's efficiency and minimise wastage, and also to compete internationally.

The plant currently has a production capacity for granite slabs and tiles of 48,000 m² per month, marble slabs of 25,000 m² per month and marble tiles of 20,000 m² per month. There has been no change in the production capacity of the plant for the past five (5) years. The plant is currently operating at below its production capacity.

The following table sets out Stone World's annual production volume for the past five (5) financial years ended 31 December 1998 to 2002 and the six (6) months ended 30 June 2003.

	Production Volume (m ²)					
	1998	1999	2000	2001	2002	January – June 2003
Granite Random Slabs	3,614	2,556	1,486	2,407	1,169	1,079
Granite Cut-to-Size Tiles	16,931	20,729	49,872	15,655	40,081	9,977
Marble Random Slabs	580	214	5,198	2,431	1,855	375
Marble Cut-to-Size Tiles	5,631	3,545	7,136	13,393	20,082	9,943
Others	479	130	716	3,027	288	-

(Source: Stone World)

Note:-

The plant is currently operating at below its production capacity.

5.4.11 Production Process

Stone World's processing plant comprises four (4) sections, namely stockyard, granite processing, marble processing, and process water purifying and re-circulation. Raw materials, i.e. stone blocks, are transported from quarries all over the world either by chartered barges for large consignments or in containers for smaller consignments. The time taken for the raw materials to reach Stone World's plant varies from a few weeks up to three (3) months, depending on the country of origin. The materials are shipped to Pasir Gudang Port, which is located approximately 2 km away from the plant.

Upon reaching the plant, the stone blocks are thoroughly inspected to ensure that the dimensions of the blocks are correct and as stated in the invoices. The stone blocks are also inspected for any visible defects, e.g. cracks, mould, etc. and for colour tonality. Inspection reports are then prepared and submitted to the Director of Operations. The blocks are then stored in the stockyard, segregated into three (3) areas, i.e. "A" for immediate use, "B" for storage, and "C" for storage of blocks that weigh less than twenty-five (25) tons.

The first production process is the cutting of the blocks into slabs using gangsaws. The stone blocks are cemented onto trolleys and transported to the gangsaw area. The gangsaws operate 24 hours daily and the cutting time varies, depending on the hardness and size of the blocks: granite – four (4) to five (5) days; marble – one (1) day. The gangsaws are able to cut granite blocks into slabs of minimum thickness of ten (10) mm. However, for economical efficiency, the maximum thickness of granite slabs should not be more than sixty (60) mm.

At the commencement of and during the cutting process, the gangsaw operators have to pay attention to the conditions of the machines, the level and density of the steel grit mixture, and the tension of the cutting blades. The gangsaws cannot be stopped for more than three (3) hours as the accumulation of the steel grit mixture on the slabs can cause stains. After cutting, the slabs are immediately washed with water at high pressure to get rid of the steel grit on the surface of the slabs, and are inspected for their thickness or irregularities. For marble slabs, a layer of epoxy, i.e. epoxy netting, is applied onto the surface of the slabs, to touch up on any holes or defects. The slabs are then sent to the polishing machines for the subsequent process.

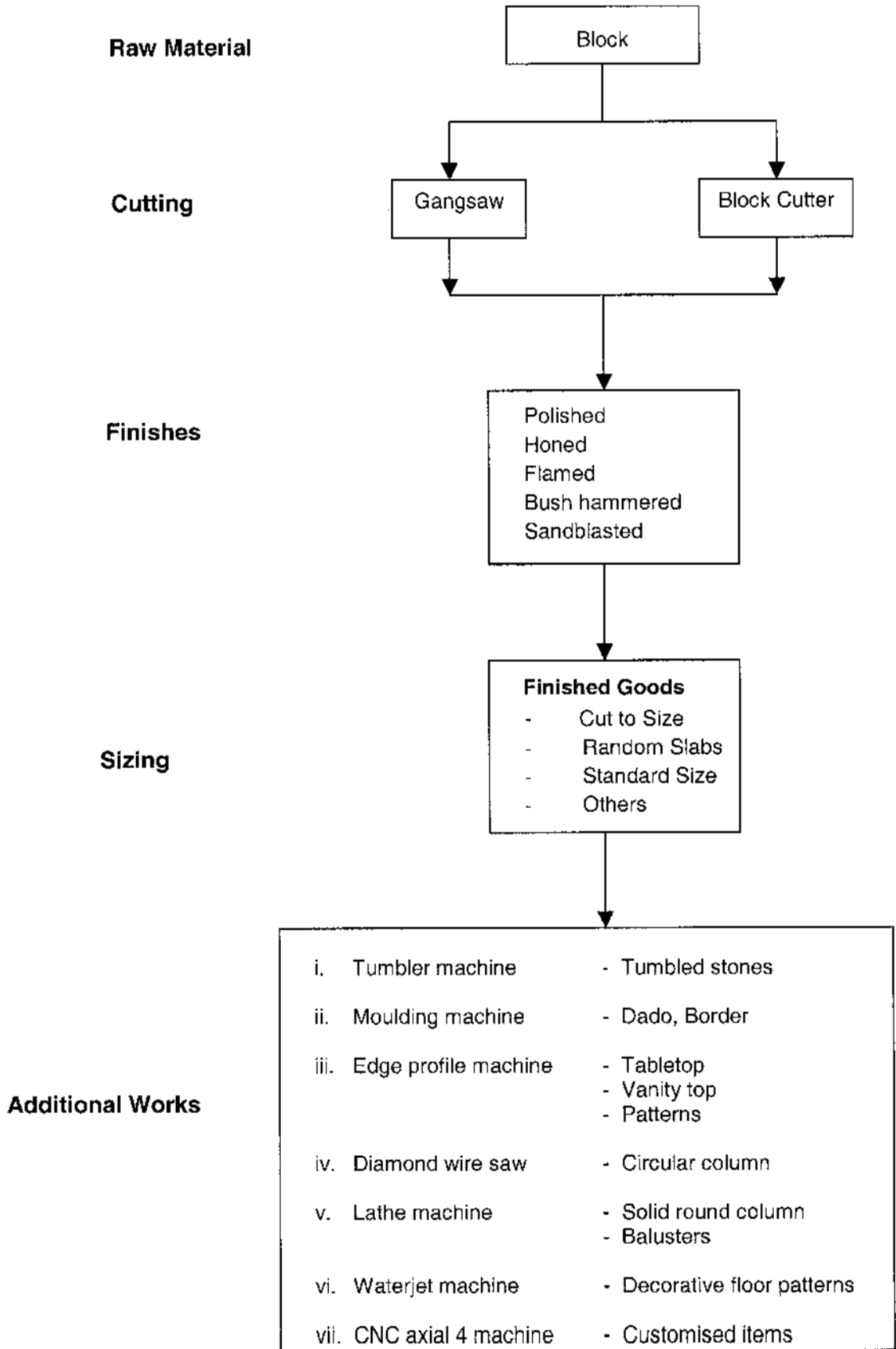
The rough slabs go through four (4) stages to get the polished end result, i.e. grinding, smoothing, polishing and shining. Slabs also go through processes such as flaming and hammering to produce special effects on the surface of the slabs. The flaming process is where the slabs are given high heat treatment and are then cooled quickly. The expansion and quick contraction gives the slabs a rough finish that is suitable for anti-slip paving. The hammering process is where the slabs are hammered rhythmically with special tools controlled by a pneumatic unit, leaving the surface with a rough, opaque finish that is suitable for outside paving, cladding and steps. These primary-cut and surface-treated slabs also go through secondary cuts whereby multiple cross-cut saws and/or bridge cutters are used to transform the slabs into cut-to-size panels, strips, tiles, etc. Special effects on these cut-to-size products such as chamfering and kerf cutting are also performed as requested by clients.

For tiles with thickness of 12 mm, the finished products are packed in polystyrene boxes to prevent scratches or contamination from pollutants in the air. Each box is packed with 10 to 12 tiles to conform to international standards on product quality. For slabs of varying thickness, the finished products are packed in wooden crates, with the weight of each crate not exceeding 1 to 2 tons. Each slab is separated from another by polystyrene sheet, to prevent scratches or contamination from pollutants in the air. Finally, the wooden crates are wrapped in plastic sheets to protect them against staining by rainwater and other contaminants prior to installation, and are ready for delivery.

The cost of raw materials is approximately 70% to 80% of the total production cost and this includes transportation costs. The cost of transportation may be up to 20% to 30% of the total cost of raw materials, depending on the country of origin of the stone blocks. Electricity cost is approximately 7% of the total production cost and the cost of processing is approximately 10% to 20% of the total production cost. The process water purifying and re-circulation system at the plant helps to minimise the consumption of water and significantly reduces environmental pollution as up to 80% of the recycled water is reused.

There is no order backlog as the plant is operating 24 hours daily. Bottle necks in processing do not exist as the machinery and equipment at the plant are configured correctly, and are strategically arranged and laid out so as to minimise time lost between processes.

A summary diagram showing the production processes is set out below:-



5.4.12 Product Quality and Assurance

At Stone World, quality assurance and quality control begin at the purchasing stage. Upon receiving a contract or an order, the company's trained purchasing personnel will source for the raw materials that will best fulfil the customer's requirements. These personnel will visit the relevant quarries to select the stone blocks.

Stone World has established strict quality assurance and quality control measures at every stage of the production process, to ensure that its products meet with the requirements of customers and also with the higher standards demanded by the international market. The accuracy of the dimensions of the stone products manufactured by Stone World adheres to international standards. Total inspection checklists are prepared for all projects undertaken. With these procedures, Stone World is able to command higher prices for its products.

Manuals on stone maintenance procedures are also prepared and provided to the customers, customising the procedures to suit the types of dimension stones and finishes for each project. An additional stock of 2% of the stones used for each completed project is kept at the stockyard to cater for cases of emergency, e.g. damage to the dimension stone products after installation. The Stone World Group is planning to seek international accreditation, namely the International Organisation for Standardisation ("ISO") 9000 series, for the quality of its products. A working committee has been set up to achieve the ISO 9002 accreditation.

5.4.13 Major Customers**Financial Year Ended 31 December 2002**

For the financial year ended 31 December 2002, the customers who individually contributed more than 10% of the Stone World Group's total turnover were as follows:-

Name	Project	Contribution to Group Turnover		Length of Relationship (Years)
		RM	%	
Major Team Builders Sdn Bhd	Retail Sales	8,007,568	33.02	6
Hiap Aik Construction Berhad	YTR Harta Building	3,921,252	16.17	1
		<u>11,928,820</u>	<u>49.19</u>	

For the financial year ended 31 December 2002, the Stone World Group's ten (10) largest customers were as follows:-

Name	Project	Contribution to Group Turnover		Length of Relationship (Years)
		RM	%	
Major Team Builders Sdn Bhd	Retail Sales	8,007,568	33.02	6
Hiap Aik Construction Berhad	YTR Harta Building	3,921,252	16.17	1
Brunsfeld Engineering Sdn Bhd	Naza Showroom	1,224,468	5.05	1
Makassar Sdn Bhd	Bungalow on Lot 6277, Lorong Tinggian Tunku, Mukim Batu, Kuala Lumpur	715,769	2.95	1.5
Hokusyu Bussan Co Ltd	Retail Sales	588,234	2.43	2.5
Ireka Engineering & Construction Sdn Bhd	Wisma AIA Refurbishment	567,817	2.34	1
Prestige Builder Sdn Bhd	Bungalows on Lot 50358, Mukim Kuala Lumpur	531,681	2.19	1
LKH Trading Sdn Bhd	Berjaya Times Square	513,450	2.12	5
GR Technic Sdn Bhd	Retail Sales	214,925	0.89	1
Teck Lee Holding Pte Ltd	Retail Sales	214,255	0.88	2
		<u>16,499,419</u>	<u>68.04</u>	

Five (5) Months Ended 31 May 2003

For the five (5) months ended 31 May 2003, the customers who individually contributed more than 10% of the Stone World Group's total turnover were as follows:-

Name	Project	Contribution to Group Turnover		Length of Relationship (Years)
		RM	%	
Major Team Builders Sdn Bhd	Retail Sales	7,801,076	49.59	6.5
Hiap Aik Construction Berhad	YTR Harta Building	1,916,633	12.18	1.5
		<u>9,717,709</u>	<u>61.77</u>	

For the five (5) months ended 31 May 2003, the Stone World Group's ten (10) largest customers were as follows:-

Name	Project	Contribution to Group Turnover		Length of Relationship (Years)
		RM	%	
Major Team Builders Sdn Bhd	Retail Sales	7,801,076	49.59	6.5
Hiap Aik Construction Berhad	YTR Harta Building	1,916,633	12.18	1.5
Samsung Corporation – Tiong Seng Contractors (Pte) Ltd. J.V.	National Trades Union Congress Building	1,222,406	7.77	4.5
Taisei Corporation	Lot 12, Jalan Palong, The Mines Resort City, Kuala Lumpur	710,055	4.51	9
LKH Trading Sdn Bhd	Berjaya Times Square	640,095	4.07	5.5
Prestige Builder Sdn Bhd	Bungalows on Lot 50358, Mukim Kuala Lumpur	575,277	3.66	1.5
Ireka Engineering & Construction Sdn Bhd	Wisma AIA Refurbishment	524,762	3.34	1.5
GR Technic Sdn Bhd	Retail Sales	502,316	3.19	1.5
K W Chong	Bungalow at Tropicana Resort	288,614	1.83	1
Daewoo Engineering & Construction Sdn Bhd	Apartment on PT Lot 15A, Section 89A, Kuala Lumpur	252,509	1.61	1
		<u>14,433,743</u>	<u>91.75</u>	

Due to the nature of the Stone World Group's business and the industry in which it operates, project sales are usually the main contributor to the total turnover of the Stone World Group, and the concentration of turnover from the major customers in each of the financial periods shown above illustrates this. However, the Stone World Group has an extensive network of existing and potential customers and the major customers in each financial period are likely to vary depending on the size and duration of their projects. The Stone World Group is also targeting to vary its business mix to give greater emphasis to retail sales, which yield higher margins and faster collections than project sales. The Stone World Group is therefore not overly dependent on any major customers.

5.4.14 Major Suppliers**Financial Year Ended 31 December 2002**

For the financial year ended 31 December 2002, there are no suppliers who individually supplied more than 10% of the Stone World Group's total purchases.

For the financial year ended 31 December 2002, the Stone World Group's ten (10) largest suppliers were as follows:-

Name	Country	Contribution to Group Purchases		Length of Relationship (Years)
		RM	%	
Tre Emme Import-Export SRL	Italy	594,955	6.69	2.5
Marmi Bruno Zanet SRL	Italy	525,216	5.90	6
David Fernandez Grande SL	Spain	362,511	4.07	8
Eredi Martinelli Marmi E Graniti SPA	Italy	345,900	3.89	2
Farasouy Co Ltd	Iran	289,373	3.25	2
Gransla Impex Pvt Ltd	India	287,157	3.23	1
DMX Asia Pte Ltd	Singapore	254,417	2.86	7
Seoul Shot Ind Co Ltd	Korea	215,844	2.43	7
Orion Network Sdn Bhd	Malaysia	193,802	2.18	4
Romanense De Marmoles SL	Spain	178,556	2.01	3
		<u>3,247,731</u>	<u>36.51</u>	

Five (5) Months Ended 31 May 2003

For the five (5) months ended 31 May 2003, the supplier who individually supplied more than 10% of the Stone World Group's total purchases was as follows:-

Name	Country	Contribution to Group Purchases		Length of Relationship (Years)
		RM	%	
Marble & Granite Intl Co Ltd	Saudi Arabia	776,706	14.13	8

For the five (5) months ended 31 May 2003, the Stone World Group's ten (10) largest suppliers were as follows:-

Name	Country	Contribution to Group Purchases		Length of Relationship (Years)
		RM	%	
Marble & Granite Intl Co Ltd	Saudi Arabia	776,706	14.13	8
Tre Emme Import-Export SRL	Italy	475,150	8.64	2.5
Marmi Bruno Zanet SRL	Italy	413,700	7.53	6
Noor East Co. Import & Export Ltd	Egypt	310,994	5.66	1
Gransla Impex Pvt Ltd	India	273,541	4.98	1
Eredi Martinelli Marmi E Graniti SPA	Italy	195,205	3.55	2
Sor Marmi Di Sorsoli Luigi & C SRL	Italy	120,460	2.19	6
DMX Asia Pte Ltd	Singapore	85,289	1.55	7
Diamant-D SPA	Italy	73,853	1.34	7
Seoul Shot Ind Co Ltd	Korea	71,915	1.31	7
		<u>2,796,813</u>	<u>50.88</u>	

The Stone World Group is not reliant on any particular suppliers as it has been able to secure a consistent supply of raw materials for its operations at relatively stable prices from various quarries around the world.

5.4.15 Employees

As at 14 August 2003, the Stone World Group had 176 employees. The employees do not belong to any union. The Stone World Group has not experienced any work stoppages and has enjoyed good relationships with its employees.

The employment structure of the Stone World Group as at 14 August 2003 is as follows:-

Category of Employees	Number	%	Average Length of Service (Years)
Managerial and professional	9	5.1	7
Technical and supervisory	24	13.6	5
Clerical and related occupations	5	2.8	3
General workers	11	6.2	2
Factory workers – Permanent	93	53.0	1
– Contractual workers	34	19.3	1
Total	<u>176</u>	<u>100.0</u>	

The Stone World Group actively promotes the training and development of the skills of its employees through on-the-job training and by sending them to seminars, courses and exhibitions.

As at 14 August 2003, MTHB had one (1) employee, being the Chief Executive Officer, and Kiara Emas had three (3) employees, being the Group Executive Director, a secretary and a chauffeur.

5.4.16 Operating Licences

Stone World holds a manufacturing licence issued by the MITI. The equity conditions attached to the licence are as follows:-

- (a) At least 80% of the company's Shares must be held by Malaysians including at least 30% to be reserved for Bumiputras;
- (b) Shares held by foreigners cannot be sold without the MITI's prior written approval; and
- (c) The composition of the Board of Directors must generally reflect the company's equity structure, and the MITI must be informed of any appointment or change in the Board of Directors.

The approval of the MITI for the Restructuring Scheme, which was obtained on 28 August 2002, is subject to the condition that Stone World shall consult the MITI to fulfil its equity conditions within three (3) years from the date of the MITI's approval. As at the date of this Prospectus, Stone World has yet to comply with the requirement to have 30% Bumiputra shareholding.

5.4.17 Interruptions in Operations

There have been no interruptions in the Stone World Group's business that have had a significant effect on its operations during the past twelve (12) months preceding 14 August 2003 (being the latest practicable date prior to the printing of this Prospectus).

5.5 Future Plans, Strategies and Prospects

5.5.1 Future Plans and Strategies

The short-term objective of the Stone World Group is to establish its reputation as a quality manufacturer and installer of stone products on a regional basis. This has been achieved as demonstrated by its list of completed and on-going significant local and international projects.

The shift in Stone World's marketing strategy to focus on retail sales is expected to translate into higher profitability. The higher gross margin will be achieved through sales of made-to-order quality stones to high-end buyers who are willing to pay a premium for customised designs.

The management of Stone World has undertaken a new marketing approach whereby the company will tie up with developers of bungalow projects and residential properties to supply stoneworks for the construction of the properties. Under this arrangement, property buyers are given the option of retaining the existing construction materials used or opting for higher quality alternatives by paying an additional sum for the upgrade. The company expects to receive substantial orders from property buyers under such tie-ups with developers.

Participation in local construction trade fairs such as the Malaysian International Building and Construction Exposition ("MALBEX") and Home Owners' Fair is another marketing strategy that is being given greater emphasis by the company. Such fairs are expected to give the company and its products greater coverage in the retail market.

To complement Stone World's business plans, one of its marketing strategies is to emphasise on advertising and promotion. In this respect, greater awareness is created for the company and its products through media coverage in the national newspapers. In addition, the company plans to conduct promotions through profile write-ups in trade magazines and other related magazines.

The company's internet website is another tool to be developed to enhance its corporate image and products, both in the local and international market. This will create greater exposure for the company both locally and internationally. Stone World also plans to obtain the ISO 9000 series certification for its factory operations and the SIRIM certification for its products. In addition, global sales are an area that the company is looking at to re-focus its strategy. This will contribute significantly to cash inflow as the business will be conducted via letter of credit.

Currently, Stone World purchases processed stone products from quarries on a selective basis. Such products are cut to size for use in bungalow projects. Where available, such processed stone products are sometimes cheaper in terms of cost as compared to purchasing raw stone blocks and processing them into the finished products. Apart from lowering manufacturing costs as a whole, buying processed stone products also significantly reduces the risk of purchasing stone blocks with internal defects and thus reduces wastage.

With the government's emphasis on the development of Putrajaya and Cyberjaya, opportunities are present for Stone World to participate in tenders for government projects. This is another market being looked at to enhance sales.

Overall, the above strategies are expected to establish Stone World as a major player both locally and regionally in the dimension stone market, and to promote and enhance the company's corporate image.

A detailed discussion of the Stone World Group's sales and marketing strategies is set out in Section 5.4.5 above.

5.5.2 Management Succession Plan

The Stone World Group is headed by Mr. Wong Thiam Loy, who is an enterprising and successful businessman with extensive experience in real estate development and the construction of commercial and residential properties.

Mr. Wong Thiam Loy is the architect and visionary of the business plans of the Stone World Group. He is supported by a qualified and experienced team of functional managers who have previous working relationships with him. The continued success of the Stone World Group will largely depend on the abilities and continued contributions of its senior management and key skilled personnel. The departure of some of these key members of the organisation may temporarily and adversely affect the Stone World Group's continued ability to compete and maintain its market position. Therefore, effort is continuously being made to attract and retain skilled and experienced staff through competitive remuneration, a conducive working environment and good human resource management. With these efforts, the Stone World Group is reasonably confident that the competent younger members of the management team will be able to assume the role of their seniors smoothly and effectively in due course.

Mr. Wong Kok Foong, aged 26, the son of Mr. Wong Thiam Loy, is also being trained for succession purposes. He is the Assistant Operations Manager, with over six (6) years of extensive experience in the business operations of Stone World. He started as a Production Supervisor in November 1996 and received on-the-job training in the factory from the expatriate Operations Director, Mr. Kang Seok Sik. He gained extensive hands-on experience in the entire manufacturing process from raw material requisition to final product delivery. In addition, he was also exposed to human resource management in the production process.

In February 2000, he successfully completed a course on computer-aided design (“CAD”) at Informatics Institute, Johor Bahru, in order to gain technical skills in structural drawings. He was then promoted to Production and General Affairs Executive in April 2000. Under the guidance of the Operations Director, he was taught skills in rough blocks inspection, grading and commercial valuation. This was followed by an overseas trip in April 2002 with the Operations Director to Italy, Spain and Portugal for quarry visits and rough blocks inspection. As a Production and General Affairs Executive, he was responsible for the general administration and accounting functions at the factory.

In July 2002, he was further promoted to Assistant Operations Manager, with increased responsibilities including supervision of the personnel, shipping, accounting and purchasing functions. With his hands-on experience and personal commitment and the active guidance of the Operations Director, he will be fully trained to assume the key leadership role in due course.

5.6 Details of Landed Properties

On 22 June 1992, Stone World had entered into a Lease Agreement with Perbadanan Kemajuan Ekonomi Negeri Johor (“PKENJ”), whereby Stone World had agreed to accept from PKENJ a lease over all that piece of land identified as Lot No. PLO 466, Jalan Gangsa, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor (“Land”), for a period of thirty (30) years, commencing on 4 December 1992 and expiring on 3 December 2022, for a total consideration of RM5,590,915, with an option to renew for a further period of thirty (30) years upon the same terms and conditions as the existing lease, save and except for the lease consideration.

The Land has an area of 64,750 sq. m. Erected on it is the Group’s stone processing plant, which has a built-up area of 19,620.93 sq. m. and is approximately 10.5 years of age. The plant became fully operational in April 1993. It was issued with a Certificate of Fitness for Occupation on 26 January 1996.

The Land and the factory buildings have been charged to RHB Bank Berhad to secure credit facilities granted to Stone World. Based on the audited balance sheet of Stone World as at 31 May 2003, the net book value of the Land was RM19.371 million while the net book value of the factory buildings was RM17.562 million.